

CITY OF WHITEHOUSE, TEXAS

**BASIC FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY and OTHER
INFORMATION**

FISCAL YEAR ENDED SEPTEMBER 30, 2012

Gollob Morgan Peddy PC
CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF WHITEHOUSE, TEXAS

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of 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 City of Whitehouse, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Whitehouse, Texas's management. Our responsibility is to express opinions 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 the 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof 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 31, 2013, on our consideration of the City of Whitehouse, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 17 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Whitehouse, Texas's financial statements 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 financial statements. This financial information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
January 31, 2013

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, 2012.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$ 9,702,302 (net assets). Of this amount \$2,120,510 (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 \$320,394.
- The total net assets of \$9,702,302 are made up of \$7,548,141 in capital assets net of related debt and \$2,154,161 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, and streets and drainage.

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, 2012 the City's assets exceeded liabilities by \$9,702,302.

By far the largest portion of the City's net assets (\$7,548,141) 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 \$517,768 during the current year primarily due to the refunding of related debt. 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 (\$2,120,510) increased by \$156,947 during the year.

City of Whitehouse's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 464,297	\$ 479,880	\$ 2,201,015	\$ 1,927,309	\$ 2,665,312	\$ 2,407,189
Capital assets	7,860,719	7,925,445	19,027,620	19,660,219	26,888,339	27,585,664
Total Assets	8,325,016	8,405,325	21,228,635	21,587,528	29,553,651	29,992,853
Current liabilities	91,094	139,353	373,989	414,779	465,083	554,132
Non current liabilities	2,491,068	4,005,755	16,895,198	16,414,000	19,386,266	20,419,755
Total Liabilities	2,582,162	4,145,108	17,269,187	16,828,779	19,851,349	20,973,887
Net invested in						
capital assets	5,415,719	3,799,329	2,132,422	3,231,044	7,548,141	7,030,373
Restricted	33,651	25,030	-	-	33,651	25,030
Unrestricted	293,484	435,858	1,827,026	1,527,705	2,120,510	1,963,563
Total Net Assets	\$ 5,742,854	\$ 4,260,217	\$ 3,959,448	\$ 4,758,749	\$ 9,702,302	\$ 9,018,966

Governmental activities. During the current year the governmental activities had an increase in net assets of \$1,482,637 which represented a \$1,282,297 increase from the previous year.

The increase from the prior year came primarily from an increase in the transfers received from the business-type activities.

Business-type activities. The City had a \$756,908 decrease in net assets for its business-type activities during the year. This is down by \$1,734,090 from the previous year. The decrease is primarily due to an increase in transfers to governmental activities.

City of Whitehouse's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Charges for services	\$ 1,141,894	\$ 1,149,503	\$ 2,864,489	\$ 3,128,039	\$ 4,006,383	\$ 4,277,542
Capital grants and contributions	-	85,853	-	-	-	85,853
General revenue:						
Property taxes	1,630,070	1,620,744	774,702	802,070	2,404,772	2,422,814
Franchise taxes	323,180	302,948	-	-	323,180	302,948
Sales taxes	682,880	674,200	-	-	682,880	674,200
Gain (loss) on sale of assets	(113,023)	8,040	-	-	(113,023)	8,040
Interest income	16,243	13,242	2,393	2,177	18,636	15,419
Total revenues	3,681,244	3,854,530	3,641,584	3,932,286	7,322,828	7,786,816
Expenses:						
General government	518,455	522,319	-	-	518,455	522,319
Public safety	1,956,513	1,874,182	-	-	1,956,513	1,874,182
Community development	1,006,842	953,581	-	-	1,006,842	953,581
Parks and recreation	131,071	61,291	-	-	131,071	61,291
Interest	144,612	163,641	-	-	144,612	163,641
Water and sewer operations	-	-	2,839,606	3,034,280	2,839,606	3,034,280
Total expenses	3,757,493	3,575,014	2,839,606	3,034,280	6,597,099	6,609,294
Transfers	1,558,886	(79,176)	(1,558,886)	79,176	-	-
Change in net assets	1,482,637	200,340	(756,908)	977,182	725,729	1,177,522
Prior Period Adjustment	-	-	(42,393)	-	(42,393)	-
Net assets beginning of year,	4,260,217	4,059,877	4,758,749	3,781,567	9,018,966	7,841,444
Net Assets End of Year	\$ 5,742,854	\$ 4,260,217	\$ 3,959,448	\$ 4,758,749	\$ 9,702,302	\$ 9,018,966

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 \$320,394. The total fund balance for the governmental funds increased by \$26,091 during the year, which was mostly due to an increase in revenues and transfers in for the General Fund.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net assets of the proprietary fund amounted to \$1,827,026 at year end as compared to \$1,527,705 at the end of the prior year.

General Fund Budgetary Highlights

Over the year, the City of Whitehouse did make budget amendments to its original budget. Revenues were \$123,387 under budget while expenditures were under budget by \$274,999. After considering operating transfers, the City had a favorable variance of \$659,627 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, 2012, amounts to \$7,548,141 net of accumulated depreciation and related debt. This investment in capital assets includes land, buildings, machinery and equipment, water and sewer systems and infrastructure. The biggest change during the current year was the City's construction of a splash park and the refunding of existing debt. The total net decrease in the City's investment in fixed assets for the current year (see Note 4C) was \$697,325.

City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 128,782	\$ 128,782	\$ 25,000	\$ 25,000	\$ 153,782	\$ 153,782
Easements	-	-	7,800	7,800	7,800	7,800
Construction in progress	-	-	-	77,581	-	77,581
Buildings and improvements	2,109,622	1,951,519	114,272	122,934	2,223,894	2,074,453
Water and sewer system Infrastructure	-	-	18,748,105	19,293,435	18,748,105	19,293,435
	5,255,983	5,401,572	-	-	5,255,983	5,401,572
Machinery and equipment	366,332	443,572	132,443	133,469	498,775	577,041
Total	\$ 7,860,719	\$ 7,925,445	\$ 19,027,620	\$ 19,660,219	\$ 26,888,339	\$ 27,585,664

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 issued \$9,730,000 in Series 2012 Limited Tax Refunding Bonds. The proceeds of the bond were used for current and advance refunding of existing debt. After refunding \$1,447,000 of existing debt, defeasing \$7,391,556 of existing debt, and principal payments of \$1,030,444 were made against debt during the year, the City had total debt outstanding of \$19,386,266 at the end of the fiscal year. Additional information on the Series 2012 refunding issue can be found in Note 4F.

City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 2,445,000	\$ 3,925,000	\$ -	\$ -	\$ 2,445,000	\$ 3,925,000
Notes Payable	-	-	-	-	-	-
Compensated absences	46,068	80,755	-	-	46,068	80,755
Revenue bonds and Certificates of obligation	-	-	16,895,198	16,414,000	16,895,198	16,414,000
Total	\$ 2,491,068	\$ 4,005,755	\$ 16,895,198	\$ 16,414,000	\$ 19,386,266	\$ 20,419,755

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

Economic Factors and Next Year's Budgets and Rates

Economic trends in the City continue to reflect a more favorable outlook than the national average. New residential construction continues to recover and this year's outlook is expected to continue on a steady climb, the same as last year. A 10,000 square foot retail warehouse was just completed, a 12,000 square foot retail warehouse is currently being constructed and a 52,000 square foot warehouse proposition is currently on the table. These proposed commercial and current residential construction, as they are completed, will provide increases in property tax and sales tax revenue as well as creating a significant number of new jobs.

Proposed construction and development factors were not considered in the preparation of the City's budget and tax rate of \$ 0.672110 per \$100.00 property valuation for the 2012/2013 fiscal year.

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 20,238	\$ 1,140,797	\$ 1,161,035
Receivables (net of allowance for doubtful accounts)	280,077	597,632	877,709
Internal balances	139,415	(139,415)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	24	211,435	211,459
Water rights - Lake Columbia	-	230,000	230,000
Bond issue costs (net)	24,543	160,566	185,109
Capital Assets (net of accumulated depreciation):			
Land	128,782	25,000	153,782
Easements	-	7,800	7,800
Buildings and improvements	2,109,622	114,272	2,223,894
Infrastructure	5,255,983	-	5,255,983
Machinery and equipment	366,332	105,833	472,165
Water and sewer system	-	18,774,715	18,774,715
Total Assets	8,325,016	21,228,635	29,553,651
LIABILITIES			
Accounts payable	78,105	23,364	101,469
Deposits and other refundable balances	-	211,435	211,435
Deferred revenue	-	82,639	82,639
Accrued interest	12,989	56,551	69,540
Non-current liabilities:			
Due within one year	134,607	855,000	989,607
Due in more than one year	2,356,461	16,040,198	18,396,659
Total Liabilities	2,582,162	17,269,187	19,851,349
NET ASSETS			
Investment in capital assets, net of related debt	5,415,719	2,132,422	7,548,141
Restricted for:			
Police forfeitures	24	-	24
PEG Channel	18,648	-	18,648
Debt service	14,979	-	14,979
Unrestricted	293,484	1,827,026	2,120,510
Total Net Assets	\$ 5,742,854	\$ 3,959,448	\$ 9,702,302

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, 2012**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS- TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 518,455	\$ 73,217	\$ -	\$ (445,238)	\$ -	\$ (445,238)
Public safety	1,956,513	335,613	-	(1,620,900)	-	(1,620,900)
Community development	1,006,842	696,125	-	(310,717)	-	(310,717)
Parks and recreation	131,071	36,939	-	(94,132)	-	(94,132)
Interest	144,612	-	-	(144,612)	-	(144,612)
Total governmental activities	3,757,493	1,141,894	-	(2,615,599)	-	(2,615,599)
Business-type activities:						
Water and sewer	2,839,606	2,864,489	-	-	24,883	24,883
Total business-type activities	2,839,606	2,864,489	-	-	24,883	24,883
Total primary government	\$ 6,597,099	\$ 4,006,383	\$ -	(2,615,599)	24,883	(2,590,716)
General revenues:						
Property taxes				1,630,070	774,702	2,404,772
Franchise taxes				323,180	-	323,180
Sales and use taxes				682,880	-	682,880
Loss on sale of assets				(113,023)	-	(113,023)
Interest and rent				16,243	2,393	18,636
Transfers				1,558,886	(1,558,886)	-
Total general revenues and transfers				4,098,236	(781,791)	3,316,445
Change in net assets				1,482,637	(756,908)	725,729
Net assets - beginning of year, as originally stated				4,260,217	4,758,749	9,018,966
Prior period adjustment (Note 11)				-	(42,393)	(42,393)
Net assets - beginning of year, as restated				4,260,217	4,716,356	8,976,573
Net assets - end of year				\$ 5,742,854	\$ 3,959,448	\$ 9,702,302

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	MAJOR FUNDS			ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS		
ASSETS					
Cash and investments	\$ 1,590	\$ -	\$ 18,648	\$ -	\$ 20,238
Receivables:					
Property taxes	55,511	-	-	-	55,511
Sales taxes	106,688	-	-	-	106,688
Street assessments	-	-	24,167	-	24,167
Charges for services	116,644	-	-	-	116,644
Restricted Assets:					
Temporarily restricted					
Cash and cash equivalents	-	-	24	-	24
Due from other funds	114,286	119,325	698	(94,894)	139,415
Bond issue costs (net)	-	-	24,543	-	24,543
Total Assets	<u>\$ 394,719</u>	<u>\$ 119,325</u>	<u>\$ 68,080</u>	<u>\$ (94,894)</u>	<u>\$ 487,230</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	78,106	-	-	-	78,106
Due to other funds	-	94,894	-	(94,894)	-
Deferred revenue	55,111	9,452	24,167	-	88,730
Total Liabilities	<u>133,217</u>	<u>104,346</u>	<u>24,167</u>	<u>(94,894)</u>	<u>166,836</u>
Fund Balances:					
Restricted:					
Police forfeitures	-	-	24	-	24
PEG channel	-	-	18,648	-	18,648
Debt Service	-	14,979	-	-	14,979
Total Restricted	-	14,979	18,672	-	33,651
Assigned:					
Capital Projects	-	-	25,241	-	25,241
Unassigned	261,502	-	-	-	261,502
Total Fund Balances	<u>261,502</u>	<u>14,979</u>	<u>43,913</u>	<u>-</u>	<u>320,394</u>
Total Liabilities and Fund Balances	<u>\$ 394,719</u>	<u>\$ 119,325</u>	<u>\$ 68,080</u>	<u>\$ (94,894)</u>	

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

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)	\$ 320,394
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	7,860,719
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	65,798
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	(12,989)
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>(2,491,068)</u>
Net Assets of governmental activities	<u>\$ 5,742,854</u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
REVENUES					
Current and delinquent taxes	\$ 1,069,347	\$ 558,722	\$ -	\$ -	\$ 1,628,069
Fines and forfeitures	335,613	-	-	-	335,613
Licenses and permits	7,848	-	-	-	7,848
Franchise taxes	304,548	-	18,632	-	323,180
Sales taxes - regular	425,188	-	-	-	425,188
Sales taxes - additional 1/2 cent	212,594	-	-	-	212,594
Sales tax fees	45,098	-	-	-	45,098
Solid waste collections	656,059	-	-	-	656,059
Zoning and platting fees	290	-	-	-	290
Splash Pad	27,382	-	-	-	27,382
Concession Stand	9,557	-	-	-	9,557
Intergovernmental revenue	41,935	-	-	-	41,935
Interest and rent	15,274	946	23	-	16,243
Miscellaneous income	65,079	-	-	-	65,079
Total Revenues	3,215,812	559,668	18,655	-	3,794,135
EXPENDITURES					
Legislative	37,399	-	-	-	37,399
General administration	275,843	-	-	-	275,843
Treasury and financial	72,221	-	-	-	72,221
Tax appraisal and collections	42,574	-	-	-	42,574
Municipal court	429,089	-	-	-	429,089
Library	43,500	-	-	-	43,500
Parks/recreation	127,210	-	-	-	127,210
Community development	37,606	-	-	-	37,606
Street and ground maintenance	161,920	-	-	-	161,920
Communication center	155,986	-	-	-	155,986
Police	1,131,222	-	-	-	1,131,222
Animal control	51,886	-	-	-	51,886
Fire	122,645	-	-	-	122,645
Sanitation	564,148	-	-	-	564,148
Debt service:					
Bond principal	-	1,480,000	-	-	1,480,000
Interest and fees	-	151,066	-	-	151,066
Capital outlay	445,601	-	-	-	445,601
Total Expenditures	3,698,850	1,631,066	-	-	5,329,916
Revenues Over (Under) Expenditures	\$ (483,038)	\$ (1,071,398)	\$ 18,655	\$ -	\$ (1,535,781)

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

	MAJOR FUNDS		OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE			
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 497,621	\$ 1,197,322	\$ -	\$ (8,527)	\$ 1,686,416
Transfers out	-	(127,530)	(8,527)	8,527	(127,530)
Sale of assets	20,177	-	-	-	20,177
Amortization	-	-	(17,191)	-	(17,191)
Total Other Financing Sources (Uses)	517,798	1,069,792	(25,718)	-	1,561,872
Net Change in Fund Balances	34,760	(1,606)	(7,063)	-	26,091
Fund Balance, October 1, 2011	226,742	16,585	50,976	-	294,303
Fund Balance, September 30, 2012	\$ 261,502	\$ 14,979	\$ 43,913	\$ -	\$ 320,394

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

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, 2012

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

Net change in fund balances - total governmental funds	\$	26,091
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 capital outlay exceeded depreciation in the current period.		85,730
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.		(150,324)
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.		1,521,140
Change in net assets of governmental activities	\$	1,482,637

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, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent taxes	\$ 1,059,868	\$ 1,059,868	\$ 1,069,347	\$ 9,479
Fines and forfeitures	390,652	390,652	335,613	(55,039)
Licenses and permits	6,600	6,600	7,848	1,248
Franchise taxes	295,000	276,471	304,548	28,077
Sales taxes - regular	413,679	413,679	425,188	11,509
Sales taxes - additional 1/2 cent	206,840	206,840	212,594	5,754
Sales tax fees	44,750	44,750	45,098	348
Solid waste collections	652,793	652,793	658,719	5,926
Zoning and platting fees	250	250	290	40
Splash Pad	54,600	54,600	27,382	(27,218)
Concession stand	81,900	81,900	9,557	(72,343)
Intergovernmental revenue	83,346	83,346	41,935	(41,411)
Interest and rent	13,100	13,100	15,274	2,174
Miscellaneous income	57,010	57,010	65,079	8,069
Total Revenues	3,360,388	3,341,859	3,218,472	(123,387)
EXPENDITURES				
Legislative	32,678	32,678	37,399	(4,721)
General administration	343,394	343,394	323,286	20,108
Treasury and financial	72,558	72,558	71,497	1,061
Tax appraisal and collections	43,151	43,151	42,574	577
Municipal court	535,740	498,740	469,527	29,213
Library	43,500	43,500	43,500	-
Parks/recreation	255,567	389,970	349,304	40,666
Community development	44,643	44,643	37,493	7,150
Street and ground maintenance	200,578	200,578	198,006	2,572
Communication center	220,173	211,716	155,986	55,730
Police	1,273,434	1,339,434	1,230,078	109,356
Animal control	62,488	62,488	51,717	10,771
Fire	120,000	120,000	120,000	-
Sanitation	566,376	566,376	563,860	2,516
Debt Service	55,850	-	-	-
Total Expenditures	3,870,130	3,969,226	3,694,227	274,999
Revenues Over (Under) Expenditures	(509,742)	(627,367)	(475,755)	151,612
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	489,094	489,094
Sale of assets	2,500	2,500	20,177	17,677
Total Other Financing Sources (Uses)	2,500	2,500	509,271	506,771
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(507,242)	(624,867)	33,516	658,383
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	1,244	1,244
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	\$ (507,242)	\$ (624,867)	\$ 34,760	\$ 659,627

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, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund Balance, October 1, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,742</u>	<u>\$ 226,742</u>
Fund Balance, September 30, 2012	<u>\$ (507,242)</u>	<u>\$ (624,867)</u>	<u>\$ 261,502</u>	<u>\$ 886,369</u>

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

Basis Presentation:

Sources/Inflows of Resources:

Differences - Budget to GAAP

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

\$ (2,660)
8,527

Transfers on expenditures paid in other funds

Uses/Outflows of Resources:

Differences - Budget to GAAP

Transfers on expenditures paid in other funds

(8,527)

Capital expenditures recorded in Utility Fund

(29,355)

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

33,259

Net Change in Budget Basis Presentation and GAAP Basis Presentation

\$ 1,244

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	<u>UTILITY FUND</u>
ASSETS	
Current Assets:	
Cash and certificates of deposit	\$ 1,140,797
Due from other funds	325
Accounts receivable (Net)	<u>597,632</u>
Total Current Assets	<u>1,738,754</u>
Restricted current assets:	
Temporarily Restricted	
Customer deposits	<u>211,435</u>
Total restricted current assets	<u>211,435</u>
Water rights - Lake Columbia	230,000
Bond Issue Costs (Net)	160,566
Capital Assets:	
Land	25,000
Easements	7,800
Buildings	324,633
Water and sewer system	24,231,219
Machinery & equipment	789,525
Less: Accumulated depreciation	<u>(6,350,557)</u>
Total Capital Assets Net Of Accumulated Depreciation	<u>19,027,620</u>
Total Noncurrent Assets:	<u>19,418,186</u>
Total Assets	<u>\$ 21,368,375</u>
	(continued)

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	<u>UTILITY FUND</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 23,366
Deferred revenue	82,639
Due to other funds	139,738
Total Current Liabilities	<u>245,743</u>
Current liabilities payable from restricted assets:	
Customer deposits	211,435
Accrued interest	56,551
Revenue bonds payable	855,000
Total current liabilities payable from restricted assets	<u>1,122,986</u>
Noncurrent Liabilities:	
Revenue bonds payable	<u>16,040,198</u>
Total Noncurrent Liabilities	<u>16,040,198</u>
Total Liabilities	<u>17,408,927</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,132,422
Unrestricted	<u>1,827,026</u>
Total Net Assets	<u><u>\$ 3,959,448</u></u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>UTILITY FUND</u>
OPERATING REVENUES	
Water sales	\$ 1,974,536
Sewer charges	732,878
Assessment revenue	21,414
Tax revenue	774,702
Charges for other services	<u>135,661</u>
Total Operating Revenues	<u>3,639,191</u>
OPERATING EXPENSES	
Utility administration	610,512
Customer service	111,563
Water operations	233,192
Sewer operations	233,454
Water supply	328,838
Depreciation	<u>581,629</u>
Total Operating Expenses	<u>2,099,188</u>
Operating Income (Loss)	<u>1,540,003</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(725,675)
Amortization of bond issue costs	(14,743)
Interest income	<u>2,393</u>
Total non-operating revenue (expenses)	<u>(738,025)</u>
Income before transfers	801,978
Transfers in	215,761
Transfers out	<u>(1,774,647)</u>
Total Transfers	<u>(1,558,886)</u>
Change in Net Assets	<u>(756,908)</u>
Net Assets, October 1, 2011 as originally stated	4,758,749
Prior period adjustment	<u>(42,393)</u>
Net Assets, October 1, 2011 as restated	<u>4,716,356</u>
Net Assets, September 30, 2012	<u><u>\$ 3,959,448</u></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, 2012

	UTILITY FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 3,836,518
Cash paid to suppliers for goods and services	(985,624)
Cash paid to employees for services	<u>(538,611)</u>
Net cash provided by operating activities	<u>2,312,283</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	215,761
Transfers out	<u>(1,192,675)</u>
Net cash used in non-capital financing activities	<u>(976,914)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases or construction of capital assets	(26,611)
Interest paid	(748,906)
Bond proceeds	9,730,000
Bond issue costs	(95,667)
Principal paid on bonds	<u>(9,791,906)</u>
Net cash used in capital and related financing activities	<u>(933,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	<u>2,393</u>
Net cash provided by investing activities	<u>2,393</u>
Net increase in cash	404,672
Cash, beginning of period	<u>947,560</u>
Cash, end of period	<u>\$ 1,352,232</u>
Reconciliation of cash to Exhibit 7:	
Cash - current asset	\$ 1,140,797
Cash - restricted current asset	211,435
Total cash, end of period	<u>\$ 1,352,232</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, 2012

	<u>UTILITY FUND</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	\$ 1,540,003
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	581,629
Increase in accounts receivable	171,578
Decrease in accounts payable	(6,676)
Increase in customer deposits	<u>23,995</u>
Total adjustments	<u>772,280</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,312,283</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, 2012

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 non-fiduciary 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 non-operating 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 non-operating revenues and expenses.

E. Assets, Liabilities, and Net Assets or Equity

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

2. Receivables and Payables

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

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

All receivables are shown net of an allowance for uncollectible.

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

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

3. Due from Other Funds

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

4. Capital Assets – includes property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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

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

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

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets - One element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$7,860,719 difference are as follows:

Capital assets, October 1, 2011, net of accumulated depreciation	\$	7,925,445
Capital asset additions, net of retirements		(13,931)
Depreciation of capital assets, net of retirements		<u>(50,795)</u>
	\$	<u>7,860,719</u>

Another element states that “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The details of this \$65,798 difference are as follows:

Allowance account for uncollectible taxes	\$	(22,932)
Deferred tax revenues		<u>88,730</u>
	\$	<u>65,798</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 \$(2,491,068) difference are as follows:

Long-term liabilities, October 1, 2011	\$	(4,005,755)
Principal paid on debt this year		1,480,000
Change in compensated absences		<u>34,687</u>
	\$	<u>(2,491,068)</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 \$85,730 difference are as follows:

Capital outlay, asset additions	\$ 445,601
Depreciation expense	<u>(359,871)</u>
	<u>\$ 85,730</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 \$(150,324) difference are as follows:

Change in allowance for uncollectible taxes	\$ (1,205)
Basis in vehicles sold	(150,456)
Change in deferred revenues	<u>1,337</u>
	<u>\$ (150,324)</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 \$1,521,140 difference are as follows:

Principal payments on debt	\$ 1,480,000
Change in accrued interest	6,453
Change in compensated absences	<u>34,687</u>
	<u>\$ 1,521,140</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, 2012, the City had the following deposits and investments:

	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>
Depository Accounts		
Insured	\$ 427,205	\$ 607,564
Collateral held by pledging bank's Trust Department in City's name	<u>-</u>	<u>-</u>
Total Depository Accounts	\$ 427,205	\$ 607,564
Intergovernmental investment pools:		
Logic	320,891	320,891
Texpool	244,277	244,277
MBIA	<u>378,531</u>	<u>378,531</u>
	1,370,904	1,551,263
Petty Cash on Hand	<u>1,590</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 1,372,494</u>	<u>\$ 1,551,263</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	\$ 55,511	\$ -	\$ -	\$ 55,511
Assessments	-	-	24,167	24,167
Sales Tax	106,688	-	-	106,688
Accounts (services)	<u>116,644</u>	<u>597,632</u>	<u>-</u>	<u>714,276</u>
Gross receivables	278,843	597,632	24,167	900,642
Less: Allowance for Uncollectibles	<u>22,933</u>	<u>-</u>	<u>-</u>	<u>22,933</u>
Net Receivables	<u>\$ 255,910</u>	<u>\$ 597,632</u>	<u>\$ 24,167</u>	<u>\$ 877,709</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 128,782	\$ -	\$ -	\$ 128,782
Total Capital Assets, Not Being Depreciated	128,782	-	-	128,782
Capital Assets, Being Depreciated				
Buildings and Improvements	2,495,541	222,403	-	2,717,944
Infrastructure	7,248,960	36,531	-	7,285,491
Machinery and Equipment	1,910,363	186,667	(459,532)	1,637,498
Total Capital Assets, Being Depreciated	11,654,864	445,601	(459,532)	11,640,933
Less Accumulated Depreciation For:				
Buildings and Improvements	(544,022)	(64,300)	-	(608,322)
Infrastructure	(1,847,388)	(182,120)	-	(2,029,508)
Machinery and Equipment	(1,466,791)	(113,451)	309,076	(1,271,166)
Total Accumulated Depreciation	(3,858,201)	(359,871)	309,076	(3,908,996)
Net Total Assets Being Depreciated	7,796,663	85,730	(150,456)	7,731,937
Governmental Activities Capital Assets, Net	<u>\$ 7,925,445</u>	<u>\$ 85,730</u>	<u>\$ (150,456)</u>	<u>\$ 7,860,719</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Easements	7,800	-	-	7,800
Construction in Progress	77,581	-	(77,581)	-
Total Capital Assets, Not Being Depreciated	110,381	-	(77,581)	32,800
Capital Assets, Being Depreciated				
Water and Sewer System	24,204,608	26,611	-	24,231,219
Buildings	324,633	-	-	324,633
Machinery and Equipment	933,527	-	(144,002)	789,525
Total Capital Assets, Being Depreciated	25,462,768	26,611	(144,002)	25,345,377
Less Accumulated Depreciation For:				
Water and Sewer System	(4,911,173)	(545,331)	-	(5,456,504)
Buildings	(201,699)	(8,662)	-	(210,361)
Machinery and Equipment	(800,058)	(27,636)	144,002	(683,692)
Total Accumulated Depreciation	(5,912,930)	(581,629)	144,002	(6,350,557)
Net Total Assets Being Depreciated	19,549,838	(555,018)	-	18,994,820
Business-Type Activities Capital Assets, Net	<u>\$ 19,660,219</u>	<u>\$ (555,018)</u>	<u>\$ (77,581)</u>	<u>\$ 19,027,620</u>

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

Governmental Activities:	
General Government	\$ 54,702
Public Safety	102,360
Community Development	198,948
Parks and Recreation	<u>3,861</u>
Total depreciation expense, governmental activities	\$ <u>359,871</u>
Business-Type Activities:	
Water and Sewer Operations	\$ <u>581,629</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Utility Operating fund	\$ 992
General Fund	Enterprise Debt Service Fund	19,253
Debt Service Fund	Utility Operating fund	38,692
Debt Service Fund	Enterprise Debt Service Fund	78,483
Street Construction Fund	Utility Operating fund	<u>1,995</u>
		<u>\$ 139,415</u>

Interfund transfers:

	<u>Transfers In</u>				
	<u>Debt Service Fund</u>	<u>Utility Operating Fund</u>	<u>Utility Debt Service Fund</u>	<u>General Fund</u>	<u>Total</u>
<u>Transfers Out:</u>					
Debt Service Fund	\$ -	\$ -	\$ 127,530	\$ -	\$ 127,530
Utility Operating Fund	1,197,322	-	-	29,355	1,226,677
Other Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,527</u>	<u>8,527</u>
Total transfers out /in	<u>\$ 1,197,322</u>	<u>\$ -</u>	<u>\$ 127,530</u>	<u>\$ 37,882</u>	<u>\$ 1,362,734</u>

E. Operating Leases

During the year, the City leased out land for specified use under three operating leases. The City collected \$13,825 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, 2012:

	GENERAL OBLIGATION	REVENUE	TOTAL
Bonds payable - October 1, 2011	\$ 3,925,000	\$ 16,414,000	\$ 20,339,000
Additions	-	9,730,000	9,730,000
Retirements	(1,480,000)	(8,389,000)	(9,869,000)
Bonds payable - September 30, 2012	<u>\$ 2,445,000</u>	<u>\$ 17,755,000</u>	<u>\$ 20,200,000</u>

During the current year, the City issued \$9,730,000 in Refunding Bonds as a combination current refunding and advance refunding issue to early defease the principal balances of the following bond issues:

Current refunding:

Series 2004 Certificates of Obligation	\$ 1,225,000
Series 2003A Certificates of Obligation	<u>222,000</u>
Total current refunding	1,447,000

Advance refunding:

Series 2001 Certificates of Obligation	4,701,556
Series 2008 Certificates of Obligation	<u>2,690,000</u>
Total advance refunding	7,391,556
Total refunding	<u>\$ 8,838,556</u>

These bonds were used to pay the remaining balance of the current refunded bonds. The remainder of the bonds was placed in an irrevocable trust for the future debt service of the advance refunded bonds. The amount of the advance refunded bonds are considered defeased and the liability has been removed from the City's Enterprise Fund. The difference between the refunding issue and the defeased amount is being netted against the refunding bonds and amortized over the life of the defeased debt. The transaction resulted in a savings of \$51,243 in future debt service payments.

Outstanding bonds at September 30, 2012 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%.	<u>\$ 2,445,000</u>
Total Governmental Bonded Debt	<u>\$ 2,445,000</u>

Business-Type Activities:

\$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 4.2%.	\$ 2,220,000
\$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52%	4,140,000
\$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%	1,665,000
\$9,730,000 Series 2012 Limited Tax Refunding Bonds; maturing annually in varying amounts beginning 2-15-13 through 2-15-28. Interest rates varying from 0.06% to 2.75%.	<u>9,730,000</u>
Total Business-Type Bonded Debt	17,755,000
Less: Unamortized Bond Defeasance	<u>(859,802)</u>
Net Outstanding Business-Type Bonded Debt	<u>\$ 16,895,198</u>

The funding requirements to amortize all bonds outstanding as of September 30, 2012, including interest, are as follows:

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2013	\$ 130,000	\$ 103,913	\$ 855,000	\$ 541,983	\$ 1,630,896
2014	135,000	98,388	862,000	534,703	1,630,091
2015	145,000	92,650	885,000	509,013	1,631,663
2016	150,000	86,488	912,000	481,461	1,629,949
2017	155,000	80,113	944,000	451,916	1,631,029
2018-2022	880,000	296,013	5,223,000	1,754,818	8,153,831
2023-2027	850,000	92,010	6,464,000	742,240	8,148,250
2028	-	-	1,610,000	22,138	1,632,138
	<u>\$ 2,445,000</u>	<u>\$ 849,575</u>	<u>\$ 17,755,000</u>	<u>\$ 5,038,272</u>	<u>\$ 26,087,847</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, 2012 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$1,000,000	\$2,000,000	10/1/2013
	Law Enforcement	1,000,000	2,000,000	10/1/2013
	Errors & Omissions	1,000,000	2,000,000	10/1/2013
	Auto Liability	1,000,000	n/a	10/1/2013
	Auto Physical Damage	10,000	n/a	10/1/2013
	Uninsured/Underinsured Motorists	55,000	n/a	10/1/2013

Texas Municipal League	Real & Personal Property	18,150,330	n/a	10/1/2013
	Mobile Equipment	421,718	n/a	10/1/2013
	Boiler & Machinery	100,000	n/a	10/1/2013
Texas Municipal League	Workers Comp	500,000	n/a	10/1/2013

As of September 30, 2012, the City was not in compliance with the minimum cash requirement contained in its bond ordinances as follows:

Minimum required balance	\$ 176,432
Actual balance held at September 30, 2012	<u>21,878</u>
Shortage	<u>\$ 154,555</u>

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

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2012 was as follows:

	Beginning Balance 10/1/11	Additions	Reductions	Ending Balance 9/30/12	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 3,925,000	\$ -	\$ 1,480,000	\$ 2,445,000	\$ 130,000
Notes Payable	-	-	-	-	-
Compensated Absences	80,755	-	34,687	46,068	4,607
Governmental Activity Long-Term Liabilities	<u>\$ 4,005,755</u>	<u>\$ -</u>	<u>\$ 1,514,687</u>	<u>\$ 2,491,068</u>	<u>\$ 134,607</u>
Business-type Activities:					
Revenue Bonds	\$ 16,414,000	\$ 9,730,000	\$ 9,248,802	\$ 16,895,198	\$ 855,000
Business-type Activity Long-Term Liabilities	<u>\$ 16,414,000</u>	<u>\$ 9,730,000</u>	<u>\$ 9,248,802</u>	<u>\$ 16,895,198</u>	<u>\$ 855,000</u>

NOTE 5 — DEFEASED BONDS OUTSTANDING

The City has defeased certain bonds by placing the proceeds of new bond issues in an irrevocable trust for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2012, \$7,391,555 of bonds outstanding are considered defeased. The issues and amounts of outstanding defeased bonds are as follows:

Bond Issue	Year Refunded	Outstanding
Series 2001 Certificates of Obligation	2012	\$4,701,555
Series 2008 Certificates of Obligation	2012	<u>2,690,000</u>
Total Bonds Defeased (Refunded)		<u>\$7,391,555</u>

NOTE 6 — 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, 2012, the City had \$714,276 in net receivables from its residents for the usage of these services.

NOTE 7 – 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 from TMRS’ website at www.TMRS.com.

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
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, 0/20
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)	\$ 98,897
Interest on Net Pension Obligation	-
Adjustment to the ARC	-

Annual Pension Cost (APC)	98,897
Contributions Made	<u>98,897</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

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2010	\$ 62,164	\$ 62,164	100%	\$ -
9/30/2011	94,280	94,280	100%	-
9/30/2012	98,897	98,897	100%	-

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
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
Amortization Period	28.7 years; closed period	28.6 years; closed period	28.1 years; closed period
Amortization period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
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, 2011, 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
12/31/2011	\$ 2,860,061	\$ 2,966,171	96.4%	\$ 106,110	\$ 1,628,528	6.5%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Schedule of Funding Progress (unaudited):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	2,090,187	2,433,241	85.9%	343,054	1,628,046	21.1%
12/31/2010	2,579,572	2,708,140	95.3%	128,568	1,631,693	7.9%
12/31/2011	2,860,061	2,966,171	96.4%	106,110	1,628,528	6.5%

NOTE 8 – DEFICIT RETAINED EARNINGS OR FUND BALANCE

At September 30, 2012, the Enterprise Debt Service Fund had a deficit retained earnings of \$132,408.

NOTE 9 – 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, 2012, the City paid a demand fee of \$22,119 per month as outlined in the agreement and notified by Tyler. The contract contains termination clauses including Whitehouse taking delivery of untreated water from either Lake Striker or Lake Columbia.

The City has 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, 2012, has been renewed for another year through September 30, 2013.

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

During the current year, the City entered into a contract with the Whitehouse Volunteer Fire Department (“WVFD”) for fire protection services. As part of this contract the City will no longer budget for operating expenses of the fire department, rather budget quarterly contributions to the fire department to help with operating costs. During the fiscal year ended September 30, 2012, the City paid \$120,000 for support under this contract.

Effective October 1, 2012, the City Council voted to re-establish a city fire department and budget for personnel and operating costs to provide fire protection services for its citizens. The City also entered into a support and contingency agreement with the WVFD with respect to fire protection services. The agreement outlines the various sharing of station space and equipment and costs to maintain these assets. The agreement shall be in full force effective October 1, 2012 and shall remain in effect unless cancelled by either party through written notice.

NOTE 10 – 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, 2012, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2012, 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 11 – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2010, an error was made showing a project as construction-in-progress in the 2007 Series fund. This project had been cancelled and there are no plans to complete this project in the future. The effect of this error was to overstate capital assets of the business-type activities and net assets invested in capital assets, net of related debt by \$42,393.

NOTE 12 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2012, expenditures exceeded appropriations in the following departments of the General Fund: Legislative. These over expenditures were funded by lower expenditures in other categories.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to year end, the City entered into an interlocal agreement with Smith County Emergency Services District No. 2 (“the District”). The agreement calls for the City to provide fire protection and emergency rescue services for the members of the District. Under the agreement, the District will pay an annual fee of \$112,200 from its tax revenues collected from the District’s members in exchange for the services outlined in the agreement. The agreement has an initial term beginning October 1, 2012 through September 30, 2013 and shall renew automatically from year to year unless either party written notice of termination 30 days prior to the end of the current period.

ADDITIONAL SUPPLEMENTAL INFORMATION



**CITY OF WHITEHOUSE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	MUNICIPAL BUILDING FUND	PEG CHANNEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 18,648	\$ 18,648
Receivables:						
Street assessments	-	24,167	-	-	-	24,167
Restricted Assets:						
Temporarily restricted						
Cash and cash equivalents	24	-	-	-	-	24
Due from other funds	-	698	-	-	-	698
Bond issue costs (net)	-	-	24,543	-	-	24,543
Total Assets	<u>24</u>	<u>24,865</u>	<u>24,543</u>	<u>-</u>	<u>18,648</u>	<u>68,080</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue	-	24,167	-	-	-	24,167
Total Liabilities	<u>-</u>	<u>24,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,167</u>
Fund Balances:						
Restricted:						
Police forfeitures	24	-	-	-	-	24
PEG Channel	-	-	-	-	18,648	18,648
Assigned:						
Capital Projects	-	698	24,543	-	-	25,241
Total Fund Balances	<u>24</u>	<u>698</u>	<u>24,543</u>	<u>-</u>	<u>18,648</u>	<u>43,913</u>
Total Liabilities and Fund Balances	<u>\$ 24</u>	<u>\$ 24,865</u>	<u>\$ 24,543</u>	<u>\$ -</u>	<u>\$ 18,648</u>	<u>\$ 68,080</u>

**CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	MUNICIPAL BUILDING FUND	PEG CHANNEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES						
Franchise Fee	\$ -	\$ -	\$ -	\$ -	\$ 18,632	\$ 18,632
Interest	7	-	-	-	16	23
Total Revenues	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,648</u>	<u>18,655</u>
EXPENDITURES						
General administration	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,648</u>	<u>18,655</u>
Other Financing Sources (Uses):						
Amortization	-	-	(3,639)	(13,552)	-	(17,191)
Transfers in	-	-	-	-	-	-
Transfers out	<u>(8,527)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,527)</u>
Total Other Financing Sources (Uses)	<u>(8,527)</u>	<u>-</u>	<u>(3,639)</u>	<u>(13,552)</u>	<u>-</u>	<u>(25,718)</u>
Net change in fund balances	(8,520)	-	(3,639)	(13,552)	18,648	(7,063)
Fund Balance - October 1, 2011	<u>8,544</u>	<u>698</u>	<u>28,182</u>	<u>13,552</u>	<u>-</u>	<u>50,976</u>
Fund Balance - September 30, 2012	<u>\$ 24</u>	<u>\$ 698</u>	<u>\$ 24,543</u>	<u>\$ -</u>	<u>\$ 18,648</u>	<u>\$ 43,913</u>

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>LEGISLATIVE</u>				
CONTRACTUAL SERVICES:				
Insurance	\$ 4,678	\$ 4,678	\$ 4,004	\$ 674
Business and travel	2,000	2,000	197	1,803
Legal fees	21,000	21,000	33,047	(12,047)
Contractual and fee base services	5,000	5,000	151	4,849
Total Contractual Services	32,678	32,678	37,399	(4,721)
TOTAL LEGISLATIVE	\$ 32,678	\$ 32,678	\$ 37,399	\$ (4,721)
<u>GENERAL/ADMINISTRATION</u>				
PERSONNEL SERVICES:				
Administration	\$ 105,060	\$ 105,060	\$ 104,637	\$ 423
Clerical	45,419	45,419	44,874	545
Overtime	250	250	-	250
Certificate pay	300	300	300	-
Uniforms and clothing	500	500	602	(102)
Workers compensation	365	365	351	14
Unemployment compensation	216	216	783	(567)
Employee retirement	9,059	9,059	9,280	(221)
Employee insurance	23,998	23,998	23,967	31
Retiree insurance	750	750	647	103
Payroll taxes	11,512	11,512	11,060	452
Total Personnel Services	197,429	197,429	196,501	928
SUPPLIES AND MATERIALS:				
Office supplies	5,200	5,200	3,472	1,728
Data processing supplies	750	750	438	312
Photo/audio/video supplies	1,035	1,035	1,520	(485)
Postage and delivery	2,100	2,100	2,061	39
Motor vehicle supplies	12,000	12,000	9,931	2,069
Educational and training	3,000	3,000	2,554	446
Other supplies	3,000	3,000	3,592	(592)
Total Supplies and Materials	27,085	27,085	23,568	3,517
MAINTENANCE OF BUILDING/GROUNDS:				
Building and grounds	1,500	1,500	1,257	243
Total Maintenance of Building/Grounds	1,500	1,500	1,257	243

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	-	-	-	-
HVAC equipment	1,200	1,200	520	680
Communication equipment	800	800	202	598
Total Maintenance of Equipment/ Machinery	2,000	2,000	722	1,278
CONTRACTUAL SERVICES:				
Communication services	9,300	9,300	8,431	869
Insurance	2,500	2,500	3,147	(647)
Advertising	1,500	1,500	2,142	(642)
Business and travel	3,000	3,000	654	2,346
Legal fees	1,500	1,500	3,699	(2,199)
Contractual and fee base services	3,650	3,650	1,681	1,969
Utility services	72,000	72,000	74,721	(2,721)
Data processing maintenance	6,000	6,000	1,300	4,700
Computer training	100	100	-	100
Memberships/subscriptions	2,580	2,580	3,698	(1,118)
Miscellaneous expense	250	250	25	225
Total Contractual Services	102,380	102,380	99,498	2,882
CAPITAL OUTLAY				
Contingency	10,000	10,000	-	10,000
Library books and periodicals	3,000	3,000	1,740	1,260
Total Capital Outlay	13,000	13,000	1,740	11,260
TOTAL GENERAL ADMINISTRATION	\$ 343,394	\$ 343,394	\$ 323,286	\$ 20,108
TREASURY AND FINANCIAL				
PERSONNEL SERVICES:				
Administration	\$ 33,964	\$ 33,964	\$ 34,347	\$ (383)
Workers compensation	92	92	96	(4)
Unemployment compensation	72	72	261	(189)
Employee retirement	2,045	2,045	2,124	(79)
Employee insurance	5,587	5,587	5,579	8
Payroll taxes	2,598	2,598	2,516	82
Total Personnel Services	44,358	44,358	44,923	(565)
SUPPLIES AND MATERIALS:				
Educational and training	700	700	74	626
Total Supplies and Materials	700	700	74	626

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
CONTRACTUAL SERVICES:				
Business and Travel	1,000	1,000	-	1,000
Contractual/fee services	<u>26,500</u>	<u>26,500</u>	<u>26,500</u>	<u>-</u>
Total Contractual Services	<u>27,500</u>	<u>27,500</u>	<u>26,500</u>	<u>1,000</u>
TOTAL TREASURY AND FINANCIAL	\$ <u>72,558</u>	\$ <u>72,558</u>	\$ <u>71,497</u>	\$ <u>1,061</u>
TAX APPRAISAL AND COLLECTIONS				
CONTRACTUAL SERVICES:				
Contractual/Fee Services	<u>\$ 43,151</u>	<u>\$ 43,151</u>	<u>\$ 42,574</u>	<u>\$ 577</u>
Total Contractual Services	<u>43,151</u>	<u>43,151</u>	<u>42,574</u>	<u>577</u>
TOTAL TAX APPRAISAL AND COLLECTIONS	\$ <u>43,151</u>	\$ <u>43,151</u>	\$ <u>42,574</u>	\$ <u>577</u>
MUNICIPAL COURT				
PERSONNEL SERVICES:				
Administration	\$ 51,500	\$ 51,500	\$ 51,500	\$ -
Clerical	59,452	59,452	53,099	6,353
Operations & maintenance	39,243	39,243	38,520	723
Overtime	1,300	1,300	44	1,256
Certificate Pay	-	-	346	(346)
Uniforms and clothing	900	900	1,295	(395)
Workers compensation	122	122	128	(6)
Unemployment compensation	288	288	1,427	(1,139)
Employee retirement	9,120	9,120	8,898	222
Employee insurance	36,346	36,346	33,609	2,737
Payroll taxes	<u>11,589</u>	<u>11,589</u>	<u>10,496</u>	<u>1,093</u>
Total Personnel Services	<u>209,860</u>	<u>209,860</u>	<u>199,362</u>	<u>10,498</u>
SUPPLIES AND MATERIALS:				
Office supplies	1,200	1,200	1,711	(511)
Photo, audio & video supp	900	900	107	793
Tires and tubes	700	700	-	700
Motor vehicle supplies	6,000	6,000	4,030	1,970
Minor tools & apparatus	1,000	1,000	858	142
Educational and training	<u>1,000</u>	<u>1,000</u>	<u>756</u>	<u>244</u>
Total Supplies and Materials	<u>10,800</u>	<u>10,800</u>	<u>7,462</u>	<u>3,338</u>
MAINTENANCE OF BUILDING				
Building and grounds	<u>500</u>	<u>500</u>	<u>348</u>	<u>152</u>
Total Maintenance of Building/Grounds	<u>500</u>	<u>500</u>	<u>348</u>	<u>152</u>

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF EQUIPMENT				
Office equipment	2,280	2,280	2,276	4
HVAC Equipment	1,000	1,000	809	191
Communication equipment	700	700	-	700
Total Maintenance of Equipment	3,980	3,980	3,085	895
CONTRACTUAL SERVICES:				
Communication services	1,200	1,200	1,078	122
Business and travel	1,000	1,000	511	489
Legal fees	6,000	6,000	3,874	2,126
Contractual/fee services	13,200	13,200	13,200	-
Collection agency fees	18,000	18,000	18,256	(256)
State Fee	152,000	152,000	129,805	22,195
Omni base fee	1,900	1,900	1,332	568
On Line / Credit Card Fees	4,000	4,000	4,865	(865)
School Truancy fee	-	-	1,771	(1,771)
Vehicle registration	45,000	45,000	53,978	(8,978)
Memberships/subscriptions	1,300	1,300	778	522
Total Contractual Services	243,600	243,600	229,448	14,152
CAPITAL OUTLAY				
Data processing equip	37,000	-	-	-
Motor vehicles	30,000	30,000	29,822	178
Total Capital Outlay	67,000	30,000	29,822	178
TOTAL MUNICIPAL COURT	\$ 535,740	\$ 498,740	\$ 469,527	\$ 29,213
LIBRARY SERVICES				
CONTRACTUAL SERVICES				
Contractual and fee basis services	\$ 43,500	\$ 43,500	\$ 43,500	\$ -
Total Contractual Services	43,500	43,500	43,500	-
TOTAL LIBRARY SERVICES	\$ 43,500	\$ 43,500	\$ 43,500	\$ -
PARKS/RECREATION SERVICES				
PERSONNEL SERVICES:				
Operations & maintenance	\$ 26,780	\$ 26,780	\$ 14,114	\$ 12,666
Part-Time	34,278	34,278	11,236	23,042
Unemployment compensation	108	108	588	(480)
Employee retirement	1,612	1,612	861	751
Employee insurance	5,318	5,318	4,306	1,012
Payroll taxes	4,671	4,671	1,900	2,771
Total Personnel Services	72,767	72,767	33,005	39,762

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Office supplies	1,000	1,000	542	458
Data processing supplies	2,500	-	-	-
Other supplies	32,000	32,000	28,027	3,973
Total Supplies and Materials	35,500	33,000	28,569	4,431
MAINTENANCE OF BUILDINGS/LAND				
Building and grounds	7,000	7,000	7,463	(463)
Total Maintenance of Buildings/Land	7,000	7,000	7,463	(463)
MAINTENANCE OF EQUIPMENT/MACHINERY				
Playground equipment	2,500	2,500	425	2,075
Total Maintenance of Equipment/Machinery	2,500	2,500	425	2,075
CONTRACTUAL SERVICES				
Communication Services	-	2,500	2,778	(278)
Utility Services	4,200	4,200	604	3,596
Contractual and fee basis services	40,000	40,000	40,000	-
Total Contractual Services	44,200	46,700	43,382	3,318
CAPITAL OUTLAY				
Land improvements	90,000	224,403	235,818	(11,415)
Library books & periodicals	3,600	3,600	642	2,958
Total Capital Outlay	93,600	228,003	236,460	(8,457)
TOTAL PARKS/RECREATION SERVICES	\$ 255,567	\$ 389,970	\$ 349,304	\$ 40,666
COMMUNITY DEVELOPMENT				
PERSONNEL SERVICES:				
Part-time	\$ 16,995	\$ 16,995	\$ 11,917	\$ 5,078
Workers compensation	155	155	160	(5)
Unemployment compensation	36	36	326	(290)
Payroll taxes	1,300	1,300	925	375
Total Personnel Services	18,486	18,486	13,328	5,158

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Educational and training	500	500	-	500
Total Supplies and Materials	500	500	-	500
CONTRACTUAL SERVICES:				
Communications Services	-	-	180	(180)
Insurance	557	557	477	80
Business and travel	500	500	-	500
Contractual/fee services	18,000	18,000	18,085	(85)
Economic Development	5,000	5,000	4,098	902
Memberships and subscriptions	400	400	125	275
Miscellaneous expense	1,200	1,200	1,200	-
Total Contractual Services	25,657	25,657	24,165	1,492
TOTAL COMMUNITY DEVELOPMENT	\$ 44,643	\$ 44,643	\$ 37,493	\$ 7,150
<u>STREET AND GROUNDS MAINTENANCE</u>				
PERSONNEL SERVICES:				
Administration	\$ 15,398	\$ 15,398	\$ 15,846	\$ (448)
Operations and maintenance	71,878	71,878	73,769	(1,891)
Overtime	7,250	7,250	4,473	2,777
Uniforms and clothing	300	300	300	-
Workers compensation	5,100	5,100	4,851	249
Unemployment compensation	216	216	522	(306)
Employee retirement	5,690	5,690	5,831	(141)
Employee insurance	18,529	18,529	18,537	(8)
Payroll taxes	7,231	7,231	6,922	309
Total Personnel Services	131,592	131,592	131,051	541
SUPPLIES AND MATERIALS:				
Tires and tubes	1,250	1,250	3,085	(1,835)
Minor tools and apparatus	700	700	641	59
Chemical and mechanical	250	250	66	184
Safety supplies	150	150	-	150
Other supplies	150	150	14	136
Total Supplies and Materials	2,500	2,500	3,806	(1,306)
MAINTENANCE OF BUILDINGS/LAND:				
Streets and alleys	25,000	25,000	25,346	(346)
Storm sewers and drainageways	25,000	25,000	26,000	(1,000)
Total Maintenance of Buildings/Land	50,000	50,000	51,346	(1,346)

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	5,000	5,000	6,303	(1,303)
Automotive equipment	2,500	2,500	1,092	1,408
Shop equipment	1,000	1,000	161	839
Minor tools and equipment	450	450	35	415
Signal and sign system	2,500	2,500	989	1,511
Communication equipment	250	250	-	250
Total Maintenance of Equipment/Machinery	11,700	11,700	8,580	3,120
CONTRACTUAL SERVICES				
Leases and rentals	1,500	1,500	411	1,089
Insurance	3,286	3,286	2,812	474
Total Contractual Services	4,786	4,786	3,223	1,563
TOTAL STREET AND GROUNDS MAINTENANCE	\$ 200,578	\$ 200,578	\$ 198,006	\$ 2,572
COMMUNICATION CENTER				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 135,164	\$ 106,164	\$ 103,340	\$ 2,824
Overtime	16,150	16,150	9,059	7,091
Certificate pay	1,200	1,200	727	473
Merit pay	1,200	1,200	-	1,200
Uniforms and clothing	500	500	298	202
Workers compensation	275	275	255	20
Unemployment compensation	360	360	1,017	(657)
Employee retirement	9,109	9,109	6,156	2,953
Employee insurance	37,414	37,414	12,037	25,377
Payroll taxes	11,576	11,576	7,345	4,231
Total Personnel Services	212,948	183,948	140,234	43,714
SUPPLIES AND MATERIALS:				
Office supplies	700	700	673	27
Data processing supplies	500	500	192	308
Photo/audio/video	150	150	-	150
Emergency medical services	75	75	-	75
Janitorial supplies	100	100	217	(117)
Educational and training	200	200	240	(40)
Total Supplies and Materials	1,725	1,725	1,322	403

CITY OF WHITEHOUSE, TEXAS

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	300	300	-	300
Communication equipment	500	21,043	12,530	8,513
Total Maintenance of Equipment/Machinery	800	21,343	12,530	8,813
CONTRACTUAL SERVICES:				
Communication services	3,000	3,000	1,756	1,244
Business and travel	700	700	42	658
Data processing maintenance	400	400	-	400
Memberships and subscriptions	600	600	102	498
Total Contractual Services	4,700	4,700	1,900	2,800
TOTAL COMMUNICATION CENTER	\$ 220,173	\$ 211,716	\$ 155,986	\$ 55,730
POLICE OPERATIONS				
PERSONNEL SERVICES:				
Administration	\$ 67,075	\$ 67,075	\$ 69,046	\$ (1,971)
Clerical	66,145	66,145	55,005	11,140
Operations and maintenance	549,652	549,652	507,273	42,379
Overtime	46,000	46,000	22,223	23,777
Special projects	20,177	20,177	20,177	-
Certificate pay	3,000	3,000	2,793	207
Merit pay	5,100	5,100	2,458	2,642
Uniforms and clothing	6,000	6,000	9,608	(3,608)
Workers compensation	17,500	17,500	16,718	782
Unemployment compensation	1,224	1,224	5,356	(4,132)
Employee retirement	44,257	44,257	41,459	2,798
Employee insurance	114,752	114,752	114,640	112
Payroll taxes	56,241	56,241	49,559	6,682
Total Personnel Services	997,123	997,123	916,315	80,808

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Office supplies	6,000	6,000	5,987	13
Data processing supplies	300	300	282	18
Photo/audio/video	1,000	1,000	1,483	(483)
Laboratory supplies	1,600	1,600	1,423	177
Postage and delivery	700	700	587	113
Tires and tubes	8,000	8,000	2,466	5,534
Motor vehicle supplies	26,400	26,400	31,759	(5,359)
Emergency medical supplies	200	200	78	122
Water Meter Supplies	-	-	11	(11)
Minor tools and apparatus	1,100	1,100	1,372	(272)
Janitorial supplies	1,100	1,100	1,009	91
Safety supplies	2,500	2,500	5,880	(3,380)
Educational and training	4,500	4,500	4,175	325
Other supplies	10,000	10,000	1,217	8,783
Community resource supply	500	500	500	-
Evidence processing	300	300	362	(62)
Evidence supplies	450	450	489	(39)
CID supplies	350	350	-	350
Total Supplies and Materials	65,000	65,000	59,080	5,920
MAINTENANCE OF BUILDINGS/LAND:				
Streets and Alleys	-	-	242	(242)
Buildings and grounds	6,000	6,000	5,811	189
Total Maintenance of Buildings/Land	6,000	6,000	6,053	(53)
POLICE OPERATIONS (cont'd.)				
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	550	550	369	181
HVAC equipment	250	250	155	95
Automotive equipment	25,000	25,000	19,304	5,696
Shop equipment	250	250	-	250
Minor tools and equipment	250	250	-	250
Communication equipment	900	900	816	84
Outdoor warning system	5,000	5,000	1,539	3,461
Other maintenance	100	100	-	100
Total Maintenance of Equipment/Machinery	32,300	32,300	22,183	10,117

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
CONTRACTUAL SERVICES:				
Communication services	16,000	16,000	13,951	2,049
Insurance	18,711	18,711	16,238	2,473
Advertising	2,500	2,500	1,041	1,459
Business and travel	4,500	4,500	5,033	(533)
Contractual/fee services	31,500	31,500	34,008	(2,508)
Utility services	13,000	13,000	8,516	4,484
Data processing maintenance	2,500	2,500	2,500	-
Memberships and subscriptions	800	800	917	(117)
Total Contractual Services	<u>89,511</u>	<u>89,511</u>	<u>82,204</u>	<u>7,307</u>
CAPITAL OUTLAY:				
Land	3,500	3,500	2,562	938
Machinery and equipment	1,800	1,800	993	807
Other equipment	29,700	29,700	24,501	5,199
Other improvements	13,000	13,000	14,600	(1,600)
Motor vehicles	35,500	101,500	101,587	(87)
Total Capital Outlay	<u>83,500</u>	<u>149,500</u>	<u>144,243</u>	<u>5,257</u>
TOTAL POLICE OPERATIONS	<u>\$ 1,273,434</u>	<u>\$ 1,339,434</u>	<u>\$ 1,230,078</u>	<u>\$ 109,356</u>
ANIMAL CONTROL				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 30,900	\$ 30,900	\$ 29,221	\$ 1,679
Overtime	500	500	336	164
Certificate pay	600	600	600	-
Uniforms and clothing	500	500	492	8
Workers compensation	365	365	351	14
Unemployment compensation	72	72	261	(189)
Employee retirement	1,890	1,890	1,865	25
Employee insurance	5,352	5,352	5,318	34
Payroll taxes	2,402	2,402	2,307	95
Total Personnel Services	<u>42,581</u>	<u>42,581</u>	<u>40,751</u>	<u>1,830</u>
SUPPLIES AND MATERIALS:				
Tires and tubes	700	700	315	385
Motor vehicle supplies	5,000	5,000	2,651	2,349
Minor tools and apparatus	1,000	1,000	106	894
Chemical and mechanical supplies	100	100	-	100
Safety supplies	100	100	93	7
Educational and training	100	100	-	100
Other supplies	500	500	126	374
Total Supplies and Materials	<u>7,500</u>	<u>7,500</u>	<u>3,291</u>	<u>4,209</u>

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF BUILDING:				
Building and grounds	800	800	-	800
Total Maintenance of Equipment/Machinery	800	800	-	800
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Automotive equipment	700	700	43	657
Total Maintenance of Equipment/Machinery	700	700	43	657
ANIMAL CONTROL (cont'd)				
CONTRACTUAL SERVICES:				
Communication services	600	600	458	142
Insurance	557	557	477	80
Business and travel	200	200	4	196
Custody support services	500	500	126	374
Contractual and fee based services	9,000	9,000	6,567	2,433
Memberships and subscriptions	50	50	-	50
Total Contractual Services	10,907	10,907	7,632	3,275
TOTAL ANIMAL CONTROL	\$ 62,488	\$ 62,488	\$ 51,717	\$ 10,771
FIRE OPERATIONS				
CONTRACTUAL SERVICES:				
Contractual/fee services	120,000	120,000	120,000	-
Total Contractual Services	120,000	120,000	120,000	-
TOTAL FIRE OPERATIONS	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
SANITATION				
CONTRACTUAL SERVICES:				
Contractual/fee services	\$ 521,676	\$ 521,676	\$ 519,015	\$ 2,661
Sales tax	44,700	44,700	44,845	(145)
Total Contractual Services	566,376	566,376	563,860	2,516
TOTAL SANITATION	\$ 566,376	\$ 566,376	\$ 563,860	\$ 2,516

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>GENERAL DEBT SERVICE</u>				
DEBT SERVICE:				
Principal - Install Payment	\$ 50,000	\$ -	\$ -	\$ -
Interest - Install Payment	<u>5,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>55,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL DEBT SERVICE	<u>\$ 55,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 3,870,130</u>	<u>\$ 3,969,226</u>	3,694,227	<u>\$ 274,999</u>
Financial Statement Adjustments:				
Transfers on expenditures paid in other funds			8,527	
Capital expenditures recorded in Utility Fund			29,355	
Decrease in accrued expenses			<u>(33,259)</u>	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 3,698,850</u>	

CITY OF WHITEHOUSE, TEXAS

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

SEPTEMBER 30, 2012

	GENERAL OBLIGATION NOTES	2004 SERIES CERTIFICATES OF OBLIGATION	2006 SERIES REFUNDING FUND	1996 SERIES GENERAL OBLIGATION BOND	TOTAL
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables:					
Due from Utility Fund	38,692	-	-	-	38,692
Due from 1988 Street Construction Fund	2,150	-	-	-	2,150
Due from Interest and Sinking Fund - 1985 Certificate of Obligation	78,483	-	-	-	78,483
	<u>119,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,325</u>
TOTAL ASSETS	\$ <u>119,325</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>119,325</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Due to General Fund	\$ 94,894	\$ -	\$ -	\$ -	\$ 94,894
Deferred Revenue	9,452	-	-	-	9,452
	<u>104,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,346</u>
Total Liabilities	<u>104,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,346</u>
<u>FUND BALANCE</u>					
Restricted:					
Debt Service	14,979	-	-	-	14,979
	<u>14,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,979</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>119,325</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>119,325</u>

CITY OF WHITEHOUSE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	GENERAL OBLIGATION NOTES	2004 SERIES CERTIFICATES OF OBLIGATION	2006 SERIES REFUNDING FUND	1996 SERIES GENERAL OBLIGATION BOND	TOTAL
<u>REVENUES</u>					
Current and delinquent taxes	\$ 124,978	\$ 91,763	\$ 234,225	\$ 107,756	\$ 558,722
Interest income	946	-	-	-	946
Total Revenues	<u>125,924</u>	<u>91,763</u>	<u>234,225</u>	<u>107,756</u>	<u>559,668</u>
<u>EXPENDITURES</u>					
Debt Service:					
Bond principal	-	1,250,000	125,000	105,000	1,480,000
Interest and fees	-	39,085	109,225	2,756	151,066
Total Expenditures	<u>-</u>	<u>1,289,085</u>	<u>234,225</u>	<u>107,756</u>	<u>1,631,066</u>
Revenues Over (Under) Expenditures	125,924	(1,197,322)	-	-	(1,071,398)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	1,197,322	-	-	1,197,322
Transfers out	(127,530)	-	-	-	(127,530)
Total Other Financing Sources (Uses)	<u>(127,530)</u>	<u>1,197,322</u>	<u>-</u>	<u>-</u>	<u>1,069,792</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,606)	-	-	-	(1,606)
Fund Balance (Deficit), October 1, 2011	<u>16,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,585</u>
FUND BALANCE (DEFICIT), SEPTEMBER 30, 2012	\$ <u>14,979</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,979</u>

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET ASSETS
UTILITY FUND
SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	2007 SERIES	DEBT SERVICE	
ASSETS				
Current Assets:				
Cash and certificates of deposit	\$ 1,118,919	\$ -	\$ 21,878	\$ 1,140,797
Due from other funds	325	-	-	325
Accounts receivable (Net)	597,632	-	-	597,632
Total Current Assets	1,716,876	-	21,878	1,738,754
Restricted Current Assets:				
Temporarily Restricted				
Customer deposits	211,435	-	-	211,435
Total Restricted Current Assets	211,435	-	-	211,435
Water rights - Lake Columbia	230,000	-	-	230,000
Bond Issue Costs (Net)	160,566	-	-	160,566
Capital Assets:				
Land	25,000	-	-	25,000
Easements	7,800	-	-	7,800
Buildings	324,633	-	-	324,633
Water and sewer system	24,231,219	-	-	24,231,219
Machinery & equipment	789,525	-	-	789,525
Less: Accumulated depreciation	(6,350,557)	-	-	(6,350,557)
Total Capital Assets (net of accumulated depreciation)	19,027,620	-	-	19,027,620
Total Noncurrent Assets:	19,418,186	-	-	19,418,186
Total Assets	\$ 21,346,497	\$ -	\$ 21,878	\$ 21,368,375

(continued)

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET ASSETS
UTILITY FUND
SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	2007 SERIES	DEBT SERVICE	
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 23,366	\$ -	\$ -	\$ 23,366
Deferred revenue	82,639	-	-	82,639
Due to other funds	42,003	-	97,735	139,738
Total Current Liabilities	<u>148,008</u>	<u>-</u>	<u>97,735</u>	<u>245,743</u>
Current liabilities payable from restricted assets:				
Customer deposits	211,435	-	-	211,435
Accrued interest	-	-	56,551	56,551
Revenue bonds payable	855,000	-	-	855,000
Total current liabilities payable from restricted assets	<u>1,066,435</u>	<u>-</u>	<u>56,551</u>	<u>1,122,986</u>
Noncurrent Liabilities:				
Revenue bonds payable (net of \$859,802 unamortized bond defeasance)	16,040,198	-	-	16,040,198
Total Noncurrent Liabilities	<u>16,040,198</u>	<u>-</u>	<u>-</u>	<u>16,040,198</u>
Total Liabilities	<u>17,254,641</u>	<u>-</u>	<u>154,286</u>	<u>17,408,927</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,132,422	-	-	2,132,422
Unrestricted	1,959,434	-	(132,408)	1,827,026
Total Net Assets	<u>\$ 4,091,856</u>	<u>\$ -</u>	<u>\$ (132,408)</u>	<u>\$ 3,959,448</u>

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES				
	OPERATING FUND	2007 SERIES	DEBT SERVICE	ELIMINATIONS	TOTAL UTILITY FUND
OPERATING REVENUES					
Water sales	\$ 1,974,536	\$ -	\$ -	\$ -	\$ 1,974,536
Sewer charges	732,878	-	-	-	732,878
Assessment revenue	-	-	21,414	-	21,414
Tax revenue	-	-	774,702	-	774,702
Charges for other services	135,661	-	-	-	135,661
Total Operating Revenues	2,843,075	-	796,116	-	3,639,191
OPERATING EXPENSES					
Utility administration	610,512	-	-	-	610,512
Customer service	111,563	-	-	-	111,563
Water operations	233,192	-	-	-	233,192
Sewer operations	233,454	-	-	-	233,454
Water supply	328,838	-	-	-	328,838
Depreciation	581,629	-	-	-	581,629
Total Operating Expenses	2,099,188	-	-	-	2,099,188
Operating Income (Loss)	743,887	-	796,116	-	1,540,003
NON-OPERATING REVENUES (EXPENSES)					
Interest and fiscal charge expense	-	-	(725,675)	-	(725,675)
Amortization of bond issue costs	(14,743)	-	-	-	(14,743)
Interest income	1,447	-	946	-	2,393
Total Non-Operating Revenue (Expenses)	(13,296)	-	(724,729)	-	(738,025)
Income before transfers	730,591	-	71,387	-	801,978
Transfers in	775,444	1,719,987	712,025	(2,991,695)	215,761
Transfers out	(3,990,898)	-	(775,444)	2,991,695	(1,774,647)
Total Transfers	(3,215,454)	1,719,987	(63,419)	-	(1,558,886)
Change in Net Assets	(2,484,863)	1,719,987	7,968	-	(756,908)
Net Assets, October 1, 2011 as originally stated	6,576,719	(1,677,594)	(140,376)	-	4,758,749
Prior period adjustment (Note 11)	-	(42,393)	-	-	(42,393)
Net Assets, October 1, 2011 as restated	6,576,719	(1,719,987)	(140,376)	-	4,716,356
Net Assets, September 30, 2012	<u>\$ 4,091,856</u>	<u>\$ -</u>	<u>\$ (132,408)</u>	<u>\$ -</u>	<u>\$ 3,959,448</u>

**CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Increase (Decrease) in Cash and Cash Equivalents

	BUSINESS-TYPE ACTIVITIES				TOTAL UTILITY FUND
	OPERATING FUND	2007 SERIES	DEBT SERVICE	ELIMINATIONS	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ 3,040,402	\$ -	\$ 796,116	\$ -	\$ 3,836,518
Cash paid to suppliers for goods and services	(985,624)	-	-	-	(985,624)
Cash paid to employees for services	(538,611)	-	-	-	(538,611)
Net cash provided by (used in) operating activities	<u>1,516,167</u>	<u>-</u>	<u>796,116</u>	<u>-</u>	<u>2,312,283</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	800,256	(584,495)	215,761
Transfers out	(1,688,939)	-	(88,231)	584,495	(1,192,675)
Net cash provided by (used in) non-capital financing activities	<u>(1,688,939)</u>	<u>-</u>	<u>712,025</u>	<u>-</u>	<u>(976,914)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases or construction of capital assets	(26,611)	-	-	-	(26,611)
Interest paid	-	-	(748,906)	-	(748,906)
Bond proceeds	9,730,000	-	-	-	9,730,000
Bond issue costs	(95,667)	-	-	-	(95,667)
Principal payment on bonds made by Debt Service Fund	775,444	-	(775,444)	-	-
Principal paid on bonds	(9,791,906)	-	-	-	(9,791,906)
Net cash used in capital and related financing activities	<u>591,260</u>	<u>-</u>	<u>(1,524,350)</u>	<u>-</u>	<u>(933,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest earned on investments	1,447	-	946	-	2,393
Net cash provided by investing activities	<u>1,447</u>	<u>-</u>	<u>946</u>	<u>-</u>	<u>2,393</u>
Net increase (decrease) in cash	419,935	-	(15,263)	-	404,672
Cash, beginning of period	910,419	-	37,141	-	947,560
Cash, end of period	<u>\$ 1,330,354</u>	<u>\$ -</u>	<u>\$ 21,878</u>	<u>\$ -</u>	<u>\$ 1,352,232</u>
Reconciliation of cash to Schedule 6:					
Cash - current asset	\$ 1,118,919	\$ -	\$ 21,878	\$ -	\$ 1,140,797
Cash - restricted current asset	211,435	-	-	-	211,435
Total cash, end of period	<u>\$ 1,330,354</u>	<u>\$ -</u>	<u>\$ 21,878</u>	<u>\$ -</u>	<u>\$ 1,352,232</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:					
Operating income (loss)	\$ 743,887	\$ -	\$ 796,116	\$ -	\$ 1,540,003
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	581,629	-	-	-	581,629
Decrease in accounts receivable	171,578	-	-	-	171,578
Decrease in accounts payable	(6,676)	-	-	-	(6,676)
Increase in deferred revenue	1,754	-	-	-	1,754
Increase in customer deposits	23,995	-	-	-	23,995
Total adjustments	<u>772,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772,280</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,516,167</u>	<u>\$ -</u>	<u>\$ 796,116</u>	<u>\$ -</u>	<u>\$ 2,312,283</u>

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Charges for services:				
Water sales	\$ 2,099,818	\$ 2,099,818	\$ 2,057,282	\$ (42,536)
Sewer charges	755,090	755,090	763,616	8,526
Tap and connect fees	52,788	52,788	29,286	(23,502)
Penalties	102,988	102,988	106,375	3,387
Interest and rent	<u>500</u>	<u>500</u>	<u>1,447</u>	<u>947</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	 <u>\$ 3,011,184</u>	 <u>\$ 3,011,184</u>	 2,958,006	 <u>\$ (53,178)</u>
 Financial Statement Adjustments:				
Debt Service Fund payment of principal and fees on bonds and note			775,444	
Increase estimate for uncollectible accounts			(22,921)	
Water and sewer usage for September 2011 billed in subsequent month			(313,178)	
Water and sewer usage for September 2012 billed in subsequent month			<u>222,615</u>	
 TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			 <u>\$ 3,619,966</u>	

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
UTILITY ADMINISTRATION				
PERSONNEL SERVICES:				
Administration	\$ 123,419	\$ 123,419	\$ 124,723	\$ (1,304)
Uniforms and clothing	500	500	326	174
Workers' compensation	461	461	447	14
Unemployment compensation	126	126	261	(135)
Employee retirement	7,430	7,430	7,712	(282)
Employee insurance	14,544	14,544	15,229	(685)
Payroll taxes	9,441	9,441	9,340	101
Total Personnel Services	155,921	155,921	158,038	(2,117)
SUPPLIES AND MATERIALS:				
Office supplies	2,000	2,000	2,343	(343)
Data processing supplies	500	500	482	18
Postage and delivery service	2,000	2,000	2,743	(743)
Motor vehicle supplies	20,000	20,000	19,729	271
Educational and training	700	700	397	303
Other supplies	950	950	888	62
Total Supplies and Materials	26,150	26,150	26,582	(432)
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	1,400	1,400	2,226	(826)
Total Maintenance of Buildings/Land	1,400	1,400	2,226	(826)
MAINTENANCE - EQUIPMENT/MACHINERY:				
Office equipment	720	720	720	-
HVAC equipment	500	500	500	-
Total Maintenance - Equipment/Machinery	1,220	1,220	1,220	-
CONTRACTUAL SERVICES:				
Communication services	5,700	5,700	5,664	36
Insurance	21,000	21,000	17,969	3,031
Advertising	500	500	807	(307)
Business and travel	1,000	1,000	853	147
Legal fees	10,000	10,000	8,252	1,748
Contractual and fee basis service	11,000	11,000	8,986	2,014
Utility services	310,000	310,000	278,641	31,359
Data processing maintenance	20,000	20,000	23,021	(3,021)
Utility billing - dataprose	22,000	22,000	24,390	(2,390)
Computer leasing services	15,120	15,120	15,354	(234)
On-Line / credit card fees	13,000	13,000	14,460	(1,460)
IT support	21,000	21,000	21,500	(500)
Document shredding	300	300	519	(219)
Memberships and subscriptions	400	400	695	(295)
Total Contractual Services	451,020	451,020	421,111	29,909
CAPITAL OUTLAY:				
Other equipment	30,000	30,000	29,655	345
Total Capital Outlay	30,000	30,000	29,655	345
TOTAL UTILITY ADMINISTRATION	\$ 665,711	\$ 665,711	\$ 638,832	\$ 26,879

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>CUSTOMER SERVICE</u>				
PERSONNEL SERVICES:				
Clerical	\$ 58,360	\$ 58,360	\$ 59,065	\$ (705)
Operations and maintenance	25,795	25,795	20,634	5,161
Overtime	3,700	3,700	1,577	2,123
Certificate pay	1,200	1,200	1,200	-
Uniforms and clothing	300	300	-	300
Worker's compensation	1,624	1,624	1,564	60
Unemployment compensation	216	216	783	(567)
Employee retirement	5,090	5,090	4,378	712
Employee insurance	18,608	18,608	14,087	4,521
Payroll taxes	6,468	6,468	6,187	281
Total Personnel Services	<u>121,361</u>	<u>121,361</u>	<u>109,475</u>	<u>11,886</u>
SUPPLIES AND MATERIALS				
Other supplies	<u>500</u>	<u>500</u>	<u>206</u>	<u>294</u>
Total Supplies and Materials	<u>500</u>	<u>500</u>	<u>206</u>	<u>294</u>
CONTRACTUAL SERVICES				
Insurance	<u>1,671</u>	<u>1,671</u>	<u>1,430</u>	<u>241</u>
Total Contractual Services	<u>1,671</u>	<u>1,671</u>	<u>1,430</u>	<u>241</u>
TOTAL CUSTOMER SERVICE	<u>\$ 123,532</u>	<u>\$ 123,532</u>	<u>\$ 111,111</u>	<u>\$ 12,421</u>
<u>WATER OPERATIONS</u>				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 114,554	\$ 114,554	\$ 92,993	\$ 21,561
Overtime	10,000	10,000	7,887	2,113
Uniforms and clothing	2,000	2,000	1,700	300
Workers' compensation	5,063	5,063	4,851	212
Unemployment compensation	324	324	1,237	(913)
Employee retirement	7,498	7,498	6,231	1,267
Employee insurance	26,950	26,950	23,437	3,513
Payroll taxes	9,528	9,528	7,354	2,174
Total Personnel Services	<u>175,917</u>	<u>175,917</u>	<u>145,690</u>	<u>30,227</u>
SUPPLIES AND MATERIALS:				
Tires and tubes	1,800	1,800	516	1,284
Water meter supplies	12,000	12,000	11,422	578
Minor tools and apparatus	1,000	1,000	603	397
Chemical and mechanical supplies	16,000	16,000	14,415	1,585
Botanical and agricultural supplies	450	450	-	450
Educational and training	1,500	1,500	816	684
Other supplies	500	500	257	243
Total Supplies and Materials	<u>33,250</u>	<u>33,250</u>	<u>28,029</u>	<u>5,221</u>
MAINTENANCE - BUILDING/LAND:				
Buildings and grounds	4,500	4,500	185	4,315
Chlorination facilities	6,000	6,000	4,778	1,222
Water system	22,000	22,000	19,792	2,208
Meters and settings	7,000	7,000	6,349	651
Total Maintenance - Building/Land	<u>39,500</u>	<u>39,500</u>	<u>31,104</u>	<u>8,396</u>

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>WATER OPERATIONS (cont'd.)</u>				
<u>MAINTENANCE - EQUIPMENT/MACHINERY:</u>				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 9,940	\$ 60
Auto equipment maintenance	1,500	1,500	1,189	311
Safety and medical equipment	250	250	54	196
Total Maintenance - Equipment/Machinery	11,750	11,750	11,183	567
<u>CONTRACTUAL SERVICES:</u>				
Leases and rentals	1,500	1,500	1,500	-
Insurance	1,671	1,671	1,430	241
Business and travel	750	750	472	278
Contractual and fee basis service	6,000	6,000	5,984	16
Regulatory inspection fee	6,200	6,200	5,885	315
Total Contractual Services	16,121	16,121	15,271	850
<u>CAPITAL OUTLAY:</u>				
Contingency	30,000	30,000	1,372	28,628
Total Capital Outlay	30,000	30,000	1,372	28,628
TOTAL WATER OPERATIONS	\$ 306,538	\$ 306,538	\$ 232,649	\$ 73,889
<u>WASTEWATER OPERATIONS</u>				
<u>PERSONNEL SERVICES:</u>				
Operations and maintenance	\$ 80,554	\$ 80,554	\$ 84,119	\$ (3,565)
Overtime	7,000	7,000	8,727	(1,727)
Uniforms and clothing	1,500	1,500	-	1,500
Workers' compensation	2,248	2,248	2,138	110
Unemployment compensation	180	180	522	(342)
Employee retirement	5,271	5,271	5,799	(528)
Employee insurance	17,097	17,097	17,100	(3)
Payroll taxes	6,698	6,698	7,003	(305)
Total Personnel Services	120,548	120,548	125,408	(4,860)
<u>SUPPLIES AND MATERIALS:</u>				
Tires and tubes	1,800	1,800	520	1,280
Minor tools and apparatus	1,500	1,500	961	539
Chemical and mechanical supplies	28,000	28,000	25,097	2,903
Safety supplies	750	750	631	119
Educational and training	1,200	1,200	341	859
Total Supplies and Materials	33,250	33,250	27,550	5,700
<u>MAINTENANCE - BUILDING/LAND:</u>				
Building and grounds	1,800	1,800	745	1,055
Sanitary sewers	15,000	15,000	14,418	582
Lift stations	25,000	25,000	24,697	303
Other	-	-	-	-
Total Maintenance - Building/Land	41,800	41,800	39,860	1,940

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>WASTEWATER OPERATIONS (cont'd.)</u>				
MAINTENANCE - EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 10,050	\$ (50)
Automotive equipment	1,500	1,500	965	535
Shop equipment	1,000	1,000	600	400
Communication equipment	200	200	33.00	167
Total Maintenance - Equipment/Machinery	12,700	12,700	11,648	1,052
CONTRACTUAL SERVICES:				
Leases and rentals	250	250	130.00	120
Insurance	1,114	1,114	953	161
Business and travel	1,000	1,000	61.00	939
Contractual and fee basis service	20,000	20,000	15,340	4,660
Regulatory inspection fee	7,000	7,000	6,545	455
Total Contractual Services	29,364	29,364	23,029	6,335
CAPITAL OUTLAY:				
Contingency	30,000	30,000	32,149	(2,149)
Total Capital Outlay	30,000	30,000	32,149	(2,149)
TOTAL WASTEWATER OPERATIONS	\$ 267,662	\$ 267,662	\$ 259,644	\$ 8,018
<u>WATER SUPPLY</u>				
CONTRACTUAL SERVICES:				
Contractual and fee basis service	\$ 410,987	\$ 410,987	\$ 337,963	\$ 73,024
Total Contractual Services	410,987	410,987	337,963	73,024
TOTAL WATER SUPPLY	\$ 410,987	\$ 410,987	\$ 337,963	\$ 73,024
<u>UTILITY DEBT SERVICE</u>				
DEBT SERVICE:				
Revenue bonds principal	\$ 311,000	\$ 311,000	\$ 311,000	\$ -
Revenue bonds interest	270,972	270,972	270,972	-
Total Debt Service	581,972	581,972	581,972	-
TOTAL UTILITY DEBT SERVICE	\$ 581,972	\$ 581,972	\$ 581,972	\$ -
TOTAL EXPENSES - BUDGET BASIS	\$ 2,356,402	\$ 2,356,402	\$ 2,162,171	\$ 194,231
Financial Statement Adjustments:				
Amortization			14,743	
Depreciation			581,629	
Record transfers to other funds			3,379,571	
Decrease in accrued expenses			(6,675)	
Reclassify capital expenditures			(26,610)	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			\$ 6,104,829	

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, 2012

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Property taxes	\$ 790,047	\$ 774,702	\$ (15,345)
Project assessments	18,000	21,414	3,414
Interest income	835	946	111
Transfers in	<u>713,089</u>	<u>712,025</u>	<u>(1,064)</u>
 TOTAL REVENUES - BUDGET BASIS	 <u>\$ 1,521,971</u>	 1,509,087	 <u>\$ (12,884)</u>
 TOTAL REVENUES - GAAP BASIS		 <u>\$ 1,509,087</u>	
<u>EXPENSES</u>			
Bond principal:			
2001 Certificates of Obligation	\$ 223,444	\$ 223,444	\$ -
2003 Certificates of Obligation	213,000	213,000	-
2006 Certificates of Obligation	115,000	115,000	-
2007 Certificates of Obligation	75,000	75,000	-
2008 Certificates of Obligation	121,000	121,000	-
2007 Refunding	28,000	28,000	-
Bond interest:			
2001 Certificates of Obligation	276,556	276,556	-
2003 Certificates of Obligation	11,238	11,686	(448)
2006 Certificates of Obligation	95,655	95,655	-
2007 Certificates of Obligation	73,548	73,548	-
2008 Certificates of Obligation	101,769	101,769	-
2007 Refunding	187,761	187,761	-
Administrative fees	<u>-</u>	<u>1,300</u>	<u>(1,300)</u>
 TOTAL EXPENSES - BUDGET BASIS	 <u>\$ 1,521,971</u>	 1,523,719	 <u>\$ (1,748)</u>
 Bank charges		 2,075	
Change in accrued interest on bonds		<u>(24,675)</u>	
 TOTAL EXPENSES - GAAP BASIS		 <u>\$ 1,501,119</u>	

SCHEDULE "12"

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>TOTAL</u>	<u>LAND</u>	<u>BUILDINGS</u>	<u>INFRASTRUCTURE</u>	<u>MACHINERY & EQUIPMENT AUTOS</u>	<u>OTHER EQUIPMENT</u>
Governmental assets - October 1, 2011	\$ 11,783,646	\$ 128,782	\$ 2,495,541	\$ 7,248,959	\$ 793,281	\$ 1,117,083
EXPENDITURES FROM GOVERNMENTAL FUNDS:						
<u>GENERAL FUND</u>						
Street Improvements	36,531	-	-	36,531	-	-
Police Vehicles	131,412	-	-	-	131,412	-
Machinery & Equipment	55,255	-	-	-	18,000	37,255
Parks	222,403					
RETIREMENTS FROM GOVERNMENTAL FUNDS:						
<u>GENERAL FUND</u>						
Police Vehicles	(85,043)	-	-	-	(85,043)	-
Machinery & Equipment	(374,489)				(353,682)	(20,807)
 GOVERNMENTAL ASSETS - SEPTEMBER 30, 2012	 <u>\$ 11,769,715</u>	 <u>\$ 128,782</u>	 <u>\$ 2,495,541</u>	 <u>\$ 7,285,490</u>	 <u>\$ 503,968</u>	 <u>\$ 1,133,531</u>

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>TOTAL</u>	<u>1996 SERIES</u>	<u>2006 SERIES</u>	<u>2004 SERIES</u>	<u>COMPENSATED ABSENCES</u>	<u>COMPENSATORY TIME PAYABLE</u>
Governmental fund debt, October 1, 2011	\$ 4,005,755	\$ 105,000	\$ 2,570,000	\$ 1,250,000	\$ 53,609	\$ 27,146
<u>ADDITIONS</u>						
Compensatory time payable	-	-	-	-	-	-
Total Additions	-	-	-	-	-	-
<u>RETIREMENTS</u>						
Bond principal:						
1996 Street Construction General Obligation	105,000	105,000	-	-	-	-
2006 Limited Tax Refunding Bonds	125,000	-	125,000	-	-	-
2004 Certificates of Obligation	1,250,000	-	-	1,250,000	-	-
Total Bond Retirements	1,480,000	105,000	125,000	1,250,000	-	-
Compensated absences and compensatory time	34,687	-	-	-	7,541	27,146
GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2012	\$ 2,491,068	\$ -	\$ 2,445,000	\$ -	\$ 46,068	\$ -

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BONDS ISSUED	BOND/NOTE PRINCIPAL			OUTSTANDING 9-30-12	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-13			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS
					BALANCE 10-1-11	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	\$ 4,925,000	\$ -	\$ 4,925,000	\$ -	\$ -	\$ -	\$ -	\$ -
2006-Water & Sewer Certificates of Obligation	4/1/06	Payable serially in varying amounts to 2-15-26	4.20%	2,800,000	2,335,000	-	115,000	2,220,000	120,000	90,720	210,720	2,724,330
2007 Tax Refunding Bonds	7/15/07	Payable serially in varying amounts to 2-15-27	4.52%	4,359,000	4,168,000	-	28,000	4,140,000	10,000	186,902	196,902	5,288,521
2007-Water & Sewer Certificates of Obligation	5/15/07	Payable serially in varying amounts to 2-15-26	4.32%	2,000,000	1,740,000	-	75,000	1,665,000	80,000	70,200	150,200	2,110,852
2008-Water & Sewer Certificates of Obligation	3/12/08	Payable serially in varying amounts to 2-15-28	3.70%	3,100,000	2,811,000	-	2,811,000	-	-	-	-	-
2003-Water & Sewer Certificates of Obligation	2/15/03	Payable serially in varying amounts to 2-15-23	Variable 2.03%-3.46%	4,575,000	435,000	-	435,000	-	-	-	-	-
2012-Limited Tax Refunding Bonds	9/5/12	Payable serially in varying amounts to 2-15-28	Variable 0.6%-2.75%	9,730,000	-	9,730,000	-	9,730,000	645,000	194,161	839,161	11,272,585
Total Business Type Activities				31,564,000	16,414,000	9,730,000	8,389,000	17,755,000	855,000	541,983	1,396,983	21,396,288
GOVERNMENTAL FUND DEBT:												
BONDED DEBT												
1996 General Obligation Bonds	11/15/96	Payable serially in varying amounts to 9-30-12	5.25%	1,000,000	105,000	-	105,000	-	-	-	-	-
2004 Certificates of Obligation	3/15/04	Payable serially in varying amounts to 2-15-23	4.80%	1,400,000	1,250,000	-	1,250,000	-	-	-	-	-
2006 Limited Tax Refunding Bonds	10/15/06	Payable serially in varying amounts to 2-15-26	4.80%	3,140,000	2,570,000	-	125,000	2,445,000	130,000	103,913	233,913	3,060,663
Total Governmental Fund Bonded Debt				5,540,000	3,925,000	-	1,480,000	2,445,000	130,000	103,913	233,913	3,060,663
Total Bonded Indebtedness				\$ 37,104,000	\$ 20,339,000	\$ 9,730,000	\$ 9,869,000	\$ 20,200,000	\$ 985,000	\$ 645,896	\$ 1,630,896	\$ 24,456,951

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***

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 City of Whitehouse, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City of Whitehouse, Texas's basic financial statements and have issued our report thereon dated December 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Whitehouse, Texas's 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*.

We noted certain matters that we reported to management of City of Whitehouse, Texas, in a separate letter dated January 31, 2013.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

Tyler, Texas
January 31, 2013

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