

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

CITY OF WHITEHOUSE

WHITEHOUSE, TEXAS

SEPTEMBER 30, 2013



**CITY OF WHITEHOUSE, TEXAS
 SEPTEMBER 30, 2013
 TABLE OF CONTENTS**

	<u>Exhibit or Schedule</u>	<u>Page(s)</u>
FINANCIAL SECTION		
Independent Auditors' Report		1-2
Management's Discussion and Analysis (Unaudited)		3-8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	Exhibit 1	9
Statement of Activities	Exhibit 2	10
Fund Financial Statements:		
Balance Sheet – Governmental Funds	Exhibit 3	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit 4	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	Exhibit 5	13-14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit 6	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budget Basis) – General Fund	Exhibit 7	16-17
Statement of Net Position – Proprietary Funds	Exhibit 8	18-19
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	Exhibit 9	20
Statement of Cash Flows – Proprietary Funds	Exhibit 10	21-22
Notes to the Basic Financial Statements		23-44
Additional Supplemental Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	Schedule 1	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	Schedule 2	46
Detailed Schedule of Expenditures – Budget and Actual (Non-GAAP Budget Basis):		
General Fund	Schedule 3	47-55
Debt Service Funds:		
Combining Balance Sheet	Schedule 4	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	Schedule 5	57
Utility Fund:		
Combining Statement of Net Position	Schedule 6	58-59
Combining Statement of Revenues, Expenditures and Changes in Fund Net Position	Schedule 7	60
Combining Statement of Cash Flows	Schedule 8	61
Detailed Schedule of Revenues – Budget and Actual (Non-GAAP Budget Basis)	Schedule 9	62
Detailed Schedule of Expenses – Budget and Actual (Non-GAAP Budget Basis)	Schedule 10	63-66

**CITY OF WHITEHOUSE, TEXAS
SEPTEMBER 30, 2013
TABLE OF CONTENTS**

	<u>Exhibit or Schedule</u>	<u>Page(s)</u>
FINANCIAL SECTION - Continued		
Additional Supplemental Information: - continued		
Detailed Schedule of Revenues and Expenses – Budget and Actual (Non-GAAP Budget Basis):		
Enterprise Debt Service Fund	Schedule 11	67
Schedule of Changes in Governmental Capital Assets – By Source	Schedule 12	68
Schedule of Changes in Governmental Long-term Debt	Schedule 13	69
Schedule of Revenue and General Obligation Bonds and Note Payable	Schedule 14	70
GOVERNMENTAL COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		71

FINANCIAL SECTION

HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Whitehouse, Texas

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 City of Whitehouse, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Whitehouse, Texas' basic financial statements. The additional supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City of Whitehouse, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering City of Whitehouse, Texas' internal control over financial reporting and compliance.

Henry + Peters, P.C.

Tyler, Texas
March 18, 2014

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, 2013.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$10,382,550 (net position). Of this amount \$2,313,884 (unrestricted net position) 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 \$1,142,855.
- The total net position of \$10,382,550 is made up of \$7,841,929 in capital assets net of related debt and \$2,540,621 in other net position.

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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 position may serve over time as a useful indicator of the City's financial position. As the end of the fiscal year, September 30, 2013 the City's assets exceeded liabilities by \$10,382,550.

By far the largest portion of the City's net position (\$5,806,881) 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 decreased \$1,741,260 during the current year primarily due to the acquisition 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 position that is unrestricted (\$2,818,779) increased by \$698,269 during the year.

City of Whitehouse's Net position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2,058,096	\$ 464,297	\$ 2,278,140	\$ 2,201,015	\$ 4,336,236	\$ 2,665,312
Capital assets	8,843,743	7,860,719	18,525,076	19,027,620	27,368,819	26,888,339
Total Assets	10,901,839	8,325,016	20,803,216	21,228,635	31,705,055	29,553,651
Deferred outflows of resources	-	-	781,347	-	781,347	-
Total Deferred Outflows of Resources	-	-	781,347	-	781,347	-
Current liabilities	1,217,495	91,094	1,228,865	373,989	2,446,360	465,083
Non current liabilities	3,604,197	2,491,068	16,053,295	16,895,198	19,657,492	19,386,266
Total Liabilities	4,821,692	2,582,162	17,282,160	17,269,187	22,103,852	19,851,349
Net invested in capital assets	5,435,506	5,415,719	2,406,423	2,132,422	7,841,929	7,548,141
Restricted	225,737	33,651	-	-	225,737	33,651
Unrestricted	418,904	293,484	1,895,980	1,827,026	2,314,884	2,120,510
Total Net Position	\$ 6,080,147	\$ 5,742,854	\$ 4,302,403	\$ 3,959,448	\$ 10,382,550	\$ 9,702,302

Governmental activities. During the current year the governmental activities had an increase in net position of \$147,299 which represented a \$1,335,338 decrease from the previous year. The decrease from the prior year came primarily from a decrease in the transfers from the business-type activities.

Business-type activities. The City had a \$420,882 increase in net position for its business-type activities during the year. This is up by \$1,117,790 from the previous year. The increase is primarily due to a decrease in transfers to governmental activities.

City of Whitehouse's Changes in Net position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Charges for services	\$ 1,077,959	\$ 1,141,894	\$ 2,810,254	\$ 2,864,489	\$ 3,888,213	\$ 4,006,383
Capital grants and contributions	8,400	-	-	-	8,400	-
General revenue:						
Property taxes	2,376,897	1,630,070	-	774,702	2,376,897	2,404,772
Franchise taxes	294,202	323,180	-	-	294,202	323,180
Sales taxes	704,163	682,880	-	-	704,163	682,880
Gain (loss) on sale of assets	16,253	(113,023)	-	-	16,253	(113,023)
Insurance proceeds	8,914	-	-	-	8,914	-
Interest income	21,410	16,243	2,208	2,393	23,618	18,636
Total revenues	4,508,198	3,681,244	2,812,462	3,641,584	7,320,660	7,322,828
Expenses:						
General government	553,216	518,455	-	-	553,216	518,455
Public safety	2,020,300	1,956,513	-	-	2,020,300	1,956,513
Community development	1,007,202	1,006,842	-	-	1,007,202	1,006,842
Parks and recreation	120,664	131,071	-	-	120,664	131,071
Interest	114,145	144,612	-	-	114,145	144,612
Water and sewer operations	-	-	2,936,952	2,839,606	2,936,952	2,839,606
Total expenses	3,815,527	3,757,493	2,936,952	2,839,606	6,752,479	6,597,099
Transfers	(545,372)	1,558,886	545,372	(1,558,886)	-	-
Change in net position	147,299	1,482,637	420,882	(756,908)	568,181	725,729
Prior Period Adjustment	189,994	-	(77,927)	(42,393)	112,067	(42,393)
Net position beginning of year	5,742,854	4,260,217	3,959,448	4,758,749	9,702,302	9,018,966
Net position end of year	\$ 6,080,147	\$ 5,742,854	\$ 4,302,403	\$ 3,959,448	\$ 10,382,550	\$ 9,702,302

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 \$1,142,855. The total fund balance for the governmental funds increased by \$847,004 during the year, which was mostly due to debt proceeds received in 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 position of the proprietary fund amounted to \$1,895,980 at year end as compared to \$1,827,026 at the end of the prior year.

General Fund Budgetary Highlights

Over the year, the City of Whitehouse did not make budget amendments to its original budget. Revenues were \$96,860 over budget while expenditures were under budget by \$95,553. After considering operating transfers, the City had a favorable variance of \$692,819 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, 2013, amounts to \$7,841,929 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 increase in the City's investment in fixed assets for the current year (see Note 4C) was \$293,788.

City of Whitehouse's Capital Assets, net of accumulated depreciation

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 190,184	\$ 128,782	\$ 25,000	\$ 25,000	\$ 215,184	\$ 153,782
Easements	-	-	7,800	7,800	7,800	7,800
Construction in progress	1,034,107	-	-	-	1,034,107	-
Buildings and improvements	2,177,094	2,109,622	105,610	114,272	2,282,704	2,223,894
Water and sewer system	-	-	18,256,515	18,748,105	18,256,515	18,748,105
Infrastructure	5,072,950	5,255,983	-	-	5,072,950	5,255,983
Machinery and equipment	369,408	366,332	130,151	132,443	499,559	498,775
Total	\$ 8,843,743	\$ 7,860,719	\$ 18,525,076	\$ 19,027,620	\$ 27,368,819	\$ 26,888,339

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 \$1,800,000 in Series 2013 Tax Notes. The proceeds of the notes were used for construction of the baseball field complex. After principal payments of \$985,000 were made against debt during the year, the City had total debt outstanding of \$21,015,000 at the end of the fiscal year.

City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 4,115,000	\$ 2,445,000	\$ -	\$ -	\$ 4,115,000	\$ 2,445,000
Compensated absences	52,263	46,068	21,076	-	73,339	46,068
Revenue bonds and Certificates of obligation	-	-	16,900,000	17,755,000	16,900,000	17,755,000
Total	\$ 4,167,263	\$ 2,491,068	\$ 16,921,076	\$ 17,755,000	\$ 21,088,339	\$ 20,246,068

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 2013/2014 fiscal year.

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 37,758	\$ 1,602,553	\$ 1,640,311
Receivables (net of allowance for doubtful accounts)	463,174	507,750	970,924
Internal balances	295,238	(295,238)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	1,261,926	233,075	1,495,001
Water rights - Lake Columbia	-	230,000	230,000
Capital Assets (net of accumulated depreciation):			
Land	190,184	25,000	215,184
Easements	-	7,800	7,800
Construction in progress	1,034,107	-	1,034,107
Buildings and improvements	2,177,094	105,610	2,282,704
Infrastructure	5,072,950	-	5,072,950
Machinery and equipment	369,408	130,151	499,559
Water and sewer system	-	18,256,515	18,256,515
Total assets	<u>10,901,839</u>	<u>20,803,216</u>	<u>31,705,055</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (net of amortization)	-	781,347	781,347
Total deferred outflows of resources	<u>-</u>	<u>781,347</u>	<u>781,347</u>
LIABILITIES			
Accounts payable	631,709	71,293	703,002
Deposits and other refundable balances	-	233,075	233,075
Accrued interest	22,720	56,716	79,436
Non-current liabilities:			
Due within one year	563,066	867,781	1,430,847
Due in more than one year	3,604,197	16,053,295	19,657,492
Total liabilities	<u>4,821,692</u>	<u>17,282,160</u>	<u>22,103,852</u>
NET POSITION			
Investment in capital assets, net of related debt	5,435,506	2,406,423	7,841,929
Restricted for:			
Police forfeitures	8,225	-	8,225
PEG Channel	37,258	-	37,258
Debt service	180,254	-	180,254
Unrestricted	418,904	1,895,980	2,314,884
Total net position	<u>\$ 6,080,147</u>	<u>\$ 4,302,403</u>	<u>\$ 10,382,550</u>

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

**CITY OF WHITEHOUSE, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS- TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 553,216	\$ 148,846	\$ -	\$ (404,370)	\$ -	\$ (404,370)
Public safety	2,020,300	174,122	8,400	(1,837,778)	-	(1,837,778)
Community development	1,007,202	710,841	-	(296,361)	-	(296,361)
Parks and recreation	120,664	44,150	-	(76,514)	-	(76,514)
Interest	114,145	-	-	(114,145)	-	(114,145)
Total governmental activities	<u>3,815,527</u>	<u>1,077,959</u>	<u>8,400</u>	<u>(2,729,168)</u>	<u>-</u>	<u>(2,729,168)</u>
Business-type activities:						
Water and sewer	<u>2,936,952</u>	<u>2,810,254</u>	<u>-</u>	<u>-</u>	<u>(126,698)</u>	<u>(126,698)</u>
Total business-type activities	<u>2,936,952</u>	<u>2,810,254</u>	<u>-</u>	<u>-</u>	<u>(126,698)</u>	<u>(126,698)</u>
Total primary government	<u>\$ 6,752,479</u>	<u>\$ 3,888,213</u>	<u>\$ 8,400</u>	<u>(2,729,168)</u>	<u>(126,698)</u>	<u>(2,855,866)</u>
General revenues:						
Property taxes				2,376,897	-	2,376,897
Franchise taxes				294,202	-	294,202
Sales and use taxes				704,163	-	704,163
Gain on sale of assets				16,253	-	16,253
Insurance proceeds				8,914	-	8,914
Interest and rent				21,410	2,208	23,618
Transfers				(545,372)	545,372	-
Total general revenues and transfers				<u>2,876,467</u>	<u>547,580</u>	<u>3,424,047</u>
Change in net position				<u>147,299</u>	<u>420,882</u>	<u>568,181</u>
Net position - beginning of year, as originally stated				5,742,854	3,959,448	9,702,302
Prior period adjustments				<u>189,994</u>	<u>(77,927)</u>	<u>112,067</u>
Net position - beginning of year, as restated				<u>5,932,848</u>	<u>3,881,521</u>	<u>9,814,369</u>
Net position - end of year				<u>\$ 6,080,147</u>	<u>\$ 4,302,403</u>	<u>\$ 10,382,550</u>

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

**CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	MAJOR FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	BASEBALL FIELD IMPROVEMENTS	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	
ASSETS						
Cash and investments	\$ 500	\$ -	\$ -	\$ 37,258	\$ -	\$ 37,758
Receivables:						
Property taxes	24,788	37,182	-	-	-	61,970
Sales taxes	93,820	-	-	-	-	93,820
Street assessments	-	-	-	22,508	-	22,508
Charges for services	310,298	-	-	-	-	310,298
Restricted assets:						
Temporarily restricted						
Cash and cash equivalents	-	-	1,253,701	8,225	-	1,261,926
Due from other funds	115,139	275,148	-	2,848	(97,897)	295,238
Total assets	<u>\$ 544,545</u>	<u>\$ 312,330</u>	<u>\$ 1,253,701</u>	<u>\$ 70,839</u>	<u>\$ (97,897)</u>	<u>\$ 2,083,518</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 84,771	\$ -	\$ 546,938	\$ -	\$ -	\$ 631,709
Due to other funds	853	94,894	-	2,150	(97,897)	-
Total Liabilities	<u>85,624</u>	<u>94,894</u>	<u>546,938</u>	<u>2,150</u>	<u>(97,897)</u>	<u>631,709</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	24,788	37,182	-	-	-	61,970
Unavailable revenue - street assessments	-	-	-	22,508	-	22,508
Unavailable revenue - fines	224,476	-	-	-	-	224,476
Total deferred inflows of resources	<u>249,264</u>	<u>37,182</u>	<u>-</u>	<u>22,508</u>	<u>-</u>	<u>308,954</u>
Fund Balances:						
Restricted:						
Police forfeitures	-	-	-	8,225	-	8,225
PEG channel	-	-	-	37,258	-	37,258
Debt Service	-	180,254	-	-	-	180,254
Capital projects	-	-	706,763	-	-	706,763
Assigned:						
Capital projects	-	-	-	698	-	698
Unassigned	209,657	-	-	-	-	209,657
Total fund balances	<u>209,657</u>	<u>180,254</u>	<u>706,763</u>	<u>46,181</u>	<u>-</u>	<u>1,142,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 544,545</u>	<u>\$ 312,330</u>	<u>\$ 1,253,701</u>	<u>\$ 70,839</u>	<u>\$ (97,897)</u>	<u>\$ 2,083,518</u>

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

**CITY OF WHITEHOUSE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

	Total Governmental Funds
Total fund balances governmental funds	\$ 1,142,855
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	8,843,743
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance sheet.	283,532
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(22,720)
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(4,167,263)</u>
Net position of governmental activities	<u><u>\$ 6,080,147</u></u>

The notes to the basic 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, 2013

	MAJOR FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	BASEBALL FIELD IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	
REVENUES					
Current and delinquent taxes	\$ 956,353	\$ 1,425,626	\$ -	\$ -	\$ 2,381,979
Fines and forfeitures	142,302	-	-	-	142,302
Licenses and permits	10,220	-	-	-	10,220
Franchise taxes	275,649	-	-	18,553	294,202
Sales taxes - regular	439,179	-	-	-	439,179
Sales taxes - additional 1/2 cent	219,588	-	-	-	219,588
Sales tax fees	45,396	-	-	-	45,396
Donations	20,882	-	1,000	-	21,882
Solid waste collections	631,864	-	-	-	631,864
Zoning and platting fees	150	-	-	-	150
Splash Park	34,504	-	-	-	34,504
Concession Stand	9,646	-	-	-	9,646
Intergovernmental revenue	80,636	-	-	-	80,636
Grants	8,400	-	-	-	8,400
Interest and rent	19,406	674	1,272	58	21,410
Miscellaneous income	130,208	-	-	8,268	138,476
Total revenues	3,024,383	1,426,300	2,272	26,879	4,479,834
EXPENDITURES					
Legislative	22,340	-	-	-	22,340
General administration	359,221	-	-	68	359,289
Treasury and financial	73,740	-	-	-	73,740
Tax appraisal and collections	41,854	-	-	-	41,854
Municipal court	244,313	-	-	-	244,313
Library	43,802	-	-	-	43,802
Parks/recreation	111,424	-	-	-	111,424
Community development	47,933	-	-	-	47,933
Street and ground maintenance	159,848	-	-	-	159,848
Communication center	30,000	-	-	-	30,000
Police	1,117,379	-	-	-	1,117,379
Animal control	58,257	-	-	-	58,257
Fire	430,220	-	-	-	430,220
Sanitation	569,779	-	-	-	569,779
Debt service:					
Bond principal	-	130,000	-	-	130,000
Interest and fees	-	104,414	-	-	104,414
Capital outlay	272,524	-	1,095,509	-	1,368,033
Total expenditures	3,582,634	234,414	1,095,509	68	4,912,625
Revenues over (under) expenditures	\$ (558,251)	\$ 1,191,886	\$ (1,093,237)	\$ 26,811	\$ (432,791)

The notes to the basic 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, 2013

	MAJOR FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	BASEBALL FIELD IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 503,789	\$ 9,452	\$ -	\$ -	\$ 513,241
Transfers out	(22,550)	(1,036,063)	-	-	(1,058,613)
Sale of assets	16,253	-	-	-	16,253
Tax note proceeds	-	-	1,800,000	-	1,800,000
Insurance proceeds	8,914	-	-	-	8,914
Total other financing sources (uses)	<u>506,406</u>	<u>(1,026,611)</u>	<u>1,800,000</u>	<u>-</u>	<u>1,279,795</u>
Net change in fund balances	<u>(51,845)</u>	<u>165,275</u>	<u>706,763</u>	<u>26,811</u>	<u>847,004</u>
Fund balance, October 1, 2012 as originally stated	261,502	14,979	-	43,913	320,394
Prior period adjustment	-	-	-	(24,543)	(24,543)
Fund balance, October 1, 2012 as restated	<u>261,502</u>	<u>14,979</u>	<u>-</u>	<u>19,370</u>	<u>295,851</u>
Fund balance, September 30, 2013	<u>\$ 209,657</u>	<u>\$ 180,254</u>	<u>\$ 706,763</u>	<u>\$ 46,181</u>	<u>\$ 1,142,855</u>

The notes to the basic 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, 2013

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

Net change in fund balances - total governmental funds	\$ 847,004
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.	983,024
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.	3,197
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences.	(6,195)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	(9,731)
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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(1,670,000)</u>
Change in net position of governmental activities	<u>\$ 147,299</u>

The notes to the basic 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, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent taxes	\$ 844,531	\$ 844,531	\$ 956,353	\$ 111,822
Fines and forfeitures	339,852	339,852	215,754	(124,098)
Licenses and permits	4,800	4,800	10,220	5,420
Franchise taxes	293,123	293,123	275,649	(17,474)
Sales taxes - regular	423,152	423,152	447,757	24,605
Sales taxes - additional 1/2 cent	211,576	211,576	223,878	12,302
Sales tax fees	45,026	45,026	45,396	370
Solid waste collections	656,065	656,065	661,021	4,956
Zoning and platting fees	250	250	150	(100)
Splash Pad	39,000	39,000	34,504	(4,496)
Concession stand	15,000	15,000	9,646	(5,354)
Intergovernmental revenue	167,385	167,385	80,636	(86,749)
Grants	-	-	8,400	8,400
Interest and rent	13,300	13,300	19,406	6,106
Miscellaneous income	61,208	61,208	222,358	161,150
Total revenues	3,114,268	3,114,268	3,211,128	96,860
EXPENDITURES				
Legislative	28,000	28,000	22,340	5,660
General administration	367,405	367,405	376,120	(8,715)
Treasury and financial	75,419	75,419	73,559	1,860
Tax appraisal and collections	42,911	42,911	41,854	1,057
Municipal court	464,106	464,106	394,669	69,437
Library	43,802	43,802	43,802	-
Parks/recreation	255,354	255,354	233,077	22,277
Community development	54,239	54,239	48,046	6,193
Street and ground maintenance	201,772	201,772	172,677	29,095
Communication center	30,000	30,000	30,000	-
Police	1,239,683	1,239,683	1,236,002	3,681
Animal control	68,190	68,190	58,155	10,035
Fire	400,269	400,269	443,256	(42,987)
Sanitation	567,532	567,532	569,572	(2,040)
Total expenditures	3,838,682	3,838,682	3,743,129	95,553
Revenues over (under) expenditures	(724,414)	(724,414)	(532,001)	192,413
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	503,789	503,789
Transfers out	-	-	(22,550)	(22,550)
Insurance proceeds	-	-	8,914	8,914
Sale of assets	6,000	6,000	16,253	10,253
Total other financing sources (uses)	6,000	6,000	506,406	500,406
Revenues and other sources over (under) expenditures and other uses - budget basis	(718,414)	(718,414)	(25,595)	692,819
Budget basis to GAAP basis adjustments (Note A)	-	-	(26,250)	(26,250)
Revenues and other sources over (under) expenditures and other uses - GAAP basis	\$ (718,414)	\$ (718,414)	\$ (51,845)	\$ 666,569

The notes to the basic 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, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund balance, October 1, 2012	<u>\$ 261,502</u>	<u>\$ 261,502</u>	<u>\$ 261,502</u>	<u>\$ -</u>
Fund balance, September 30, 2013	<u>\$ (456,912)</u>	<u>\$ (456,912)</u>	<u>\$ 209,657</u>	<u>\$ 666,569</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

\$ (29,157)

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

(12,868)

Uses/outflows of resources:

Differences - budget to GAAP

Capital expenditures recorded in Utility Fund

13,098

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

2,677

Net change in budget basis presentation and GAAP basis presentation

\$ (26,250)

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

**CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	<u>UTILITY FUND</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,602,553
Accounts receivable (net)	<u>425,131</u>
Total Current Assets	<u>2,027,684</u>
Restricted Current Assets:	
Temporarily restricted	
Cash and cash equivalents	<u>233,075</u>
Total Restricted Current Assets	<u>233,075</u>
Noncurrent Assets:	
Water rights - Lake Columbia	230,000
Other receivables	82,619
Capital Assets:	
Land	25,000
Easements	7,800
Buildings	324,633
Water and sewer system	24,264,699
Machinery & equipment	827,171
Less: Accumulated depreciation	<u>(6,924,227)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>18,525,076</u>
Total Noncurrent Assets:	<u>18,837,695</u>
Total Assets	<u>\$ 21,098,454</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding (net of amortization)	\$ 781,347
Total Deferred Outflows of Resources	<u>\$ 781,347</u>

(continued)

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 71,293
Compensated absences	5,781
Due to other funds	295,238
Total Current Liabilities	<u>372,312</u>
Current liabilities payable from restricted assets:	
Customer deposits	233,075
Accrued interest	56,716
Revenue bonds payable	862,000
Total current liabilities payable from restricted assets	<u>1,151,791</u>
Noncurrent Liabilities:	
Compensated absences	15,295
Revenue bonds payable	16,038,000
Total Noncurrent Liabilities	<u>16,053,295</u>
Total Liabilities	<u>17,577,398</u>
NET POSITION	
Invested in capital assets, net of related debt	2,406,423
Unrestricted	1,895,980
Total Net Position	<u>\$ 4,302,403</u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>UTILITY FUND</u>
OPERATING REVENUES	
Water sales	\$ 1,941,172
Sewer charges	730,417
Assessment revenue	6,896
Charges for other services	<u>131,769</u>
Total Operating Revenues	<u>2,810,254</u>
OPERATING EXPENSES	
Utility administration	674,938
Customer service	121,388
Water operations	346,977
Sewer operations	232,032
Water supply	355,485
Depreciation	<u>585,532</u>
Total Operating Expenses	<u>2,316,352</u>
Operating Income (Loss)	<u>493,902</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(620,600)
Interest income	<u>2,208</u>
Total non-operating revenue (expenses)	<u>(618,392)</u>
Income before transfers	(124,490)
Transfers in	1,049,161
Transfers out	<u>(503,789)</u>
Total Transfers	<u>545,372</u>
Change in Net Position	<u>420,882</u>
Net Position, October 1, 2012 as originally stated	3,959,448
Prior period adjustments	<u>(77,927)</u>
Net Position, October 1, 2012 as restated	<u>3,881,521</u>
Net Position, September 30, 2013	<u><u>\$ 4,302,403</u></u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>UTILITY FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 2,921,776
Cash paid to suppliers for goods and services	(1,068,453)
Cash paid to employees for services	<u>(593,364)</u>
Net cash provided by operating activities	<u>1,259,959</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	1,049,161
Transfers out	<u>(503,789)</u>
Net cash provided by non-capital financing activities	<u>545,372</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases or construction of capital assets	(82,987)
Interest paid	(386,156)
Principal paid on bonds	<u>(855,000)</u>
Net cash used in capital and related financing activities	<u>(1,324,143)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	<u>2,208</u>
Net cash provided by investing activities	<u>2,208</u>
Net increase in cash	483,396
Cash, beginning of period	<u>1,352,232</u>
Cash, end of period	<u>\$ 1,835,628</u>
Reconciliation of cash to Exhibit 8:	
Cash - current asset	\$ 1,602,553
Cash - restricted current asset	233,075
Total cash, end of period	<u>\$ 1,835,628</u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>UTILITY FUND</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	\$ 493,902
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	585,532
Decrease in accounts receivable	89,882
Increase in accounts payable	65,474
Increase in compensated absences	3,529
Increase in customer deposits	<u>21,640</u>
Total adjustments	<u>766,057</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,259,959</u></u>

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

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Whitehouse, Texas (City) operates under a Mayor-City Council 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 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 (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

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.

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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 City reports the following major governmental funds:

The General Fund is the City'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 Baseball Field Complex Capital Improvements Fund accounts for the construction of the baseball field complex.

The City 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.

Governments have the option of following private-sector guidance for their business-type activities and enterprise funds issued after November 30, 1989. The City has elected not to follow private-sector guidance issued after November 30, 1989.

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

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

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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 with original maturity of three months or less when purchased, 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.” While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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 amounts.

The City provides an allowance for doubtful accounts based upon the anticipated collectability 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 inflows of resources - unavailable revenue property taxes on October 1. The deferred inflow from taxes is then recognized as revenue during the year as the taxes are 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”.

(Continued)

**CITY OF WHITEHOUSE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

4. Capital Assets – including 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 – During the current year the City chose early implementation of GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred and a restatement to beginning net position has been made in accordance with this statement.
7. Compensated Absences

A liability for unused vacation for all full time employees is calculated and reported in the proprietary fund and government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the proprietary fund and government-wide statements.

Vacation time is earned based on years of service. Regular full-time employees up to four years of service earn ten days of vacation, regular full-time employees from five years of service to nine years of service earn 15 days of vacation, and regular full-time employees with ten or more years of service earn 20 days of vacation. The maximum amount an employee may accumulate is 30 days.

The regular workweek is based on 40 hours actually worked. Overtime, unless required to be paid by Federal statutes, is accumulated as compensatory (comp). Comp time is accumulated and may be taken off with approval.

(Continued)

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Fund Balance classification

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable - This classification includes 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 - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes imposed by an ordinance by City Council, the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

(Continued)

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

10. Fund Balance classification - continued

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When more than one classification of fund balance is available for use, it is the City's policy to use the most restricted resources first.

11. Net Position

During the current year, the City adopted GASB Statement No. 63, which redefines how net assets are presented in the financial statements. The Statement of Net Assets is now the Statement of Net Position. Net position represents the difference between assets and liabilities, and is divided into three components.

Net investment in capital assets - This component 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 and adjusted for any deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted - This component consists of 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, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component consists of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

12. Capitalized interest - The City has capitalized interest on construction projects when material.

13. 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, liabilities, and deferred outflows/inflows of resources 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.

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

14. New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012*, which improves financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. The City is evaluating the impact of this statement on the City’s financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which improves financial reporting of public employee pensions. This statement is effective for periods beginning after June 15, 2013. The City is evaluating the impact of this statement on the City’s financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which improves financial reporting of public employee pensions. This statement is effective for periods beginning after June 15, 2014. The City is evaluating the impact of this statement on the City’s financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves financial reporting of combination arrangements. This statement is effective for periods beginning after December 15, 2013. The City is evaluating the impact of this statement on the City’s financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which improves financial reporting of nonexchange financial guarantees. This statement is effective for periods beginning after June 15, 2013. The City is evaluating the impact of this statement on the City’s financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This statement is effective for periods beginning after June 15, 2014. The City is evaluating the impact of this statement on the City’s financial statements.

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 position

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. One element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.” The details of this \$8,843,743 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$ 7,860,719
Capital asset additions, net of retirements	1,368,033
Depreciation of capital assets, current year	<u>(385,009)</u>
	<u>\$ 8,843,743</u>

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position - continued

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 \$283,532 difference are as follows:

Allowance account for uncollectible property taxes	\$ (25,422)
Unavailable revenue - property taxes	61,970
Unavailable revenue - fines	224,476
Unavailable revenue - street assessments	22,508
	\$ 283,532

Also, another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet." The details of this \$4,167,263 difference are as follows:

Bonds payable	\$ (4,115,000)
Compensated absences	(52,263)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$ (4,167,263)

B. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that "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." The details of this \$983,024 difference are as follows:

Capital outlay	\$ 1,368,033
Depreciation expense	(385,009)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 983,024

Another element states "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements." The details of this \$3,197 difference are as follows:

Change in allowance for uncollectible taxes	\$ (2,489)
Change in unearned revenues	5,686
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 3,197

(Continued)

**CITY OF WHITEHOUSE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013**

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

B. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities - continued

Also, another element of that reconciliation states that “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 position. 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.” The details of this \$1,670,000 difference are as follows:

Issuance of debt	\$ (1,800,000)
Principal payments on long-term debt	<u>130,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,670,000)</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 the Utility 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.

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government	
Cash and cash equivalents	\$ 1,640,311
Restricted cash and cash equivalents	<u>1,495,001</u>
 Total Cash and cash equivalents	 <u>\$ 3,135,312</u>
 Cash on hand	 \$ 500
Savings and checking accounts	2,031,754
External investment pools	<u>1,103,058</u>
 Total Cash and Investments	 <u>\$ 3,135,312</u>

External Investment Pool	Fair Value	Weighted Average Maturity (Years)	Credit Risk
Logic	\$ 429,209	0.16	AAA
TexPool	252,496	0.14	AAAm
MBIA	<u>421,353</u>	0.15	AAAm
	<u>\$ 1,103,058</u>		

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. 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.

At September 30, 2013, the carrying value of the City's bank deposits was \$2,031,754 while the bank balance was \$2,204,591. All bank balances not covered by federal depository insurance, were covered by collateral held in the pledging financial institutions' trust department in the City's name.

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.

(Continued)

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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:

	General Fund	Debt Service Fund	Other Governmental Funds	Water and Sewer Fund	Total
Receivables:					
Property tax Assessments	\$ 24,788	\$ 37,182	\$ -	\$ -	\$ 61,970
Sales tax Accounts	93,820	-	22,508	82,619	105,127
	483,528	-	-	425,131	908,659
Gross receivables	602,136	37,182	22,508	507,750	1,169,576
Less: Allowance for uncollectibles	(183,399)	(15,253)	-	-	(198,652)
Net receivables	<u>\$ 418,737</u>	<u>\$ 21,929</u>	<u>\$ 22,508</u>	<u>\$ 507,750</u>	<u>\$ 970,924</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 128,782	\$ 61,402	\$ -	\$ 190,184
Construction in progress	-	1,034,107	-	1,034,107
Total capital assets, not being depreciated	128,782	1,095,509	-	1,224,291
Capital assets, being depreciated:				
Buildings and Improvements	2,717,944	135,690	-	2,853,634
Infrastructure	7,285,491	-	-	7,285,491
Machinery and Equipment	1,637,498	136,834	(42,377)	1,731,955
Total capital assets being depreciated	11,640,933	272,524	(42,377)	11,871,080
Less accumulated depreciation for:				
Buildings and Improvements	(608,322)	(68,218)	-	(676,540)
Infrastructure	(2,029,508)	(183,033)	-	(2,212,541)
Machinery and Equipment	(1,271,166)	(133,758)	42,377	(1,362,547)
Total accumulated depreciation	(3,908,996)	(385,009)	42,377	(4,251,628)
Total capital assets, being depreciated, net	7,731,937	(112,485)	-	7,619,452
Governmental activities capital assets, net	<u>\$ 7,860,719</u>	<u>\$ 983,024</u>	<u>\$ -</u>	<u>\$ 8,843,743</u>

(Continued)

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital Assets - continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Easements	7,800	-	-	7,800
Total capital assets, not being depreciated	32,800	-	-	32,800
Capital assets, being depreciated:				
Water and Sewer System	24,231,219	33,480	-	24,264,699
Buildings	324,633	-	-	324,633
Machinery and equipment	789,525	56,163	(18,517)	827,171
Total capital assets being depreciated	25,345,377	89,643	(18,517)	25,416,503
Less accumulated depreciation for:				
Water and Sewer System	(5,456,504)	(551,680)	-	(6,008,184)
Buildings	(210,361)	(8,662)	-	(219,023)
Machinery and equipment	(683,692)	(25,191)	11,863	(697,020)
Total accumulated depreciation	(6,350,557)	(585,533)	11,863	(6,924,227)
Total capital assets, being depreciated, net	18,994,820	(495,890)	(6,654)	18,492,276
Business-type activities capital assets, net	\$ 19,027,620	\$ (495,890)	\$ (6,654)	\$ 18,525,076

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

Governmental activities:	
General Government	\$ 59,549
Public Safety	134,348
Community Development	183,333
Parks and Recreation	7,779
Total depreciation expense - governmental activities	\$ 385,009
 Business-type activities:	
Water & Sewer Operations	\$ 585,533

Construction Commitments

The City has the following construction projects as of September 30, 2013:

Project	Spent-to-Date	Estimated Remaining Commitment
Baseball Field Complex	\$ 548,570	\$ 1,631,849

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Utility Fund	\$ 20,245
General Fund	Debt Service Fund	94,894
Debt Service Fund	Utility Fund	272,998
Debt Service Fund	Street Construction Fund	2,150
Street Construction Fund	General Fund	853
Street Construction Fund	Utility Fund	1,995
		<u>\$ 393,135</u>

Interfund transfers are made in accordance with the City's adopted budget or through approvals to meet unexpected operating needs.

The composition of interfund transfers as of September 30, 2013, is as follows:

<u>Transfers out:</u>	<u>Transfers in</u>			
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Utility Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 9,452	\$ 13,098	\$ 22,550
Debt Service Fund	-	-	1,036,063	1,036,063
Utility Fund	503,789	-	-	503,789
 Total transfers out/in	 \$ 503,789	 \$ 9,452	 \$ 1,049,161	 \$ 1,562,402

E. Leases

Operating Leases

The City leases computers and copy machines. Total costs for such leases were \$19,520 for the year ended September 30, 2013. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2014	\$ 13,928
2015	2,574
 Total	 \$ 16,502

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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, 2013:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Bonds payable - October 1, 2012	\$ 2,445,000	\$ 17,755,000	\$ 20,200,000
Additions	1,800,000	-	1,800,000
Retirements	(130,000)	(855,000)	(985,000)
Bonds payable - September 30, 2013	<u>\$ 4,115,000</u>	<u>\$ 16,900,000</u>	<u>\$ 21,015,000</u>

Outstanding bonds at September 30, 2013 are comprised of the following issues:

Governmental activities:

\$3,140,000 Series 2006 Refunding Bonds; maturing serially in varying amounts through 2-15-26 at 4.80% \$ 2,315,000

\$1,800,000 series 2013 Tax Note; maturing serially in varying amounts through 9-30-2020 at 1.60% 1,800,000

Total governmental bonded debt \$ 4,115,000

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% \$ 2,100,000

\$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52% 4,130,000

\$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% 1,585,000

\$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% 9,085,000

Total business-type bonded debt \$ 16,900,000

(Continued)

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term debt - continued

The funding requirements to amortize all bonds outstanding as of September 30, 2013, including interest, are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2014	\$ 550,000	\$ 128,268	\$ 862,000	\$ 534,703	\$ 2,074,971
2015	367,000	113,034	885,000	509,013	1,874,047
2016	375,000	103,296	912,000	481,461	1,871,757
2017	384,000	93,289	944,000	451,916	1,873,205
2018	393,000	83,005	979,000	420,274	1,875,279
2019-2023	1,396,000	266,261	5,408,000	1,563,721	8,633,982
2024-2028	650,000	55,888	6,910,000	535,200	8,151,088
	<u>\$ 4,115,000</u>	<u>\$ 843,041</u>	<u>\$ 16,900,000</u>	<u>\$ 4,496,288</u>	<u>\$ 26,354,329</u>

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

The bond ordinances also require that the following information concerning insurance coverage as of September 30, 2013 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$ 1,000,000	\$ 2,000,000	10/1/2014
	Law Enforcement	1,000,000	2,000,000	10/1/2014
	Errors & Omissions	1,000,000	2,000,000	10/1/2014
	Auto Liability	1,000,000	n/a	10/1/2014
	Auto Physical Damage	per schedule	n/a	10/1/2014
	Uninsured/Underinsured Motorist	55,000	n/a	10/1/2014
Texas Municipal League	Real & Personal Property	18,423,310	n/a	10/1/2014
	Mobile Equipment	429,378	n/a	10/1/2014
	Boiler & Machinery	100,000	n/a	10/1/2014
Texas Municipal League	Workers Comp	n/a	1,844,325	10/1/2014

As of September 30, 2013, the City was not in compliance with the minimum cash requirement contained in its bond ordinances as follows:

Minimum required balance	\$ 476,580
Actual balance held at September 30, 2013	<u>256,354</u>
Shortage	<u>\$ 220,226</u>

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

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term debt - continued

Changes in long-term liabilities

Long term liability activity for the City for the year ended September 30, 2013 was as follows:

	Beginning Balance 10/1/2012	Additions	Reductions	Ending Balance 9/30/2013	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,445,000	\$ 1,800,000	\$ (130,000)	\$ 4,115,000	\$ 550,000
Compensated absences	46,068	67,877	(61,682)	52,263	13,066
Total governmental activities long-term liabilities	<u>\$ 2,491,068</u>	<u>\$ 1,867,877</u>	<u>\$ (191,682)</u>	<u>\$ 4,167,263</u>	<u>\$ 563,066</u>
Business-type activities:					
Revenue bonds	\$ 17,755,000	\$ -	\$ (855,000)	\$ 16,900,000	\$ 862,000
Compensated absences	17,547	29,831	(26,302)	21,076	5,781
Total business-type activities long-term liabilities	<u>\$ 17,772,547</u>	<u>\$ 29,831</u>	<u>\$ (881,302)</u>	<u>\$ 16,921,076</u>	<u>\$ 867,781</u>

The liabilities listed above for compensated absences will be liquidated by the City's General and Proprietary Funds.

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, 2013, \$7,391,555 of bonds outstanding are considered defeased. The issues and amounts of outstanding defeased bonds are as follows:

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Outstanding</u>
Series 2001 Certificates of Obligation	2012	\$4,278,598
Series 2004 Certificates of Obligation	2012	1,150,000
Series 2008 Certificates of Obligation	2012	<u>2,565,000</u>
Total Bonds Defeased (Refunded)		<u>\$7,993,598</u>

NOTE 6 - GROUP CONCENTRATIONS OF CREDIT RISK

The City provides water, sewer and sanitation 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, 2013, the City had \$510,953 in net receivables from its residents for the usage of these services.

(Continued)

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</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, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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.

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7 - EMPLOYEES' PENSION PLAN OBLIGATIONS - CONTINUED

Contributions - continued

The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$	97,147
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
		-
Annual Pension Cost (APC)		97,147
Contributions made		97,147
Increase (decrease) in net pension obligation		-
Net Pension Obligation/(Asset), beginning of year		-
Net Pension Obligation/(Asset), end of year	\$	-

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2011	\$ 94,280	\$ 94,280	100%	\$ -
9/30/2012	98,897	98,897	100%	-
9/30/2013	97,147	97,147	100%	-

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7 - EMPLOYEES' PENSION PLAN OBLIGATIONS - CONTINUED

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
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	28.6 years; closed period	28.1 years; closed period	28.9 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*	7.0%	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, 2012, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2012	\$ 3,103,956	\$ 3,163,480	98.1%	\$ 59,524	\$ 1,600,267	3.7%

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.

(Continued)

**CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7 - EMPLOYEES' PENSION PLAN OBLIGATIONS - CONTINUED

Funding Status and Funding Progress - continued

Schedule of Funding Progress (unaudited):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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%
12/31/2012	3,103,956	3,163,480	98.1%	59,524	1,600,267	3.7%

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the Supplemental Death Benefits Fund (SDBF) at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers.

The City's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$328, \$320, and \$163 respectively, which equaled the required contributions each year.

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 needed" 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, 2013, 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.

(Continued)

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9 - COMMITMENTS - CONTINUED

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, 2013, has been renewed for another year through September 30, 2014.

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.

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 was effective October 1, 2012 and shall remain in effect unless cancelled by either party through written notice.

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 had an initial term beginning October 1, 2012 through September 30, 2013 and renews automatically from year to year unless either party provides written notice of termination 30 days prior to the end of the current period.

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, 2013, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2013, 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 - DEFICIT NET POSITION OR FUND BALANCE

At September 30, 2013, the Enterprise Debt Service Fund had a deficit net position of \$53,921.

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2013, expenditures exceeded appropriations in the following departments of the General Fund: Administration, Fire and Sanitation. These over expenditures were funded by lower expenditures in other departments and higher than expected revenues.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

During the year, the City implemented GASB Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*". Under GASB Statement No. 63, the term "Net Assets" was changed to "Net Position". Under GASB Statement No. 65, bond issuance costs which were previously amortized over the life of the bond issue are now expensed as incurred. As of September 30, 2012, the City had unamortized bond issue costs of \$185,109. The remaining unamortized balance was written off as a prior period adjustment upon implementation of GASB Statement No. 65. The prior period adjustment for governmental activities, business-type activities, the Street Construction Fund, and the Utility Fund was \$24,543, \$160,566, \$24,543, and \$160,566, respectively. All adjustments resulted in a decrease to net position/fund balance.

(Continued)

CITY OF WHITEHOUSE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 13 - PRIOR PERIOD ADJUSTMENTS - CONTINUED

Net position of the primary government has been restated to reflect an adjustment for municipal court receivables that had been omitted in prior years. The prior period adjustment for governmental activities was \$214,537, which resulted in an increase to net position.

Net position of the primary government has been restated to reflect an adjustment for revenue for project assessments that had been reported as unearned revenue in prior years. The prior period adjustment for business-type activities and the Utility Fund was \$82,639, which resulted in an increase to net position.

NOTE 14 - SUBSEQUENT EVENTS

Effective December 1, 2013, the City terminated its contract with Smith County ESD #2. Smith County ESD #2 now contracts directly with the Whitehouse Volunteer Fire Department for services outside of the municipal city limits. Fire services inside the Whitehouse municipal city limits is provided by the City of Whitehouse Fire Department.

On October 22, 2013, the City Council approved the borrowing of \$200,000 in the form of a short term note and for the City to use \$243,000 in excess fund balance to complete the baseball field project.

On November 19, 2013, the City Council authorized the purchase of a fire engine at a cost of \$550,000 to be paid for by a \$400,000 short term loan and \$150,000 from excess fund balance.

Subsequent events were evaluated through March 18, 2014, the date on which the financial statements were available to be issued.

ADDITIONAL SUPPLEMENTAL INFORMATION

SCHEDULE 1

CITY OF WHITEHOUSE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	PEG CHANNEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ 37,258	\$ 37,258
Receivables:					
Street assessments	-	22,508	-	-	22,508
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	8,225	-	-	-	8,225
Due from other funds	-	2,848	-	-	2,848
Bond issue costs (net)	-	-	-	-	-
Total assets	<u>\$ 8,225</u>	<u>\$ 25,356</u>	<u>\$ -</u>	<u>\$ 37,258</u>	<u>\$ 70,839</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Unavailable revenue - street assessments	\$ -	\$ 22,508	\$ -	\$ -	\$ 22,508
Due to other funds	-	2,150	-	-	2,150
Total liabilities	<u>-</u>	<u>24,658</u>	<u>-</u>	<u>-</u>	<u>24,658</u>
Fund balances:					
Restricted:					
Police forfeitures	8,225	-	-	-	8,225
PEG Channel	-	-	-	37,258	37,258
Assigned:					
Capital projects	-	698	-	-	698
Total fund balances	<u>8,225</u>	<u>698</u>	<u>-</u>	<u>37,258</u>	<u>46,181</u>
Total liabilities and fund balances	<u>\$ 8,225</u>	<u>\$ 25,356</u>	<u>\$ -</u>	<u>\$ 37,258</u>	<u>\$ 70,839</u>

SCHEDULE 2

**CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	FM 346 FUND	PEG CHANNEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
Franchise Fee	\$ -	\$ -	\$ -	\$ 18,553	\$ 18,553
Miscellaneous	8,268	-	-	-	8,268
Interest	1	-	-	57	58
Total Revenues	8,269	-	-	18,610	26,879
EXPENDITURES					
General administration	68	-	-	-	68
Total Expenditures	68	-	-	-	68
Excess (deficiency) of revenues over (under) expenditures	8,201	-	-	18,610	26,811
Net change in fund balances	8,201	-	-	18,610	26,811
Fund balance - October 1, 2012 as originally stated	24	698	24,543	18,648	43,913
Prior period adjustment	-	-	(24,543)	-	(24,543)
Fund balance - October 1, 2012 as restated	24	698	-	18,648	19,370
Fund balance - September 30, 2013	\$ 8,225	\$ 698	\$ -	\$ 37,258	\$ 46,181

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>LEGISLATIVE</u>				
CONTRACTUAL SERVICES:				
Business and travel	\$ 2,000	\$ 2,000	\$ 1,870	\$ 130
Legal fees	21,000	21,000	12,006	8,994
Contractual and fee base services	5,000	5,000	8,464	(3,464)
Total Contractual Services	28,000	28,000	22,340	5,660
TOTAL LEGISLATIVE	\$ 28,000	\$ 28,000	\$ 22,340	\$ 5,660
<u>GENERAL/ADMINISTRATION</u>				
PERSONNEL SERVICES:				
Administration	\$ 105,060	\$ 105,060	\$ 119,818	\$ (14,758)
Clerical	47,054	47,054	47,130	(76)
Overtime	-	-	46	(46)
Certificate pay	300	300	300	-
Uniforms and clothing	500	500	431	69
One time pay adjustments	15,000	15,000	15,000	-
Workers compensation	1,136	1,136	1,136	-
Unemployment compensation	783	783	27	756
Employee retirement	9,794	9,794	10,769	(975)
Employee insurance	25,138	25,138	25,611	(473)
Retiree insurance	750	750	647	103
Payroll taxes	12,807	12,807	13,530	(723)
Total Personnel Services	218,322	218,322	234,445	(16,123)
SUPPLIES AND MATERIALS:				
Office supplies	5,200	5,200	3,890	1,310
Data processing supplies	750	750	608	142
Photo/audio/video supplies	1,060	1,060	1,731	(671)
Postage and delivery	2,100	2,100	1,762	338
Motor vehicle supplies	12,000	12,000	4,651	7,349
Educational and training	3,000	3,000	536	2,464
Other supplies	3,000	3,000	3,606	(606)
Total Supplies and Materials	27,110	27,110	16,784	10,326
MAINTENANCE OF BUILDING/GROUNDS:				
Building and grounds	10,000	10,000	17,081	(7,081)
Total Maintenance of Building/Grounds	10,000	10,000	17,081	(7,081)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	-	-	80	(80)
HVAC equipment	1,200	1,200	608	592
Communication equipment	500	500	3,385	(2,885)
Total Maintenance of Equipment/Machinery	1,700	1,700	4,073	(2,373)

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CONTRACTUAL SERVICES:				
Communication services	\$ 7,500	\$ 7,500	\$ 8,405	\$ (905)
Insurance	4,493	4,493	3,991	502
Advertising	1,800	1,800	2,484	(684)
Business and travel	3,000	3,000	1,030	1,970
Legal fees	1,500	1,500	1,658	(158)
Contractual and fee base services	1,850	1,850	3,383	(1,533)
Utility services	72,000	72,000	75,218	(3,218)
Data processing maintenance	6,000	6,000	800	5,200
Computer training	100	100	-	100
Memberships/subscriptions	3,780	3,780	2,370	1,410
Miscellaneous expense	250	250	88	162
Total Contractual Services	102,273	102,273	99,427	2,846
CAPITAL OUTLAY:				
Contingency	5,000	5,000	2,583	2,417
Library books and periodicals	3,000	3,000	1,727	1,273
Total Capital Outlay	8,000	8,000	4,310	3,690
TOTAL GENERAL ADMINISTRATION	\$ 367,405	\$ 367,405	\$ 376,120	\$ (8,715)
TREASURY AND FINANCIAL				
PERSONNEL SERVICES:				
Administration	\$ 32,975	\$ 32,975	\$ 32,975	\$ -
Workers compensation	189	189	189	-
Unemployment compensation	261	261	9	252
Employee retirement	1,929	1,929	1,942	(13)
Employee insurance	5,842	5,842	5,689	153
Payroll taxes	2,523	2,523	2,409	114
Total Personnel Services	43,719	43,719	43,213	506
SUPPLIES AND MATERIALS:				
Educational and training	700	700	323	377
Total Supplies and Materials	700	700	323	377
CONTRACTUAL SERVICES:				
Business and Travel	1,000	1,000	523	477
Contractual/fee services	30,000	30,000	29,500	500
Total Contractual Services	31,000	31,000	30,023	977
TOTAL TREASURY AND FINANCIAL	\$ 75,419	\$ 75,419	\$ 73,559	\$ 1,860
TAX APPRAISAL AND COLLECTIONS				
CONTRACTUAL SERVICES:				
Contractual/Fee Services	\$ 42,911	\$ 42,911	\$ 41,854	\$ 1,057
Total Contractual Services	42,911	42,911	41,854	1,057
TOTAL TAX APPRAISAL AND COLLECTIONS	\$ 42,911	\$ 42,911	\$ 41,854	\$ 1,057

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MUNICIPAL COURT				
PERSONNEL SERVICES:				
Administration	\$ 55,000	\$ 55,000	\$ 54,866	\$ 134
Clerical	54,080	54,080	51,003	3,077
Operations & maintenance	39,907	39,907	40,879	(972)
Overtime	800	800	730	70
Certificate Pay	900	900	900	-
Uniforms and clothing	2,000	2,000	1,657	343
Workers compensation	379	379	379	-
Unemployment compensation	1,044	1,044	36	1,008
Employee retirement	8,763	8,763	8,878	(115)
Employee insurance	34,200	34,200	34,243	(43)
Payroll taxes	11,459	11,459	11,061	398
Total Personnel Services	208,532	208,532	204,632	3,900
SUPPLIES AND MATERIALS:				
Office supplies	1,200	1,200	482	718
Photo, audio & video supp	900	900	876	24
Postage and delivery	-	-	825	(825)
Tires and tubes	700	700	735	(35)
Motor vehicle supplies	6,000	6,000	4,891	1,109
Emergency Medical Supplies	50	50	-	50
Minor tools & apparatus	1,000	1,000	792	208
Educational and training	4,000	4,000	66	3,934
Other Supplies	500	500	401	99
Total Supplies and Materials	14,350	14,350	9,068	5,282
MAINTENANCE OF BUILDING:				
Building and grounds	1,000	1,000	1,395	(395)
Total Maintenance of Building/Grounds	1,000	1,000	1,395	(395)
MAINTENANCE OF EQUIPMENT:				
Office equipment	2,280	2,280	2,265	15
HVAC equipment	1,000	1,000	281	719
Communication equipment	700	700	3,297	(2,597)
Total Maintenance of Equipment	3,980	3,980	5,843	(1,863)
CONTRACTUAL SERVICES:				
Communication services	1,200	1,200	1,512	(312)
Insurance	494	494	641	(147)
Advertising	150	150	-	150
Business and travel	4,000	4,000	406	3,594
Legal fees	6,000	6,000	4,640	1,360
Contractual/fee services	13,200	13,200	13,277	(77)
Collection agency fees	7,000	7,000	11,842	(4,842)
State Fee	152,000	152,000	64,677	87,323
Omni base fee	1,900	1,900	1,752	148
On Line / Credit Card Fees	4,000	4,000	2,647	1,353
School Truancy fee	-	-	163	(163)
Vehicle registration	45,000	45,000	71,268	(26,268)
Memberships/subscriptions	1,300	1,300	906	394
Total Contractual Services	236,244	236,244	173,731	62,513
TOTAL MUNICIPAL COURT	\$ 464,106	\$ 464,106	\$ 394,669	\$ 69,437

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LIBRARY SERVICES				
CONTRACTUAL SERVICES:				
Contractual and fee basis services	\$ 43,802	\$ 43,802	\$ 43,802	\$ -
Total Contractual Services	43,802	43,802	43,802	-
TOTAL LIBRARY SERVICES	\$ 43,802	\$ 43,802	\$ 43,802	\$ -
PARKS/RECREATION SERVICES				
PERSONNEL SERVICES:				
Operations & maintenance	\$ 30,000	\$ 30,000	\$ 25,221	\$ 4,779
Part-Time	35,556	35,556	13,061	22,495
Uniforms and clothing	-	-	234	(234)
Workers compensation	1,575	1,575	1,575	-
Unemployment compensation	392	392	108	284
Employee retirement	1,755	1,755	1,496	259
Employee insurance	8,674	8,674	4,422	4,252
Payroll taxes	5,015	5,015	2,953	2,062
Total Personnel Services	82,967	82,967	49,070	33,897
SUPPLIES AND MATERIALS:				
Office supplies	1,000	1,000	226	774
Educational and training	-	-	20	(20)
Other supplies	22,000	22,000	12,720	9,280
Total Supplies and Materials	23,000	23,000	12,966	10,034
MAINTENANCE OF BUILDINGS/LAND:				
Building and grounds	7,000	7,000	3,891	3,109
Total Maintenance of Buildings/Land	7,000	7,000	3,891	3,109
MAINTENANCE OF EQUIPMENT/MACHINERY:				
HVAC equipment	-	-	95	(95)
Communication equipment	-	-	2,965	(2,965)
Playground equipment	2,500	2,500	-	2,500
Total Maintenance of Equipment/Machinery	2,500	2,500	3,060	(560)
CONTRACTUAL SERVICES:				
Communication Services	3,087	3,087	2,029	1,058
Utility Services	4,200	4,200	911	3,289
Contractual and fee basis services	40,000	40,000	40,000	-
Online/Credit card fees	-	-	544	(544)
Memberships and subscriptions	-	-	45	(45)
Total Contractual Services	47,287	47,287	43,529	3,758

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CAPITAL OUTLAY:				
Land improvements	\$ 89,000	\$ 89,000	\$ 101,071	\$ (12,071)
Water system improvements	-	-	18,619	(18,619)
Library books & periodicals	3,600	3,600	871	2,729
Total Capital Outlay	92,600	92,600	120,561	(27,961)
TOTAL PARKS/RECREATION SERVICES	\$ 255,354	\$ 255,354	\$ 233,077	\$ 22,277
COMMUNITY DEVELOPMENT				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 18,648	\$ 18,648	\$ 9,681	\$ 8,967
Workers compensation	108	108	108	-
Unemployment compensation	131	131	5	126
Payroll taxes	1,427	1,427	755	672
Total Personnel Services	20,314	20,314	10,549	9,765
SUPPLIES AND MATERIALS:				
Educational and training	500	500	664	(164)
Total Supplies and Materials	500	500	664	(164)
CONTRACTUAL SERVICES:				
Communications Services	360	360	194	166
Insurance	165	165	106	59
Business and travel	500	500	434	66
Contractual/fee services	24,000	24,000	29,733	(5,733)
Economic Development	5,000	5,000	4,057	943
Memberships and subscriptions	400	400	125	275
Miscellaneous expense	3,000	3,000	2,184	816
Total Contractual Services	33,425	33,425	36,833	(3,408)
TOTAL COMMUNITY DEVELOPMENT	\$ 54,239	\$ 54,239	\$ 48,046	\$ 6,193
STREET AND GROUNDS MAINTENANCE				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 79,140	\$ 79,140	\$ 77,416	\$ 1,724
Overtime	5,000	5,000	4,595	405
Uniforms and clothing	300	300	500	(200)
Workers compensation	4,075	4,075	4,075	-
Unemployment compensation	587	587	18	569
Employee retirement	4,922	4,922	4,860	62
Employee insurance	18,005	18,005	17,998	7
Payroll taxes	6,437	6,437	5,990	447
Total Personnel Services	118,466	118,466	115,452	3,014
SUPPLIES AND MATERIALS:				
Tires and tubes	1,250	1,250	1,340	(90)
Minor tools and apparatus	700	700	700	-
Chemical and mechanical	250	250	-	250
Safety supplies	150	150	128	22
Other supplies	150	150	144	6
Total Supplies and Materials	2,500	2,500	2,312	188

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF BUILDINGS/LAND:				
Streets and alleys	\$ 25,000	\$ 25,000	\$ 3,439	\$ 21,561
Storm sewers and drainageways	25,000	25,000	21,698	3,302
Total Maintenance of Buildings/Land	50,000	50,000	25,137	24,863
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	8,000	8,000	7,828	172
Automotive equipment	2,500	2,500	2,496	4
Shop equipment	500	500	1,186	(686)
Minor tools and equipment	450	450	503	(53)
Signal and sign system	2,500	2,500	1,940	560
Communication equipment	200	200	-	200
Total Maintenance of Equipment/Machinery	14,150	14,150	13,953	197
CONTRACTUAL SERVICES				
Leases and rentals	1,200	1,200	303	897
Insurance	3,456	3,456	3,520	(64)
Total Contractual Services	4,656	4,656	3,823	833
CAPITAL OUTLAY				
Machinery and equipment	12,000	12,000	12,000	-
Total Capital Outlay	12,000	12,000	12,000	-
TOTAL STREET AND GROUNDS MAINTENANCE	\$ 201,772	\$ 201,772	\$ 172,677	\$ 29,095
COMMUNICATION CENTER				
CONTRACTUAL SERVICES:				
Contractual services	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Total Contractual Services	30,000	30,000	30,000	-
TOTAL COMMUNICATION CENTER	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
POLICE OPERATIONS				
PERSONNEL SERVICES:				
Administration	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Clerical	72,405	72,405	67,658	4,747
Operations and maintenance	510,535	510,535	543,606	(33,071)
Overtime	15,000	15,000	5,572	9,428
Certificate pay	1,800	1,800	2,735	(935)
Merit pay	9,500	9,500	6,958	2,542
Uniforms and clothing	8,000	8,000	12,657	(4,657)
Workers compensation	15,053	15,053	12,736	2,317
Unemployment compensation	4,176	4,176	341	3,835
Employee retirement	39,630	39,630	40,776	(1,146)
Employee insurance	138,741	138,741	127,339	11,402
Payroll taxes	48,962	48,962	50,891	(1,929)
Total Personnel Services	928,802	928,802	936,269	(7,467)

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Office supplies	\$ 6,500	\$ 6,500	\$ 3,861	\$ 2,639
Data processing supplies	8,500	8,500	3,078	5,422
Photo/audio/video	1,300	1,300	-	1,300
Laboratory supplies	1,600	1,600	662	938
Postage and delivery	850	850	281	569
Tires and tubes	3,000	3,000	5,095	(2,095)
Motor vehicle supplies	26,400	26,400	48,571	(22,171)
Emergency medical supplies	1,800	1,800	569	1,231
Minor tools and apparatus	800	800	91	709
Janitorial supplies	1,500	1,500	326	1,174
Safety supplies	3,000	3,000	174	2,826
Educational and training	7,000	7,000	4,145	2,855
K-9 misc	4,000	4,000	933	3,067
Other supplies	5,000	5,000	2,968	2,032
Community resource supply	1,500	1,500	253	1,247
Evidence processing	500	500	147	353
Evidence supplies	800	800	35	765
CID supplies	350	350	124	226
Total Supplies and Materials	74,400	74,400	71,313	3,087
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	6,000	6,000	2,988	3,012
Total Maintenance of Buildings/Land	6,000	6,000	2,988	3,012
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	800	800	765	35
HVAC equipment	250	250	1,523	(1,273)
Automotive equipment	15,000	15,000	27,428	(12,428)
Communication equipment	1,000	1,000	3,433	(2,433)
Outdoor warning system	2,500	2,500	2,758	(258)
Total Maintenance of Equipment/Machinery	19,550	19,550	35,907	(16,357)
CONTRACTUAL SERVICES:				
Communication services	16,000	16,000	14,067	1,933
Insurance	16,881	16,881	17,978	(1,097)
Business and travel	4,750	4,750	5,578	(828)
Legal Fees	-	-	1,690	(1,690)
Contractual/fee services	32,000	32,000	14,747	17,253
Utility services	13,000	13,000	8,517	4,483
Data processing maintenance	2,500	2,500	2,500	-
Memberships and subscriptions	800	800	681	119
Total Contractual Services	85,931	85,931	65,758	20,173
CAPITAL OUTLAY:				
Other equipment	20,000	20,000	19,376	624
Motor vehicles	105,000	105,000	104,391	609
Total Capital Outlay	125,000	125,000	123,767	1,233
TOTAL POLICE OPERATIONS	\$ 1,239,683	\$ 1,239,683	\$ 1,236,002	\$ 3,681

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
ANIMAL CONTROL				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 31,244	\$ 31,244	\$ 31,033	\$ 211
Overtime	500	500	216	284
Certificate pay	600	600	600	-
Uniforms and clothing	700	700	64	636
Workers compensation	705	705	705	-
Unemployment compensation	261	261	9	252
Employee retirement	1,857	1,857	1,876	(19)
Employee insurance	5,605	5,605	5,616	(11)
Payroll taxes	2,428	2,428	2,436	(8)
Total Personnel Services	43,900	43,900	42,555	1,345
SUPPLIES AND MATERIALS:				
Postage and delivery service	2,000	2,000	1,668	332
Tires and tubes	700	700	960	(260)
Motor vehicle supplies	5,000	5,000	4,811	189
Minor tools and apparatus	1,000	1,000	366	634
Chemical and mechanical supplies	100	100	43	57
Safety supplies	300	300	97	203
Educational and training	1,000	1,000	53	947
Animal supplies	-	-	62	(62)
Other supplies	500	500	76	424
Total Supplies and Materials	10,600	10,600	8,136	2,464
MAINTENANCE OF BUILDING:				
Building and grounds	800	800	761	39
Total Maintenance of Equipment/Machinery	800	800	761	39
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	800	800	80	720
Automotive equipment	700	700	165	535
Total Maintenance of Equipment/Machinery	1,500	1,500	245	1,255
CONTRACTUAL SERVICES:				
Communication services	600	600	496	104
Insurance	165	165	106	59
Business and travel	1,000	1,000	-	1,000
Custody support services	500	500	166	334
Contractual and fee based services	9,000	9,000	5,690	3,310
Memberships and subscriptions	125	125	-	125
Total Contractual Services	11,390	11,390	6,458	4,932
TOTAL ANIMAL CONTROL	\$ 68,190	\$ 68,190	\$ 58,155	\$ 10,035
FIRE OPERATIONS				
PERSONNEL SERVICES:				
Operations maintenance	\$ 267,106	\$ 267,106	\$ 310,820	\$ (43,714)
Special projects	21,169	21,169	8,515	12,654
Uniforms and clothing	1,000	1,000	4,120	(3,120)
Workers compensation	8,182	8,182	4,506	3,676
Unemployment compensation	2,610	2,610	2,198	412
Payroll taxes	16,202	16,202	23,806	(7,604)
Total Personnel Services	316,269	316,269	353,965	(37,696)

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Office supplies	\$ 1,000	\$ 1,000	\$ 1,158	\$ (158)
Laboratory services	-	-	1,610	(1,610)
Postage and delivery services	-	-	5	(5)
Motor vehicle supplies	6,000	6,000	10,625	(4,625)
Emergency medical supplies	600	600	62	538
Minor tools and apparatus	600	600	440	160
Educational and training	6,000	6,000	8,536	(2,536)
Other supplies	-	-	2,962	(2,962)
Total Supplies and Materials	14,200	14,200	25,398	(11,198)
MAINTENANCE OF BUILDING:				
Building and grounds	-	-	7,479	(7,479)
Total Maintenance of Equipment/Machinery	-	-	7,479	(7,479)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	-	-	1,372	(1,372)
HVAC equipment	-	-	496	(496)
Automotive equipment	10,000	10,000	2,599	7,401
Shop equipment	300	300	204	96
Safety and medical equipment	1,000	1,000	1,106	(106)
Communication equipment	500	500	3,169	(2,669)
Total Maintenance of Equipment/Machinery	11,800	11,800	8,946	2,854
CONTRACTUAL SERVICES:				
Communication services	2,000	2,000	661	1,339
Insurance	20,000	20,000	2,409	17,591
Advertising	-	-	36	(36)
Business and travel	2,500	2,500	3,034	(534)
Contractual/fee services	-	-	252	(252)
Utility service	5,000	5,000	5,397	(397)
Memberships and subscriptions	2,000	2,000	1,095	905
Miscellaneous expense	1,500	1,500	1,486	14
Total Contractual Services	33,000	33,000	14,370	18,630
CAPITAL OUTLAY:				
Buildings	15,000	15,000	12,639	2,361
Other equipment	10,000	10,000	20,459	(10,459)
Total Capital Outlay	25,000	25,000	33,098	(8,098)
TOTAL FIRE OPERATIONS	\$ 400,269	\$ 400,269	\$ 443,256	\$ (42,987)
SANITATION				
CONTRACTUAL SERVICES:				
Contractual/fee services	\$ 522,557	\$ 522,557	\$ 524,382	\$ (1,825)
Sales tax	44,975	44,975	45,190	(215)
Total Contractual Services	567,532	567,532	569,572	(2,040)
TOTAL SANITATION	\$ 567,532	\$ 567,532	\$ 569,572	\$ (2,040)
TOTAL EXPENDITURES - BUDGET BASIS	\$ 3,838,682	\$ 3,838,682	3,743,129	\$ 95,553
Financial Statement Adjustments:				
Capital expenditures recorded in Utility Fund			(13,098)	
State's portion of fines reported as a reduction to the related expenditures			(144,720)	
Increase in accrued expenses			(2,677)	
TOTAL EXPENDITURES - GAAP BASIS			\$ 3,582,634	

**CITY OF WHITEHOUSE, TEXAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 2013**

	<u>GENERAL OBLIGATION NOTES</u>	<u>2006 SERIES REFUNDING FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Receivables:			
Property taxes	\$ 37,182	\$ -	\$ 37,182
Due from other funds			
Due from Street Construction Fund	2,150	-	2,150
Due from Utility Operating Fund	38,692	-	38,692
Due from Utility Debt Service Fund	<u>234,306</u>	<u>-</u>	<u>234,306</u>
TOTAL ASSETS	<u>\$ 312,330</u>	<u>\$ -</u>	<u>\$ 312,330</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to other funds			
Due to General Fund	<u>\$ 94,894</u>	<u>\$ -</u>	<u>\$ 94,894</u>
Total Liabilities	<u>94,894</u>	<u>-</u>	<u>94,894</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	37,182	-	37,182
<u>FUND BALANCE</u>			
Restricted:			
Debt Service	<u>180,254</u>	<u>-</u>	<u>180,254</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 312,330</u>	<u>\$ -</u>	<u>\$ 312,330</u>

**CITY OF WHITEHOUSE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 DEBT SERVICE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<u>GENERAL OBLIGATION NOTES</u>	<u>2006 SERIES REFUNDING FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Current and delinquent taxes	\$ 1,191,713	\$ 233,913	\$ 1,425,626
Interest income	674	-	674
	<u>1,192,387</u>	<u>233,913</u>	<u>1,426,300</u>
<u>EXPENDITURES</u>			
Debt Service:			
Bond principal	-	130,000	130,000
Interest and fees	501	103,913	104,414
	<u>501</u>	<u>233,913</u>	<u>234,414</u>
Total Expenditures	501	233,913	234,414
Revenues Over (Under) Expenditures	1,191,886	-	1,191,886
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	9,452	-	9,452
Transfers out	(1,036,063)	-	(1,036,063)
	<u>(1,026,611)</u>	<u>-</u>	<u>(1,026,611)</u>
Total Other Financing Sources (Uses)	(1,026,611)	-	(1,026,611)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	165,275	-	165,275
Fund Balance, October 1, 2012	14,979	-	14,979
FUND BALANCE SEPTEMBER 30, 2013	<u>\$ 180,254</u>	<u>\$ -</u>	<u>\$ 180,254</u>

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES		
	OPERATING FUND	DEBT SERVICE	TOTAL UTILITY FUND
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,346,199	\$ 256,354	\$ 1,602,553
Due from other funds	-	-	-
Accounts receivable (net)	425,131	-	425,131
Total current assets	1,771,330	256,354	2,027,684
Restricted current assets:			
Temporarily restricted			
Cash and cash equivalents	233,075	-	233,075
Total restricted current assets	233,075	-	233,075
Noncurrent assets:			
Water rights - Lake Columbia	230,000	-	230,000
Other receivable	82,619	-	82,619
Capital assets:			
Land	25,000	-	25,000
Easements	7,800	-	7,800
Buildings	324,633	-	324,633
Water and sewer system	24,264,699	-	24,264,699
Machinery & equipment	827,171	-	827,171
Less: accumulated depreciation	(6,924,227)	-	(6,924,227)
Total capital assets (net of accumulated depreciation)	18,525,076	-	18,525,076
Total noncurrent assets:	18,837,695	-	18,837,695
Total assets	\$ 20,842,100	\$ 256,354	\$ 21,098,454
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (net of amortization)	\$ 781,347	\$ -	\$ 781,347
Total deferred outflows of resources	\$ 781,347	\$ -	\$ 781,347

(continued)

**CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2013**

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>OPERATING FUND</u>	<u>DEBT SERVICE</u>	<u>TOTAL UTILITY FUND</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 71,293	\$ -	\$ 71,293
Compensated absences	5,781	-	5,781
Due to other funds	41,679	253,559	295,238
Total current liabilities	<u>118,753</u>	<u>253,559</u>	<u>372,312</u>
Current liabilities payable from restricted assets:			
Customer deposits	233,075	-	233,075
Accrued interest	-	56,716	56,716
Revenue bonds payable	862,000	-	862,000
Total current liabilities payable from restricted assets	<u>1,095,075</u>	<u>56,716</u>	<u>1,151,791</u>
Noncurrent liabilities:			
Compensated absences	15,295	-	15,295
Revenue bonds payable	16,038,000	-	16,038,000
Total noncurrent liabilities	<u>16,053,295</u>	<u>-</u>	<u>16,053,295</u>
Total liabilities	<u>17,267,123</u>	<u>310,275</u>	<u>17,577,398</u>
NET POSITION			
Invested in capital assets, net of related debt	2,406,423	-	2,406,423
Unrestricted	1,949,901	(53,921)	1,895,980
Total net position	<u>\$ 4,356,324</u>	<u>\$ (53,921)</u>	<u>\$ 4,302,403</u>

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	DEBT SERVICE	ELIMINATIONS	
OPERATING REVENUES				
Water sales	\$ 1,941,172	\$ -	\$ -	\$ 1,941,172
Sewer charges	730,417	-	-	730,417
Assessment revenue	-	6,896	-	6,896
Charges for other services	131,769	-	-	131,769
Total operating revenues	2,803,358	6,896	-	2,810,254
OPERATING EXPENSES				
Utility administration	674,938	-	-	674,938
Customer service	121,388	-	-	121,388
Water operations	346,977	-	-	346,977
Sewer operations	232,032	-	-	232,032
Water supply	355,485	-	-	355,485
Depreciation	585,532	-	-	585,532
Total operating expenses	2,316,352	-	-	2,316,352
Operating income (loss)	487,006	6,896	-	493,902
NON-OPERATING REVENUES (EXPENSES)				
Interest and fiscal charge expense	-	(620,600)	-	(620,600)
Interest income	1,537	671	-	2,208
Total non-operating revenue (expenses)	1,537	(619,929)	-	(618,392)
Income before transfers	488,543	(613,033)	-	(124,490)
Transfers in	868,098	891,520	(710,457)	1,049,161
Transfers out	(1,014,246)	(200,000)	710,457	(503,789)
Total transfers	(146,148)	691,520	-	545,372
Change in net position	342,395	78,487	-	420,882
Net position, October 1, 2012 as originally stated	4,091,856	(132,408)	-	3,959,448
Prior period adjustments	(77,927)	-	-	(77,927)
Net position, October 1, 2012 as restated	4,013,929	(132,408)	-	3,881,521
Net position, September 30, 2013	<u>\$ 4,356,324</u>	<u>\$ (53,921)</u>	<u>\$ -</u>	<u>\$ 4,302,403</u>

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	DEBT SERVICE	ELIMINATIONS	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 2,914,880	\$ 6,896	\$ -	\$ 2,921,776
Cash paid to suppliers for goods and services	(1,068,453)	-	-	(1,068,453)
Cash paid to employees for services	(593,364)	-	-	(593,364)
Net cash provided by (used in) operating activities	<u>1,253,063</u>	<u>6,896</u>	<u>-</u>	<u>1,259,959</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	868,098	813,065	(632,002)	1,049,161
Transfers out	(935,791)	(200,000)	632,002	(503,789)
Net cash provided by (used in) non-capital financing activities	<u>(67,693)</u>	<u>613,065</u>	<u>-</u>	<u>545,372</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases or construction of capital assets	(82,987)	-	-	(82,987)
Interest paid	-	(386,156)	-	(386,156)
Principal paid on bonds	(855,000)	-	-	(855,000)
Net cash used in capital and related financing activities	<u>(937,987)</u>	<u>(386,156)</u>	<u>-</u>	<u>(1,324,143)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earned on investments	1,537	671	-	2,208
Net cash provided by investing activities	<u>1,537</u>	<u>671</u>	<u>-</u>	<u>2,208</u>
Net increase (decrease) in cash	248,920	234,476	-	483,396
Cash, beginning of period	1,330,354	21,878	-	1,352,232
Cash, end of period	<u>\$ 1,579,274</u>	<u>\$ 256,354</u>	<u>\$ -</u>	<u>\$ 1,835,628</u>
Reconciliation of cash to Schedule 6:				
Cash - current asset	\$ 1,346,199	\$ 256,354	\$ -	\$ 1,602,553
Cash - restricted current asset	233,075	-	-	233,075
Total cash, end of period	<u>\$ 1,579,274</u>	<u>\$ 256,354</u>	<u>\$ -</u>	<u>\$ 1,835,628</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:				
Operating income (loss)	\$ 487,006	\$ 6,896	\$ -	\$ 493,902
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	585,532	-	-	585,532
Decrease in accounts receivable	89,882	-	-	89,882
Increase in accounts payable	65,474	-	-	65,474
Increase in compensated absences	3,529	-	-	3,529
Increase in customer deposits	21,640	-	-	21,640
Total adjustments	<u>766,057</u>	<u>-</u>	<u>-</u>	<u>766,057</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,253,063</u>	<u>\$ 6,896</u>	<u>\$ -</u>	<u>\$ 1,259,959</u>

**CITY OF WHITEHOUSE, TEXAS
 DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 (NON-GAAP BUDGET BASIS)
 UTILITY OPERATING FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services:				
Water sales	\$ 2,194,293	\$ 2,194,293	\$ 2,023,251	\$ (171,042)
Sewer charges	767,023	767,023	763,327	(3,696)
Tap and connect fees	25,000	25,000	34,760	9,760
Penalties	94,000	94,000	97,009	3,009
Interest and rent	900	900	1,536	636
TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	\$ 3,081,216	\$ 3,081,216	2,919,883	\$ (161,333)
Financial Statement Adjustments:				
Transfers from Debt Service Fund for payment of principal and fees on bonds			855,000	
Transfers recorded for capital expenditures			13,098	
Increase estimate for uncollectible accounts			(834)	
Water and sewer usage for September 2012 billed in subsequent month			(222,615)	
Water and sewer usage for September 2013 billed in subsequent month			108,461	
TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			\$ 3,672,993	

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
UTILITY OPERATING FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
UTILITY ADMINISTRATION				
PERSONNEL SERVICES:				
Administration	\$ 139,621	\$ 139,621	\$ 154,379	\$ (14,758)
Uniforms and clothing	500	500	500	-
Workers' compensation	2,149	2,149	2,149	-
Unemployment compensation	457	457	9	448
Employee retirement	8,168	8,168	9,099	(931)
Employee insurance	16,684	16,684	16,332	352
Payroll taxes	10,681	10,681	11,600	(919)
Total Personnel Services	178,260	178,260	194,068	(15,808)
SUPPLIES AND MATERIALS:				
Office supplies	2,000	2,000	1,956	44
Data processing supplies	500	500	475	25
Laboratory supplies	-	-	80	(80)
Postage and delivery service	2,000	2,000	1,125	875
Motor vehicle supplies	20,000	20,000	27,202	(7,202)
Educational and training	700	700	-	700
Other supplies	950	950	1,005	(55)
Total Supplies and Materials	26,150	26,150	31,843	(5,693)
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	1,400	1,400	1,400	-
Total Maintenance of Buildings/Land	1,400	1,400	1,400	-
MAINTENANCE - EQUIPMENT/MACHINERY:				
Office equipment	720	720	1,997	(1,277)
HVAC equipment	500	500	213	287
Total Maintenance - Equipment/Machinery	1,220	1,220	2,210	(990)
CONTRACTUAL SERVICES:				
Communication services	4,900	4,900	6,882	(1,982)
Insurance	22,696	22,696	21,263	1,433
Advertising	800	800	609	191
Business and travel	1,000	1,000	-	1,000
Legal fees	8,400	8,400	1,924	6,476
Contractual and fee basis service	11,750	11,750	13,903	(2,153)
Utility services	300,000	300,000	263,485	36,515
Data processing maintenance	21,000	21,000	21,832	(832)
Utility billing - dataprose	22,000	22,000	23,639	(1,639)
Computer leasing services	18,144	18,144	18,144	-
On-Line / credit card fees	13,000	13,000	14,125	(1,125)
IT support	24,000	24,000	48,856	(24,856)
Document shredding	500	500	514	(14)
Memberships and subscriptions	400	400	530	(130)
Total Contractual Services	448,590	448,590	435,706	12,884
CAPITAL OUTLAY:				
Other equipment	12,000	12,000	5,100	6,900
Total Capital Outlay	12,000	12,000	5,100	6,900
TOTAL UTILITY ADMINISTRATION	\$ 667,620	\$ 667,620	\$ 670,327	\$ (2,707)

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
UTILITY OPERATING FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CUSTOMER SERVICE				
PERSONNEL SERVICES:				
Clerical	\$ 60,461	\$ 60,461	\$ 60,148	\$ 313
Operations and maintenance	21,549	21,549	24,328	(2,779)
Overtime	2,000	2,000	2,386	(386)
Certificate pay	1,200	1,200	1,200	-
Uniforms and clothing	300	300	300	-
Worker's compensation	2,416	2,416	2,416	-
Unemployment compensation	783	783	31	752
Employee retirement	4,915	4,915	5,128	(213)
Employee insurance	16,719	16,719	15,622	1,097
Payroll taxes	6,427	6,427	6,709	(282)
Total Personnel Services	116,770	116,770	118,268	(1,498)
SUPPLIES AND MATERIALS				
Other supplies	300	300	182	118
Total Supplies and Materials	300	300	182	118
MAINTENANCE - EQUIPMENT/MACHINERY:				
Communication equipment	-	-	2,965	(2,965)
Total Maintenance - Equipment/Machinery	-	-	2,965	(2,965)
CONTRACTUAL SERVICES				
Insurance	1,481	1,481	1,548	(67)
Total Contractual Services	1,481	1,481	1,548	(67)
TOTAL CUSTOMER SERVICE	\$ 118,551	\$ 118,551	\$ 122,963	\$ (4,412)
WATER OPERATIONS				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 135,846	\$ 135,846	\$ 115,952	\$ 19,894
Overtime	7,000	7,000	11,773	(4,773)
Uniforms and clothing	2,000	2,000	2,315	(315)
Workers' compensation	3,541	3,541	3,541	-
Unemployment compensation	914	914	80	834
Employee retirement	8,356	8,356	7,604	752
Employee insurance	34,090	34,090	25,646	8,444
Payroll taxes	10,928	10,928	9,408	1,520
Total Personnel Services	202,675	202,675	176,319	26,356
SUPPLIES AND MATERIALS:				
Tires and tubes	1,600	1,600	1,050	550
Water meter supplies	12,000	12,000	4,523	7,477
Minor tools and apparatus	1,000	1,000	1,070	(70)
Chemical and mechanical supplies	18,000	18,000	18,982	(982)
Botanical and agricultural supplies	350	350	-	350
Educational and training	1,500	1,500	946	554
Other supplies	500	500	508	(8)
Total Supplies and Materials	34,950	34,950	27,079	7,871

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
UTILITY OPERATING FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>WATER OPERATIONS (cont'd.)</u>				
MAINTENANCE - BUILDING/LAND:				
Buildings and grounds	\$ 4,500	\$ 4,500	\$ 3,119	\$ 1,381
Chlorination facilities	6,000	6,000	5,183	817
Water system	22,000	22,000	16,386	5,614
Meters and settings	42,200	42,200	38,270	3,930
Total Maintenance - Building/Land	74,700	74,700	62,958	11,742
MAINTENANCE - EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	10,000	10,000	9,110	890
Auto equipment maintenance	1,500	1,500	1,056	444
Shop equipment	-	-	112	(112)
Safety and medical equipment	250	250	135	115
Communication equipment	-	-	2,965	(2,965)
Total Maintenance - Equipment/Machinery	11,750	11,750	13,378	(1,628)
CONTRACTUAL SERVICES:				
Leases and rentals	1,500	1,500	1,500	-
Insurance	1,481	1,481	1,847	(366)
Business and travel	1,000	1,000	157	843
Contractual and fee basis service	6,000	6,000	4,657	1,343
Regulatory inspection fee	6,100	6,100	5,835	265
Total Contractual Services	16,081	16,081	13,996	2,085
CAPITAL OUTLAY:				
Motor vehicles	30,000	30,000	30,000	-
Contingency	25,000	25,000	10,431	14,569
Total Capital Outlay	55,000	55,000	40,431	14,569
TOTAL WATER OPERATIONS	\$ 395,156	\$ 395,156	\$ 334,161	\$ 60,995
<u>WASTEWATER OPERATIONS</u>				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 69,736	\$ 69,736	\$ 71,693	\$ (1,957)
Overtime	7,000	7,000	7,706	(706)
Uniforms and clothing	1,500	1,500	1,500	-
Workers' compensation	1,419	1,419	1,419	-
Unemployment compensation	653	653	30	623
Employee retirement	4,489	4,489	4,719	(230)
Employee insurance	15,144	15,144	12,320	2,824
Payroll taxes	5,870	5,870	5,943	(73)
Total Personnel Services	105,811	105,811	105,330	481
SUPPLIES AND MATERIALS:				
Laboratory supplies	-	-	80	(80)
Tires and tubes	1,600	1,600	730	870
Minor tools and apparatus	1,400	1,400	1,543	(143)
Chemical and mechanical supplies	28,500	28,500	33,829	(5,329)
Safety supplies	750	750	1,895	(1,145)
Educational and training	1,200	1,200	939	261
Total Supplies and Materials	33,450	33,450	39,016	(5,566)
MAINTENANCE - BUILDING/LAND:				
Building and grounds	1,600	1,600	695	905
Sanitary sewers	15,000	15,000	14,200	800
Lift stations	45,000	45,000	46,909	(1,909)
Total Maintenance - Building/Land	61,600	61,600	61,804	(204)

CITY OF WHITEHOUSE, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
UTILITY OPERATING FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
WASTEWATER OPERATIONS (cont'd.)				
MAINTENANCE - EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 9,023	\$ 977
Automotive equipment	1,400	1,400	1,263	137
Shop equipment	800	800	-	800
Communication equipment	200	200	126	74
Total Maintenance - Equipment/Machinery	12,400	12,400	10,412	1,988
CONTRACTUAL SERVICES:				
Leases and rentals	250	250	130	120
Insurance	987	987	1,082	(95)
Business and travel	750	750	-	750
Contractual and fee basis service	20,000	20,000	21,351	(1,351)
Regulatory inspection fee	6,800	6,800	6,599	201
Memberships and subscriptions	-	-	10	(10)
Total Contractual Services	28,787	28,787	29,172	(385)
CAPITAL OUTLAY:				
Contingency	25,000	25,000	11,913	13,087
Total Capital Outlay	25,000	25,000	11,913	13,087
TOTAL WASTEWATER OPERATIONS	\$ 267,048	\$ 267,048	\$ 257,647	\$ 9,401
WATER SUPPLY				
CONTRACTUAL SERVICES:				
Contractual and fee basis service	\$ 346,121	\$ 346,121	\$ 347,188	\$ (1,067)
Total Contractual Services	346,121	346,121	347,188	(1,067)
TOTAL WATER SUPPLY	\$ 346,121	\$ 346,121	\$ 347,188	\$ (1,067)
UTILITY DEBT SERVICE				
DEBT SERVICE:				
Revenue bonds principal	\$ 232,250	\$ 232,250	\$ 232,250	\$ -
Revenue bonds interest	199,752	199,752	199,752	-
Total Debt Service	432,002	432,002	432,002	-
TOTAL UTILITY DEBT SERVICE	\$ 432,002	\$ 432,002	\$ 432,002	\$ -
TOTAL EXPENSES - BUDGET BASIS	\$ 2,226,498	\$ 2,226,498	2,164,288	\$ 62,210
Financial Statement Adjustments:				
Depreciation			585,532	
Record transfers to other funds			582,244	
Increase in accrued expenses			69,660	
Capital outlay items not expensed			(71,126)	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			\$ 3,330,598	

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, 2013

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Project assessments	\$ 8,000	\$ 6,896	\$ (1,104)
Interest income	825	671	(154)
Transfers in	<u>360,920</u>	<u>891,520</u>	<u>530,600</u>
 TOTAL REVENUES - BUDGET BASIS	 <u>\$ 369,745</u>	 899,087	 <u>\$ 529,342</u>
 TOTAL REVENUES - GAAP BASIS		 <u>\$ 899,087</u>	
<u>EXPENSES</u>			
Bond principal:			
2006 Certificates of Obligation	\$ 120,000	\$ 120,000	\$ -
2007 Refunding	80,000	80,000	-
Bond interest:			
2006 Certificates of Obligation	90,720	90,720	-
2007 Refunding	70,200	70,200	-
Administrative fees	<u>100</u>	<u>-</u>	<u>100</u>
 TOTAL EXPENSES - BUDGET BASIS	 <u>\$ 361,020</u>	 360,920	 <u>\$ 100</u>
 Interest paid on Utility Fund bonds		 459,515	
Change in accrued interest on bonds		<u>165</u>	
 TOTAL EXPENSES - GAAP BASIS		 <u>\$ 820,600</u>	

SCHEDULE 12

CITY OF WHITEHOUSE, TEXAS
SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>TOTAL</u>	<u>LAND</u>	<u>BUILDINGS & IMPROVEMENTS</u>	<u>INFRASTRUCTURE</u>	<u>MACHINERY & EQUIPMENT</u>		<u>CONSTRUCTION IN PROGRESS</u>
					<u>AUTOS</u>	<u>OTHER EQUIPMENT</u>	
Governmental assets - October 1, 2012	\$ 11,769,715	\$ 128,782	\$ 2,717,944	\$ 7,285,491	\$ 503,968	\$ 1,133,530	\$ -
EXPENDITURES FROM GOVERNMENTAL FUNDS:							
<u>GENERAL FUND</u>							
Building Improvements	16,800	-	16,800	-	-	-	-
Police Vehicles	103,635	-	-	-	103,635	-	-
Machinery & Equipment	33,199	-	-	-	-	33,199	-
Parks	118,890	-	118,890	-	-	-	-
<u>BASEBALL FIELD IMPROVEMENTS FUND</u>							
Parks	1,095,509	61,402	-	-	-	-	1,034,107
RETIREMENTS FROM GOVERNMENTAL FUNDS:							
<u>GENERAL FUND</u>							
Police Vehicles	(42,377)	-	-	-	(42,377)	-	-
Machinery & Equipment	-	-	-	-	-	-	-
GOVERNMENTAL ASSETS - SEPTEMBER 30, 2013	<u>\$ 13,095,371</u>	<u>\$ 190,184</u>	<u>\$ 2,853,634</u>	<u>\$ 7,285,491</u>	<u>\$ 565,226</u>	<u>\$ 1,166,729</u>	<u>\$ 1,034,107</u>

SCHEDULE 13

CITY OF WHITEHOUSE, TEXAS
 SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT
 FISCAL YEAR ENDED SEPTEMBER 30, 2013

	TOTAL	BONDS		COMPENSATED ABSENCES
		2006 SERIES	2013 SERIES	
Governmental fund debt, October 1, 2012	\$ 2,491,068	\$ 2,445,000	\$ -	\$ 46,068
ADDITIONS				
2013 Tax Note	1,800,000	-	1,800,000	-
Compensated absences	67,877	-	-	67,877
Total Additions	1,867,877	-	1,800,000	67,877
RETIREMENTS				
Bond principal:				
2006 Limited Tax Refunding Bonds	130,000	130,000	-	-
Total Bond Retirements	130,000	130,000	-	-
Other retirements:				
Compensated absences	61,682	-	-	61,682
GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2013	\$ 4,167,263	\$ 2,315,000	\$ 1,800,000	\$ 52,263

**CITY OF WHITEHOUSE, TEXAS
SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BONDS ISSUED	BOND PRINCIPAL			OUTSTANDING 9-30-13	BOND PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-14			BOND PRINCIPAL AND INTEREST TO BE PROVIDED IN FUTURE YEARS
					BALANCE 10-1-12	ISSUED CURRENT YEAR	CURRENT YEAR RETIREMENTS		PRINCIPAL	INTEREST	TOTAL	
BONDED INDEBTEDNESS:												
BUSINESS TYPE ACTIVITIES												
2006-Water & Sewer Certificates of Obligation	4/1/06	Payable serially in varying amounts to 2-15-26	4.20%	\$ 2,800,000	\$ 2,220,000	\$ -	\$ 120,000	\$ 2,100,000	\$ 125,000	\$ 85,575	\$ 210,575	\$ 2,513,755
2007 Tax Refunding Bonds	7/15/07	Payable serially in varying amounts to 2-15-27	4.52%	4,359,000	4,140,000	-	10,000	4,130,000	282,000	180,303	462,303	4,826,218
2007-Water & Sewer Certificates of Obligation	5/15/07	Payable serially in varying amounts to 2-15-26	4.32%	2,000,000	1,665,000	-	80,000	1,585,000	85,000	66,636	151,636	1,959,216
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	-	645,000	9,085,000	370,000	202,189	572,189	10,700,396
Total Business Type Activities				<u>18,889,000</u>	<u>17,755,000</u>	<u>-</u>	<u>855,000</u>	<u>16,900,000</u>	<u>862,000</u>	<u>534,703</u>	<u>1,396,703</u>	<u>19,999,585</u>
GOVERNMENTAL FUND DEBT:												
BONDED DEBT												
2006 Limited Tax Refunding Bonds	10/15/06	Payable serially in varying amounts to 2-15-26	4.80%	3,140,000	2,445,000	-	130,000	2,315,000	135,000	98,388	233,388	2,827,275
2013 Tax Note	06/20/13	Payable serially in varying amounts to 2-15-26	1.60%	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>	<u>415,000</u>	<u>29,880</u>	<u>444,880</u>	<u>1,452,498</u>
Total Governmental Fund Bonded Debt				<u>4,940,000</u>	<u>2,445,000</u>	<u>1,800,000</u>	<u>130,000</u>	<u>4,115,000</u>	<u>550,000</u>	<u>128,268</u>	<u>678,268</u>	<u>4,279,773</u>
Total Bonded Indebtedness				<u>\$ 23,829,000</u>	<u>\$ 20,200,000</u>	<u>\$ 1,800,000</u>	<u>\$ 985,000</u>	<u>\$ 21,015,000</u>	<u>\$ 1,412,000</u>	<u>\$ 662,971</u>	<u>\$ 2,074,971</u>	<u>\$ 24,279,358</u>

GOVERNMENTAL COMPLIANCE SECTION

HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and City Council
City of Whitehouse, Texas

We have audited, in accordance with the 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, 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, 2013, which collectively comprise City of Whitehouse, Texas' basic financial statements and have issued our report thereon dated March 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Whitehouse, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Whitehouse, Texas' internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry + Peters, P.C.

Tyler, Texas
March 18, 2014