

CITY OF WHITEHOUSE, TEXAS

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

FISCAL YEAR ENDED SEPTEMBER 30, 2014

Gollob Morgan Peddy PC
CERTIFIED PUBLIC ACCOUNTANTS

1001 ESE Loop 323, Suite 300, Tyler, TX 75701
Tel 903-534-0088 Fax 903-581-3915 www.gmpcpa.com
Members American Institute of Certified Public Accountants and Private Companies Practice Section

CITY OF WHITEHOUSE, TEXAS

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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, 2014, and the related notes to the financial statements, which collectively comprise City of Whitehouse, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Whitehouse, Texas's 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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, schedule of funding progress and budgetary comparison information on pages 3-8 and page 40 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 's basic financial statements. The additional supplemental information is presented for purposes of additional analysis and are 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.

The additional supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015 on our consideration of City of Whitehouse, Texas 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whitehouse, Texas 's internal control over financial reporting and compliance.



Certified Public Accountants

Tyler, Texas
February 18, 2015

Gollob Morgan Peddy PC
1001 ESE Loop 323, Suite 300, Tyler, TX 75701
Tel 903-534-0088 Fax 903-581-3915 www.gmpcpa.com

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BASIC FINANCIAL STATEMENTS

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, 2014.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$10,611,030 (net position). Of this amount \$2,139,011 (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 \$318,629.
- The total net position of \$10,611,030 is made up of \$8,392,321 in capital assets net of related debt and \$2,218,709 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, 2014 the City's assets exceeded liabilities by \$10,611,030.

By far the largest portion of the City's net position, \$8,392,321, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related debt used to acquire these assets that are still outstanding. This amount increased \$550,392 during the current year primarily due to the acquisition of a new fire engine and completion of the new sports complex. 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, \$2,139,011, decreased by \$175,873 during the year.

City of Whitehouse's Net position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 530,019	\$ 2,058,096	\$ 1,530,646	\$ 2,278,140	\$ 2,060,665	\$ 4,336,236
Capital assets	10,422,047	8,843,743	17,973,284	18,525,076	28,395,331	27,368,819
Total Assets	10,952,066	10,901,839	19,503,930	20,803,216	30,455,996	31,705,055
Deferred outflows of resources	-	-	703,621	781,347	703,621	781,347
Total Deferred Outflows of Resources	-	-	703,621	781,347	703,621	781,347
Current liabilities	560,791	1,217,495	1,257,235	1,228,865	1,818,026	2,446,360
Non current liabilities	3,560,997	3,604,197	15,169,564	16,053,295	18,730,561	19,657,492
Total Liabilities	4,121,788	4,821,692	16,426,799	17,282,160	20,548,587	22,103,852
Net invested in capital assets	6,457,037	5,435,506	1,935,284	2,406,423	8,392,321	7,841,929
Restricted	79,698	225,737	-	-	79,698	225,737
Unrestricted	293,543	418,904	1,845,468	1,895,980	2,139,011	2,314,884
Total Net Position	\$ 6,830,278	\$ 6,080,147	\$ 3,780,752	\$ 4,302,403	\$ 10,611,030	\$ 10,382,550

Governmental activities. During the current year the governmental activities had an increase in net position of \$750,131 which represented a \$602,832 increase from the previous year. The increase from the prior year came primarily from transfers from the business-type activities.

Business-type activities. The City had a \$521,651 decrease in net position for its business-type activities during the year. This is down by \$942,533 from the previous year. The decrease is primarily due to an increase in transfers to governmental activities.

City of Whitehouse's Changes in Net position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for services	\$ 1,017,154	\$ 1,077,959	\$ 2,743,321	\$ 2,810,254	\$ 3,760,475	\$ 3,888,213
Capital grants and contributions	-	8,400	-	-	-	8,400
General revenue:						
Property taxes	2,453,825	2,376,897	-	-	2,453,825	2,376,897
Franchise taxes	306,273	294,202	-	-	306,273	294,202
Sales taxes	713,991	704,163	-	-	713,991	704,163
Gain (loss) on sale of assets	-	16,253	-	-	-	16,253
Insurance proceeds	-	8,914	-	-	-	8,914
Interest income	23,018	21,410	2,049	2,208	25,067	23,618
Total revenues	4,514,261	4,508,198	2,745,370	2,812,462	7,259,631	7,320,660
Expenses:						
General government	456,655	553,216	-	-	456,655	553,216
Public safety	2,322,441	2,020,300	-	-	2,322,441	2,020,300
Community development	987,959	1,007,202	-	-	987,959	1,007,202
Parks and recreation	289,887	120,664	-	-	289,887	120,664
Interest	137,759	114,145	-	-	137,759	114,145
Water and sewer operations	-	-	2,836,450	2,936,952	2,836,450	2,936,952
Total expenses	4,194,701	3,815,527	2,836,450	2,936,952	7,031,151	6,752,479
Transfers	430,571	(545,372)	(430,571)	545,372	-	-
Change in net position	750,131	147,299	(521,651)	420,882	228,480	568,181
Prior Period Adjustment	-	189,994	-	(77,927)	-	112,067
Net position beginning of year	6,080,147	5,742,854	4,302,403	3,959,448	10,382,550	9,702,302
Net position end of year	\$ 6,830,278	\$ 6,080,147	\$ 3,780,752	\$ 4,302,403	\$ 10,611,030	\$ 10,382,550

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 \$318,629. The total fund balance for the governmental funds decreased by \$824,226 during the year, which was mostly due to higher capital outlay 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 \$1,845,468 at year end as compared to \$1,895,980 at the end of the prior year.

General Fund Budgetary Highlights

Over the year, the City of Whitehouse did make minor budget amendments to its original budget. Revenues were \$99,452 under budget while expenditures were over budget by \$122,990. After considering operating transfers and loan proceeds, the City had a favorable variance of \$1,197,022 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, 2014, amounts to \$8,392,321 net of accumulated depreciation and related debt. This investment in capital assets includes land, buildings, parks, machinery and equipment, water and sewer systems and infrastructure. The biggest change during the current year was the City's construction of a sports complex and purchase of a new fire engine. The total net increase in the City's investment in fixed assets for the current year (see Note 4C) was \$550,392.

City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 190,184	\$ 190,184	\$ 25,000	\$ 25,000	\$ 215,184	\$ 215,184
Easements	-	-	7,800	7,800	7,800	7,800
Construction in progress	-	1,034,107	-	-	-	1,034,107
Buildings and improvements	2,105,692	2,177,094	104,023	105,610	2,209,715	2,282,704
Parks	2,336,539	-	-	-	2,336,539	-
Water and sewer system	-	-	17,704,379	18,256,515	17,704,379	18,256,515
Infrastructure	4,937,854	5,072,950	-	-	4,937,854	5,072,950
Machinery and equipment	851,778	369,408	132,082	130,151	983,860	499,559
Total	\$ 10,422,047	\$ 8,843,743	\$ 17,973,284	\$ 18,525,076	\$ 28,395,331	\$ 27,368,819

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 borrowed \$600,010 in notes payable. The proceeds of the notes were used for construction of the baseball field complex and purchase of a new fire engine. After principal payments of \$1,612,000 were made against debt during the year, the City had total debt outstanding of \$20,063,372 at the end of the fiscal year.

City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 3,565,000	\$ 4,115,000	\$ -	\$ -	\$ 3,565,000	\$ 4,115,000
Notes Payable	400,010	-	-	-	400,010	-
Compensated absences	41,958	52,263	18,404	21,076	60,362	73,339
Revenue bonds and Certificates of obligation	-	-	16,038,000	16,900,000	16,038,000	16,900,000
Total	\$ 4,006,968	\$ 4,167,263	\$ 16,056,404	\$ 16,921,076	\$ 20,063,372	\$ 21,088,339

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 5,000 square foot meeting hall and a 5,400 square foot convenient store / restaurant was completed and a 7,225 square foot auto parts store is currently being constructed. 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 2014/2015 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.

EXHIBIT 1

**CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 56,123	\$ 694,445	\$ 750,568
Receivables (net of allowance for doubtful accounts)	335,045	404,937	739,982
Internal balances	127,110	(127,110)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	11,741	252,215	263,956
Water rights - Lake Columbia	-	230,000	230,000
Other receivables	-	76,159	76,159
Capital Assets (net of accumulated depreciation):			
Land	190,184	25,000	215,184
Easements	-	7,800	7,800
Buildings and improvements	2,105,692	104,023	2,209,715
Parks	2,336,539	-	2,336,539
Infrastructure	4,937,854	-	4,937,854
Machinery and equipment	851,778	132,082	983,860
Water and sewer system	-	17,704,379	17,704,379
Total Assets	<u>10,952,066</u>	<u>19,503,930</u>	<u>30,455,996</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (net of amortization)	-	703,621	703,621
Total Deferred Outflows of Resources	<u>-</u>	<u>703,621</u>	<u>703,621</u>
LIABILITIES			
Accounts payable	87,985	64,410	152,395
Deposits and other refundable balances	-	252,215	252,215
Accrued interest	26,835	53,770	80,605
Non-current liabilities:			
Due within one year	445,971	886,840	1,332,811
Due in more than one year	3,560,997	15,169,564	18,730,561
Total Liabilities	<u>4,121,788</u>	<u>16,426,799</u>	<u>20,548,587</u>
NET POSITION			
Investment in capital assets, net of related debt	6,457,037	1,935,284	8,392,321
Restricted for:			
Police forfeitures	11,741	-	11,741
PEG Channel	55,433	-	55,433
Debt service	12,126	-	12,126
Construction	398	-	398
Unrestricted	293,543	1,845,468	2,139,011
Total Net Position	<u>\$ 6,830,278</u>	<u>\$ 3,780,752</u>	<u>\$ 10,611,030</u>

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

**CITY OF WHITEHOUSE, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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	\$ 456,655	\$ 142,831	\$ -	\$ (313,824)	\$ -	\$ (313,824)
Public safety	2,322,441	16,834	-	(2,305,607)	-	(2,305,607)
Community development	987,959	739,903	-	(248,056)	-	(248,056)
Parks and recreation	289,887	117,586	-	(172,301)	-	(172,301)
Interest	137,759	-	-	(137,759)	-	(137,759)
Total governmental activities	4,194,701	1,017,154	-	(3,177,547)	-	(3,177,547)
Business-type activities:						
Water and sewer	2,836,450	2,743,321	-	-	(93,129)	(93,129)
Total business-type activities	2,836,450	2,743,321	-	-	(93,129)	(93,129)
Total primary government	\$ 7,031,151	\$ 3,760,475	\$ -	(3,177,547)	(93,129)	(3,270,676)
General revenues:						
Property taxes				2,453,825	-	2,453,825
Franchise taxes				306,273	-	306,273
Sales and use taxes				713,991	-	713,991
Interest and rent				23,018	2,049	25,067
Transfers				430,571	(430,571)	-
Total general revenues and transfers				3,927,678	(428,522)	3,499,156
Change in net position				750,131	(521,651)	228,480
Net position - beginning of year				6,080,147	4,302,403	10,382,550
Net position - end of year				\$ 6,830,278	\$ 3,780,752	\$ 10,611,030

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	MAJOR FUNDS				ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	BASEBALL FIELD IMPROVEMENTS	OTHER GOVERNMENTAL FUNDS		
ASSETS						
Cash and investments	\$ 690	\$ -	\$ -	\$ 55,433	\$ -	\$ 56,123
Receivables:						
Property taxes	17,803	39,806	-	-	-	57,609
Sales taxes	123,183	-	-	-	-	123,183
Street assessments	-	-	-	22,508	-	22,508
Charges for services	155,499	-	-	-	-	155,499
Restricted Assets:						
Temporarily restricted						
Cash and cash equivalents	-	-	-	11,741	-	11,741
Due from other funds	115,139	107,020	-	2,848	(97,897)	127,110
Total Assets	<u>\$ 412,314</u>	<u>\$ 146,826</u>	<u>\$ -</u>	<u>\$ 92,530</u>	<u>\$ (97,897)</u>	<u>\$ 553,773</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable and accrued expenses	87,985	-	-	-	-	87,985
Due to other funds	853	94,894	-	2,150	(97,897)	-
Total Liabilities	<u>88,838</u>	<u>94,894</u>	<u>-</u>	<u>2,150</u>	<u>(97,897)</u>	<u>87,985</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	17,803	39,806	-	-	-	57,609
Unavailable revenue - street assessments	-	-	-	22,508	-	22,508
Unavailable revenue - fines	67,042	-	-	-	-	67,042
Total Deferred Inflows of Resources	<u>84,845</u>	<u>39,806</u>	<u>-</u>	<u>22,508</u>	<u>-</u>	<u>147,159</u>
Fund Balances:						
Restricted:						
Police forfeitures	-	-	-	11,741	-	11,741
PEG channel	-	-	-	55,433	-	55,433
Debt Service	-	12,126	-	-	-	12,126
Total Restricted	-	12,126	-	67,174	-	79,300
Assigned:						
Capital Projects	-	-	-	698	-	698
Unassigned	238,631	-	-	-	-	238,631
Total Fund Balances	<u>238,631</u>	<u>12,126</u>	<u>-</u>	<u>67,872</u>	<u>-</u>	<u>318,629</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 412,314</u>	<u>\$ 146,826</u>	<u>\$ -</u>	<u>\$ 92,530</u>	<u>\$ (97,897)</u>	

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 1)

	Total Governmental Funds
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 318,629
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	10,422,047
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	123,405
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	(26,835)
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>(4,006,968)</u>
Net position of governmental activities	<u>\$ 6,830,278</u>

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	MAJOR FUNDS				ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	BASEBALL FIELD IMPROVEMENT	OTHER GOVERNMENTAL FUNDS		
REVENUES						
Current and delinquent taxes	\$ 766,555	\$ 1,689,963	\$ -	\$ -	\$ -	\$ 2,456,518
Fines and forfeitures	166,381	-	-	-	-	166,381
Licenses and permits	4,850	-	-	-	-	4,850
Franchise taxes	288,199	-	-	18,074	-	306,273
Sales taxes - regular	445,661	-	-	-	-	445,661
Sales taxes - additional 1/2 cent	222,831	-	-	-	-	222,831
Sales tax fees	45,499	-	-	-	-	45,499
Donations	550	-	-	7,337	-	7,887
Solid waste collections	652,626	-	-	-	-	652,626
Zoning and platting fees	150	-	-	-	-	150
Splash Pad	42,348	-	-	-	-	42,348
Sports Complex	75,238	-	-	-	-	75,238
Intergovernmental revenue	87,277	-	-	-	-	87,277
Interest and rent	20,882	1,107	918	111	-	23,018
Miscellaneous income	128,854	-	-	8,977	-	137,831
Total Revenues	2,947,901	1,691,070	918	34,499	-	4,674,388
EXPENDITURES						
Legislative	9,899	-	-	-	-	9,899
General administration	256,021	-	-	12,808	-	268,829
Treasury and financial	77,032	-	-	-	-	77,032
Tax appraisal and collections	41,593	-	-	-	-	41,593
Municipal court	330,595	-	-	-	-	330,595
Library	45,000	-	-	-	-	45,000
Parks/recreation	277,299	-	-	-	-	277,299
Community development	36,814	-	-	-	-	36,814
Street and ground maintenance	159,487	-	-	-	-	159,487
Communication center	30,000	-	-	-	-	30,000
Police	1,230,462	-	-	-	-	1,230,462
Animal control	58,010	-	-	-	-	58,010
Fire	543,360	-	-	-	-	543,360
Sanitation	566,045	-	-	-	-	566,045
Debt service:						
Bond principal	-	550,000	-	-	-	550,000
Note principal	-	200,000	-	-	-	200,000
Interest and fees	-	133,644	-	-	-	133,644
Capital outlay	821,084	-	1,161,124	-	-	1,982,208
Total Expenditures	4,482,701	883,644	1,161,124	12,808	-	6,540,277
Revenues Over (Under) Expenditures	\$ (1,534,800)	\$ 807,426	\$ (1,160,206)	\$ 21,691	\$ -	\$ (1,865,889)

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	MAJOR FUNDS				TOTAL GOVERNMENTAL FUNDS	
	GENERAL	DEBT SERVICE	BASEBALL FIELD IMPROVEMENT	OTHER GOVERNMENTAL FUNDS		ELIMINATIONS
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 1,414,372	\$ 58,938	\$ 253,443	\$ -	\$ (253,443)	\$ 1,473,310
Transfers out	(261,690)	(1,034,492)	-	-	253,443	(1,042,739)
Sale of assets	11,082	-	-	-	-	11,082
Loan proceeds	400,010	-	200,000	-	-	600,010
Total Other Financing Sources (Uses)	1,563,774	(975,554)	453,443	-	-	1,041,663
Net Change in Fund Balances	28,974	(168,128)	(706,763)	21,691	-	(824,226)
Fund Balance, October 1, 2013	209,657	180,254	706,763	46,181	-	1,142,855
Fund Balance, September 30, 2014	\$ 238,631	\$ 12,126	\$ -	\$ 67,872	\$ -	\$ 318,629

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

EXHIBIT 5

**CITY OF WHITEHOUSE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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

Net change in fund balances - total governmental funds	\$	(824,226)
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.		1,578,304
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.		(160,127)
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>156,180</u>
Change in net position of governmental activities	\$	<u><u>750,131</u></u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent taxes	\$ 665,581	\$ 665,581	\$ 766,555	\$ 100,974
Fines and forfeitures	206,950	206,950	166,381	(40,569)
Licenses and permits	4,000	4,000	4,850	850
Franchise taxes	304,172	304,172	288,199	(15,973)
Sales taxes - regular	475,533	475,533	426,086	(49,447)
Sales taxes - additional 1/2 cent	237,766	237,766	213,043	(24,723)
Sales tax fees	45,367	45,367	45,499	132
Solid waste collections	661,047	661,047	652,626	(8,421)
Zoning and platting fees	250	250	150	(100)
Administrative processing fees	1,000	1,000	150	(850)
Splash Park	35,000	35,000	42,348	7,348
Concession stand - Splash Park	13,500	13,500	-	(13,500)
Sports Complex	40,000	40,000	75,238	35,238
Concession stand - Ball Park	40,000	40,000	-	(40,000)
Intergovernmental revenue	86,099	86,099	87,277	1,178
Interest and rent	19,800	19,800	20,882	1,082
Miscellaneous income	265,875	181,925	129,254	(52,671)
Total Revenues	3,101,940	3,017,990	2,918,538	(99,452)
EXPENDITURES				
Legislative	19,000	19,000	9,899	9,101
General administration	258,318	258,318	253,747	4,571
Treasury and financial	76,054	76,054	75,437	617
Tax appraisal and collections	44,289	44,289	41,593	2,696
Municipal court	335,154	335,154	348,029	(12,875)
Library	45,000	45,000	45,000	-
Parks/recreation	346,455	670,098	713,544	(43,446)
Community development	32,000	32,000	36,814	(4,814)
Street and ground maintenance	190,216	190,216	207,806	(17,590)
Communication center	30,000	30,000	30,000	-
Police	1,219,217	1,251,920	1,313,665	(61,745)
Animal control	64,285	64,285	57,798	6,487
Fire	434,764	1,030,764	1,043,472	(12,708)
Sanitation	572,826	572,826	566,110	6,716
Total Expenditures	3,667,578	4,619,924	4,742,914	(122,990)
Revenues Over (Under) Expenditures	(565,638)	(1,601,934)	(1,824,376)	(222,442)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,414,372	1,414,372
Loan proceeds	-	400,000	400,010	10
Sale of assets	6,000	6,000	11,082	5,082
Total Other Financing Sources (Uses)	6,000	406,000	1,825,464	1,419,464
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(559,638)	(1,195,934)	1,088	1,197,022
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	27,886	27,886
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	\$ (559,638)	\$ (1,195,934)	\$ 28,974	\$ 1,224,908

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund Balance, October 1, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,657</u>	<u>\$ 209,657</u>
Fund Balance, September 30, 2014	<u>\$ (559,638)</u>	<u>\$ (1,195,934)</u>	<u>\$ 238,631</u>	<u>\$ 1,434,565</u>

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

Basis Presentation:

Sources/Inflows of Resources:

Differences - Budget to GAAP
but received in following year

\$ 29,363

Uses/Outflows of Resources:

Differences - Budget to GAAP

Transfers on expenditures paid in other funds

261,690

Capital expenditures recorded in other funds

(261,690)

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

(1,477)

Net Change in Budget Basis Presentation and GAAP Basis Presentation

\$ 27,886

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	UTILITY FUND
ASSETS	
Current Assets:	
Cash and certificates of deposit	\$ 694,445
Accounts receivable (Net)	<u>404,937</u>
Total Current Assets	<u>1,099,382</u>
Restricted Current Assets:	
Temporarily Restricted	
Customer deposits	<u>252,215</u>
Total Restricted Current Assets	<u>252,215</u>
Noncurrent Assets:	
Water rights - Lake Columbia	230,000
Other receivables	76,159
Capital Assets:	
Land	25,000
Easements	7,800
Buildings	331,708
Water and sewer system	24,264,699
Machinery & equipment	856,666
Less: Accumulated depreciation	<u>(7,512,589)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>17,973,284</u>
Total Noncurrent Assets:	<u>18,279,443</u>
Total Assets	<u>\$ 19,631,040</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding (net of amortization)	\$ 703,621
Total Deferred Outflows of Resources	<u>\$ 703,621</u>
	(continued)

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	<u>UTILITY FUND</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 64,410
Compensated absences	1,840
Due to other funds	<u>127,110</u>
Total Current Liabilities	193,360
Current liabilities payable from restricted assets:	
Customer deposits	252,215
Accrued interest	53,770
Revenue bonds payable	<u>885,000</u>
Total current liabilities payable from restricted assets	1,190,985
Noncurrent Liabilities:	
Revenue bonds payable	15,153,000
Compensated absences	<u>16,564</u>
Total Noncurrent Liabilities	<u>15,169,564</u>
Total Liabilities	<u>16,553,909</u>
NET POSITION	
Invested in capital assets, net of related debt	1,935,284
Unrestricted	<u>1,845,468</u>
Total Net Position	<u>\$ 3,780,752</u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>UTILITY FUND</u>
OPERATING REVENUES	
Water sales	\$ 1,846,607
Sewer charges	745,094
Assessment revenue	3,491
Charges for other services	<u>148,129</u>
Total Operating Revenues	<u>2,743,321</u>
OPERATING EXPENSES	
Utility administration	371,463
Customer service	136,741
Water operations	475,043
Sewer operations	334,755
Water supply	320,615
Depreciation	<u>588,362</u>
Total Operating Expenses	<u>2,226,979</u>
Operating Income (Loss)	<u>516,342</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(609,471)
Interest income	<u>2,049</u>
Total non-operating revenue (expenses)	<u>(607,422)</u>
Income before transfers	(91,080)
Transfers in	1,124,864
Transfers out	<u>(1,555,435)</u>
Total Transfers	<u>(430,571)</u>
Change in Net Position	(521,651)
Net Position, October 1, 2013	<u>4,302,403</u>
Net Position, September 30, 2014	<u><u>\$ 3,780,752</u></u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	UTILITY FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 2,789,115
Cash paid to suppliers for goods and services	(1,084,788)
Cash paid to employees for services	(563,384)
Net cash provided by operating activities	<u>1,140,943</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	1,047,138
Transfers out	(1,477,709)
Net cash used in non-capital financing activities	<u>(430,571)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases or construction of capital assets	(36,570)
Interest paid	(702,819)
Principal paid on bonds	(862,000)
Net cash used in capital and related financing activities	<u>(1,601,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	<u>2,049</u>
Net cash provided by investing activities	<u>2,049</u>
Net decrease in cash	(888,968)
Cash, beginning of period	<u>1,835,628</u>
Cash, end of period	<u>\$ 946,660</u>
Reconciliation of cash to Exhibit 7:	
Cash - current asset	\$ 694,445
Cash - restricted current asset	252,215
Total cash, end of period	<u>\$ 946,660</u>

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>UTILITY FUND</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	\$ 516,342
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	588,362
Decrease in accounts receivable	26,654
Increase in accounts payable	(9,555)
Increase in customer deposits	19,140
	<u>624,601</u>
Total adjustments	624,601
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,140,943</u>

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

CITY OF WHITEHOUSE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

B. The Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by the 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.

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 government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The 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.

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

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

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

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, 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 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, balance 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.

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 revenue on October 1. The deferred revenue from taxes is then recognized as revenue during the year as the taxes are actually received.

3. Due from Other Funds

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

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

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

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

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

6. Bond issue costs – The City chose early implementation of GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred.
7. Compensated Absences - A liability for unused vacation and sick time 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 with five to nine years of service earn fifteen days of vacation, and regular full-time employees with ten or more years of service earn twenty days of vacation. The maximum amount an employee may accumulate is thirty 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) time and earned at time and a half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and may be taken off with approval.

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 (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 two sources: property taxes 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 – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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 – The City has 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 consist 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 consist 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 and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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 \$10,422,047 difference are as follows:

Capital assets, October 1, 2013, net of accumulated depreciation	\$	8,843,743
Capital asset additions, net of retirements		1,934,706
Depreciation of capital assets, net of retirements		<u>(356,402)</u>
	\$	<u>10,422,047</u>

- = Another element states that “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The details of this \$123,405 difference are as follows:

Allowance account for uncollectible property taxes	\$	(23,754)
Unavailable revenue - property taxes		57,609
Unavailable revenue - fines		67,042
Unavailable revenue - street assessments		<u>22,508</u>
	\$	<u>123,405</u>

Also, another element states that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$(4,006,968) difference are as follows:

Long-term liabilities, October 1, 2013	\$	(4,167,263)
Debt incurred in current year		(600,010)
Principal paid on debt in current year		750,000
Change in compensated absences		<u>10,305</u>
	\$	<u>(4,006,968)</u>

- B.** Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities - One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense.” The detail of this \$1,578,304 difference are as follows:

Capital outlay, asset additions	\$	1,982,208
Depreciation expense		<u>(403,904)</u>
	\$	<u>1,578,304</u>

Another element states “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.” The details of this \$(160,127) difference are as follows:

Change in allowance for uncollectible taxes	\$	1,668
Change in deferred inflows		<u>(161,795)</u>
	\$	<u>(160,127)</u>

Also, another element states “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$156,180 difference are as follows:

Principal payments on debt	\$ 750,000
Debt incurred during current year	(600,010)
Change in accrued interest	(4,115)
Change in compensated absences	<u>10,305</u>
	<u>\$ 156,180</u>

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government	
Cash and cash equivalents	\$ 750,568
Restricted cash and cash equivalents	<u>263,956</u>
Total Cash and cash equivalents	<u>\$ 1,014,524</u>
Cash on hand	\$ 690
Savings and checking accounts	641,933
External investment pools	<u>371,901</u>
Total Cash and Investments	<u>\$ 1,014,524</u>

<u>External Investment Pool</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
Logic	\$ 371,327	0.16	AAAm
MBIA	<u>574</u>	0.15	AAAm
	<u>\$ 371,901</u>		

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 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, 2014, the carrying value of the City's bank deposits was \$641,933 while the bank balance was \$775,102. 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.

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	Utility Operating Fund	Total
Receivables:					
Taxes	\$ 17,803	\$ 39,806	\$ -	\$ -	\$ 57,609
Assessments	-	-	22,508	-	22,508
Sales Tax	123,183	-	-	-	123,183
Accounts (services)	256,061	-	-	404,937	660,998
Gross receivables	<u>397,047</u>	<u>39,806</u>	<u>22,508</u>	<u>404,937</u>	<u>864,298</u>
Less: Allowance for Uncollectibles	<u>(107,973)</u>	<u>(16,343)</u>	<u>-</u>	<u>-</u>	<u>(124,316)</u>
Net Receivables	<u>\$ 289,074</u>	<u>\$ 23,463</u>	<u>\$ 22,508</u>	<u>\$ 404,937</u>	<u>\$ 739,982</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 190,184	\$ -	\$ -	\$ 190,184
Construction in Process	1,034,107	1,294,957	(2,329,064)	-
Total Capital Assets, Not Being Depreciated	1,224,291	1,294,957	(2,329,064)	190,184
Capital Assets, Being Depreciated				
Buildings and Improvements	2,853,634	-	-	2,853,634
Parks	-	2,336,864	-	2,336,864
Infrastructure	7,285,491	48,544	-	7,334,035
Machinery and Equipment	1,731,955	630,907	(47,502)	2,315,360
Total Capital Assets, Being Depreciated	11,871,080	3,016,315	(47,502)	14,839,893
Less Accumulated Depreciation For:				
Buildings and Improvements	(676,540)	(71,402)	-	(747,942)
Parks	-	(325)	-	(325)
Infrastructure	(2,212,541)	(183,640)	-	(2,396,181)
Machinery and Equipment	(1,362,547)	(148,537)	47,502	(1,463,582)
Total Accumulated Depreciation	(4,251,628)	(403,904)	47,502	(4,608,030)
Net Total Assets Being Depreciated	7,619,452	2,612,411	-	10,231,863
Governmental Activities Capital Assets, Net	<u>\$ 8,843,743</u>	<u>\$ 3,907,368</u>	<u>\$ (2,329,064)</u>	<u>\$ 10,422,047</u>
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	24,264,699	-	-	24,264,699
Buildings	324,633	7,075	-	331,708
Machinery and Equipment	827,171	29,495	-	856,666
Total Capital Assets, Being Depreciated	25,416,503	36,570	-	25,453,073
Less Accumulated Depreciation For:				
Water and Sewer System	(6,008,184)	(552,136)	-	(6,560,320)
Buildings	(219,023)	(8,662)	-	(227,685)
Machinery and Equipment	(697,020)	(27,564)	-	(724,584)
Total Accumulated Depreciation	(6,924,227)	(588,362)	-	(7,512,589)
Net Total Assets Being Depreciated	18,492,276	(551,792)	-	17,940,484
Business-Type Activities Capital Assets, Net	<u>\$ 18,525,076</u>	<u>\$ (551,792)</u>	<u>\$ -</u>	<u>\$ 17,973,284</u>

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

Governmental Activities:	
General Government	\$ 59,127
Public Safety	148,249
Community Development	183,940
Parks and Recreation	12,588
Total depreciation expense, governmental activities	<u>\$ 403,904</u>
 Business-Type Activities:	
Water and Sewer Operations	<u>\$ 588,362</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Utility Operating fund	\$ 992
General Fund	Utility Debt Service Fund	19,253
Debt Service Fund	Utility Operating fund	38,692
Debt Service Fund	Utility Debt Service Fund	66,178
Street Construction Fund	Utility Operating fund	1,995
		<u>\$ 127,110</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, 2014, is as follows:

	<u>Transfers In</u>				<u>Total</u>
	<u>Debt Service Fund</u>	<u>Utility Operating Fund</u>	<u>Utility Debt Service Fund</u>	<u>General Fund</u>	
<u>Transfers Out:</u>					
General Fund	\$ -	\$ 8,247	\$ -	\$ -	\$ 8,247
Utility Operating Fund	58,938	-	-	1,414,372	1,473,310
Debt Service Fund	-	652,000	382,492	-	1,034,492
Total transfers out /in	<u>\$ 58,938</u>	<u>\$ 660,247</u>	<u>\$ 382,492</u>	<u>\$ 1,414,372</u>	<u>\$ 2,516,049</u>

E. Leases

Operating Leases

As of September 30, 2014, all leases have been paid off and the City has not entered into any new contracts.

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, 2014:

	<u>GENERAL OBLIGATION</u>	<u>REVENUE</u>	<u>TOTAL</u>
Bonds payable - October 1, 2013	\$ 4,115,000	\$ 16,900,000	\$ 21,015,000
Additions	-	-	-
Retirements	(550,000)	(862,000)	(1,412,000)
Bonds payable - September 30, 2014	<u>\$ 3,565,000</u>	<u>\$ 16,038,000</u>	<u>\$ 19,603,000</u>

Outstanding bonds at September 30, 2014 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%.	\$ 2,180,000
\$1,800,000 series 2013 Tax Note; maturing serially in varying amounts through 9-30-2020 at 1.60%	<u>1,385,000</u>
Total Governmental Bonded Debt	<u>\$ 3,565,000</u>

Business-Type Activities:

\$2,800,000 Series 2006 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-07 through 2-15-06. Interest at 4.2%.	\$ 1,975,000
\$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52%	3,848,000
\$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%	1,500,000
\$9,730,000 Series 2012 Limited Tax Refunding Bonds; maturing annually in varying amounts beginning 2-15-13 through 2-15-28. Interest rates varying from 0.06% to 2.75%.	<u>8,715,000</u>
Total Business-Type Bonded Debt	<u>\$ 16,038,000</u>

The funding requirements to amortize all bonds outstanding as of September 30, 2014, including interest, are as follows:

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
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	406,000	72,453	1,005,000	387,490	1,870,943
2020-2024	1,200,000	221,432	5,611,000	1,363,086	8,395,518
2025-2028	440,000	28,262	5,702,000	348,345	6,518,607
	<u>\$ 3,565,000</u>	<u>\$ 714,771</u>	<u>\$ 16,038,000</u>	<u>\$ 3,961,585</u>	<u>\$ 24,279,356</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, 2014 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$1,000,000	\$2,000,000	10/1/2015
	Law Enforcement	1,000,000	2,000,000	10/1/2015
	Errors & Omissions	1,000,000	2,000,000	10/1/2015
	Auto Liability	1,000,000	n/a	10/1/2015
	Auto Physical Damage	per schedule	n/a	10/1/2015
	Uninsured/Underinsured Motorists	55,000	n/a	10/1/2015
Texas Municipal League	Real & Personal Property	19,176,430	n/a	10/1/2015
	Mobile Equipment	460,476	n/a	10/1/2015
	Boiler & Machinery	100,000	n/a	10/1/2015
	Uninsured motorist	15,500	n/a	10/1/2015
Texas Municipal League	Workers Comp	n/a	n/a	10/1/2015

As of September 30, 2014, the City was not in compliance with the minimum cash requirement contained in its bond ordinances as follows:

Minimum required balance	\$ 379,665
Actual balance held at September 30, 2014	<u>93,454</u>
Shortage	<u>\$ 286,211</u>

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

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2014 was as follows:

	Beginning Balance 10/1/13	Additions	Reductions	Ending Balance 9/30/14	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 4,115,000	\$ -	\$ 550,000	\$ 3,565,000	\$ 367,000
Notes Payable	-	600,010	200,000	400,010	74,775
Compensated Absences	52,263	-	10,305	41,958	4,196
Governmental Activity Long-Term Liabilities	\$ 4,167,263	\$ 600,010	\$ 760,305	\$ 4,006,968	\$ 445,971
Business-type Activities:					
Revenue Bonds	\$ 16,900,000	\$ -	\$ 862,000	\$ 16,038,000	\$ 885,000
Compensated Absences	21,076	-	2,672	18,404	1,840
Business-type Activity Long-Term Liabilities	\$ 16,921,076	\$ -	\$ 864,672	\$ 16,056,404	\$ 886,840

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, 2014, \$4,701,555 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	<u>\$4,701,555</u>
Total Bonds Defeased (Refunded)		<u>\$4,701,555</u>

NOTE 6 — GROUP CONCENTRATIONS OF CREDIT RISK

The City provides water, sewer and sanitation services to its residents. Residents are provided with these services and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City. As of September 30, 2014, the City had \$472,440 in net receivables from its residents for the usage of these services.

NOTE 7 — EMPLOYEES' PENSION PLAN OBLIGATIONS

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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 2013</u>	<u>Plan Year 2014</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	100% Repeating
Annuity Increase (to retirees)	70% of CPI	70% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member’s compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

Annual Required Contribution (ARC)	\$ 179,590
Interest on Net Pension Obligation	-
Adjustment to the ARC	<u>-</u>
Annual Pension Cost (APC)	179,590
Contributions Made	<u>179,590</u>
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	<u>-</u>
Net Pension Obligation/(Asset), end of year	<u>\$ -</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
9/30/2012	\$ 98,897	\$ 98,897	100%	\$ -
9/30/2013	97,611	97,611	100%	-
9/30/2014	\$ 179,590	\$ 179,590	100%	\$ -

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

<u>Valuation Date</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	28.1 years; closed period	28.9 years; closed period	30.0 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

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, 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>
12/31/2013	\$ 3,327,516	\$ 3,519,212	94.6%	\$ 191,696	\$ 1,668,573	11.5%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, 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.

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 2014, 2013, and 2012 were \$338, \$328, and \$320 respectively, which equaled the required contributions each year.

NOTE 8 – DEFICIT NET POSITION OR FUND BALANCE

At September 30, 2014, the Enterprise Debt Service Fund had a deficit net position of \$45,747.

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 April 30, 2015.

Effective October 1, 2008, the City entered into a water delivery contract with the City of Tyler to purchase treated water on an “as need” basis. The contract calls for a monthly demand fee to be paid each month regardless of consumption and a volume rate per each 1,000 gallons consumed. The contract is for a 25 year period and calls for an increase in the demand rate and the volume rate equal to any increase in Tyler’s residential rate plus 1%. During the fiscal year ended September 30, 2014, the City paid a demand fee of \$22,119 per month as outlined in the agreement and notified by Tyler. The contract contains termination clauses including Whitehouse taking delivery of untreated water from either Lake Striker or Lake Columbia.

The City has a contract with Smith County for use of its jail facility. Under this agreement, the city will pay \$35 per prisoner for each day of confinement in the jail. The agreement, which ended September 30, 2014, has been renewed for another year through September 30, 2015.

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

NOTE 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, 2014, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2014, 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 12 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2014, expenditures exceeded appropriations in the following departments of the General Fund: Municipal Court, Parks & Recreation, Community Development, Streets and Ground Maintenance, Police and Fire. These over expenditures were funded by lower expenditures in other categories and excess fund balances.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to year end, the City completed a contract with Republic Services for the collection and disposal of garbage for residents within the city limits. This contract becomes effective May 01, 2015.

Subsequent events were evaluated through February 18, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WHITEHOUSE, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS - UNAUDITED
 SEPTEMBER 30, 2014**

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>
12/31/2011	\$ 2,860,061	\$ 2,966,171	96.4%	\$ 106,110	\$ 1,628,528	6.5%
12/31/2012	3,103,959	3,163,480	98.1%	59,524	1,600,267	3.7%
12/31/2013	3,327,516	3,519,212	94.6%	191,696	1,668,573	11.5%

ADDITIONAL SUPPLEMENTAL INFORMATION

**CITY OF WHITEHOUSE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	PEG CHANNEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	\$ -	\$ -	\$ 55,433	\$ 55,433
Receivables:				
Street assessments	-	22,508	-	22,508
Restricted Assets:				
Temporarily restricted				
Cash and cash equivalents	11,741	-	-	11,741
Due from other funds	-	2,848	-	2,848
Total Assets	\$ 11,741	\$ 25,356	\$ 55,433	\$ 92,530
LIABILITIES AND FUND BALANCES				
Liabilities:				
Unearned revenue	\$ -	\$ 22,508	\$ -	\$ 22,508
Due to other funds	-	2,150	-	2,150
Total Liabilities	-	24,658	-	24,658
Fund Balances:				
Restricted:				
Police forfeitures	11,741	-	-	11,741
PEG Channel	-	-	55,433	55,433
Assigned:				
Capital Projects	-	698	-	698
Total Fund Balances	11,741	698	55,433	67,872
Total Liabilities and Fund Balances	\$ 11,741	\$ 25,356	\$ 55,433	\$ 92,530

**CITY OF WHITEHOUSE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	SPECIAL REVENUE FUND	STREET CONSTRUCTION FUND	PEG CHANNEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Donations	\$ 7,337	\$ -	\$ -	\$ 7,337
Franchise Fee	-	-	18,074	18,074
Miscellaneous	8,977	-	-	8,977
Interest	10	-	101	111
Total Revenues	<u>16,324</u>	<u>-</u>	<u>18,175</u>	<u>34,499</u>
EXPENDITURES				
General administration	<u>12,808</u>	<u>-</u>	<u>-</u>	<u>12,808</u>
Total Expenditures	<u>12,808</u>	<u>-</u>	<u>-</u>	<u>12,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,516</u>	<u>-</u>	<u>18,175</u>	<u>21,691</u>
Net change in fund balances	<u>3,516</u>	<u>-</u>	<u>18,175</u>	<u>21,691</u>
Fund Balance - October 1, 2013	<u>8,225</u>	<u>698</u>	<u>37,258</u>	<u>46,181</u>
Fund Balance - September 30, 2014	<u>\$ 11,741</u>	<u>\$ 698</u>	<u>\$ 55,433</u>	<u>\$ 67,872</u>

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGISLATIVE				
CONTRACTUAL SERVICES:				
Business and travel	\$ 2,000	\$ 2,000	\$ 1,999	\$ 1
Legal fees	12,000	12,000	7,882	4,118
Contractual and fee base services	5,000	5,000	18	4,982
Total Contractual Services	19,000	19,000	9,899	9,101
TOTAL LEGISLATIVE	\$ 19,000	\$ 19,000	\$ 9,899	\$ 9,101
GENERAL/ADMINISTRATION				
PERSONNEL SERVICES:				
Administration	\$ 41,000	\$ 41,000	\$ 42,150	\$ (1,150)
Clerical	47,840	47,840	47,581	259
Overtime	20	20	70	(50)
Certificate pay	300	300	300	-
Uniforms and clothing	500	500	-	500
One time pay adjustments	2,050	2,050	1,545	505
Workers compensation	161	161	160	1
Unemployment compensation	810	810	414	396
Employee retirement	5,254	5,254	5,317	(63)
Employee insurance	18,612	18,612	11,922	6,690
Retiree insurance	750	750	600	150
Payroll taxes	6,978	6,978	6,484	494
Total Personnel Services	124,275	124,275	116,543	7,732
SUPPLIES AND MATERIALS:				
Office supplies	4,000	4,000	3,466	534
Data processing supplies	750	750	725	25
Laboratory supplies	-	-	200	(200)
Photo/audio/video supplies	1,060	1,060	8,298	(7,238)
Postage and delivery	1,800	1,800	1,616	184
Motor vehicle supplies	8,000	8,000	2,416	5,584
Educational and training	500	500	1,415	(915)
Other supplies	1,500	1,500	3,402	(1,902)
Total Supplies and Materials	17,610	17,610	21,538	(3,928)
MAINTENANCE OF BUILDING/GROUNDS:				
Building and grounds	2,000	2,000	2,861	(861)
Total Maintenance of Building/Grounds	2,000	2,000	2,861	(861)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	159	159	159	-
HVAC equipment	1,000	1,000	173	827
Automotive equipment	4,000	4,000	201	3,799
Communication equipment	500	500	367	133
Total Maintenance of Equipment/ Machinery	5,659	5,659	900	4,759

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CONTRACTUAL SERVICES:				
Communication services	8,000	8,000	9,090	(1,090)
Insurance	4,646	4,646	3,495	1,151
Advertising	1,800	1,800	1,440	360
Business and travel	700	700	1,173	(473)
Legal fees	500	500	2,406	(1,906)
Contractual and fee base services	5,550	5,550	5,358	192
Utility services	70,100	70,100	71,426	(1,326)
Data processing maintenance	2,000	2,000	1,489	511
Computer training	100	100	-	100
Memberships/subscriptions	2,130	2,130	3,054	(924)
Total Contractual Services	95,526	95,526	98,931	(3,405)
CAPITAL OUTLAY				
Contingency	5,000	5,000	5,248	(248)
Office equipment	5,248	5,248	5,259	(11)
Library books and periodicals	3,000	3,000	2,467	533
Total Capital Outlay	13,248	13,248	12,974	274
TOTAL GENERAL ADMINISTRATION	\$ 258,318	\$ 258,318	\$ 253,747	\$ 4,571
TREASURY AND FINANCIAL				
PERSONNEL SERVICES:				
Administration	\$ 32,975	\$ 32,975	\$ 32,975	\$ -
One time pay adjustments	1,649	1,649	1,649	-
Workers compensation	53	53	53	-
Unemployment compensation	270	270	207	63
Employee retirement	1,994	1,994	2,003	(9)
Employee insurance	5,164	5,164	5,138	26
Payroll taxes	2,649	2,649	2,446	203
Total Personnel Services	44,754	44,754	44,471	283
SUPPLIES AND MATERIALS:				
Educational and training	500	500	1,173	(673)
Total Supplies and Materials	500	500	1,173	(673)
CONTRACTUAL SERVICES:				
Business and Travel	800	800	793	7
Contractual/fee services	30,000	30,000	29,000	1,000
Total Contractual Services	30,800	30,800	29,793	1,007
TOTAL TREASURY AND FINANCIAL	\$ 76,054	\$ 76,054	\$ 75,437	\$ 617
TAX APPRAISAL AND COLLECTIONS				
CONTRACTUAL SERVICES:				
Contractual/Fee Services	\$ 44,289	\$ 44,289	\$ 41,593	\$ 2,696
Total Contractual Services	44,289	44,289	41,593	2,696
TOTAL TAX APPRAISAL AND COLLECTIONS	\$ 44,289	\$ 44,289	\$ 41,593	\$ 2,696

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MUNICIPAL COURT				
PERSONNEL SERVICES:				
Administration	\$ 55,000	\$ 55,000	\$ 62,210	\$ (7,210)
Clerical	56,160	56,160	55,247	913
Overtime	100	100	-	100
Uniforms and clothing	700	700	-	700
One time pay adjustments	2,750	2,750	2,750	-
Workers compensation	1,105	1,105	1,055	50
Unemployment compensation	810	810	621	189
Employee retirement	6,567	6,567	6,949	(382)
Employee insurance	21,569	21,569	22,520	(951)
Payroll taxes	8,722	8,722	8,741	(19)
Total Personnel Services	153,483	153,483	160,093	(6,610)
SUPPLIES AND MATERIALS:				
Office supplies	1,000	1,000	1,040	(40)
Photo, audio & video supp	900	900	3,874	(2,974)
Laboratory supplies	-	-	40	(40)
Postage and delivery	1,200	1,200	630	570
Tires and tubes	800	800	-	800
Motor vehicle supplies	1,500	1,500	1,283	217
Minor tools & apparatus	700	700	93	607
Educational and training	1,000	1,000	200	800
Other Supplies	400	400	432	(32)
Total Supplies and Materials	7,500	7,500	7,592	(92)
MAINTENANCE OF BUILDING				
Building and grounds	1,000	1,000	1,834	(834)
Total Maintenance of Building/Grounds	1,000	1,000	1,834	(834)
MAINTENANCE OF EQUIPMENT				
Office equipment	1,451	1,451	1,617	(166)
HVAC Equipment	1,000	1,000	282	718
Automotive equipment	1,500	1,500	3,776	(2,276)
Communication equipment	500	500	-	500
Total Maintenance of Equipment	4,451	4,451	5,675	(1,224)
CONTRACTUAL SERVICES:				
Communication services	600	600	1,135	(535)
Insurance	410	410	559	(149)
Advertising	150	150	-	150
Business and travel	1,000	1,000	679	321
Legal fees	6,000	6,000	6,670	(670)
Contractual/fee services	13,200	13,200	13,200	-
Utility services	5,000	5,000	3,664	1,336
Collection agency fees	-	-	562	(562)
State Fee	75,000	75,000	57,499	17,501
Omni base fee	2,000	2,000	1,272	728
On Line / Credit Card Fees	1,000	1,000	1,455	(455)
School Truancy fee	-	-	38	(38)
Vehicle registration	63,000	63,000	84,491	(21,491)
Memberships/subscriptions	1,360	1,360	1,611	(251)
Total Contractual Services	168,720	168,720	172,835	(4,115)
TOTAL MUNICIPAL COURT	\$ 335,154	\$ 335,154	\$ 348,029	\$ (12,875)

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LIBRARY SERVICES				
CONTRACTUAL SERVICES				
Contractual and fee basis services	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Total Contractual Services	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
TOTAL LIBRARY SERVICES	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ -</u>
PARKS/RECREATION SERVICES				
PERSONNEL SERVICES:				
Operations & maintenance	\$ 62,000	\$ 62,000	\$ 62,712	\$ (712)
Overtime	-	-	688	(688)
Part-Time	39,360	39,360	16,664	22,696
Uniforms and clothing	1,000	1,000	668	332
One time pay adjustments	1,600	1,600	-	1,600
Workers compensation	2,390	2,390	2,390	-
Unemployment compensation	1,215	1,215	855	360
Employee retirement	3,663	3,663	3,666	(3)
Employee insurance	11,554	11,554	12,946	(1,392)
Payroll taxes	7,876	7,876	5,941	1,935
Total Personnel Services	<u>130,658</u>	<u>130,658</u>	<u>106,530</u>	<u>24,128</u>
SUPPLIES AND MATERIALS:				
Office supplies	1,000	1,000	1,537	(537)
Laboratory supplies	-	-	300	(300)
Motor vehicle supplies	3,000	3,000	3,915	(915)
Minor tools	1,000	1,000	1,268	(268)
Ball park equipment	20,000	20,000	16,863	3,137
Educational and training	500	500	3,176	(2,676)
Concession - Ball park	20,000	20,000	12,020	7,980
Concession - Splash park	13,500	13,500	8,777	4,723
Total Supplies and Materials	<u>59,000</u>	<u>59,000</u>	<u>47,856</u>	<u>11,144</u>
MAINTENANCE OF BUILDINGS/LAND				
Maintenance - parks	3,000	3,000	5,084	(2,084)
Maintenance - ball parks	5,000	5,000	8,281	(3,281)
Total Maintenance of Buildings/Land	<u>8,000</u>	<u>8,000</u>	<u>13,365</u>	<u>(5,365)</u>
MAINTENANCE OF EQUIPMENT/MACHINERY				
Machinery & Equipment	-	-	132	(132)
HVAC equipment	-	-	102	(102)
Automotive equipment	3,000	3,000	952	2,048
Playground equipment	2,500	2,500	1,110	1,390
Total Maintenance of Equipment/Machinery	<u>5,500</u>	<u>5,500</u>	<u>2,296</u>	<u>3,204</u>
CONTRACTUAL SERVICES				
Communication Services	3,647	3,647	5,943	(2,296)
Business & travel	-	-	74	(74)
Utility Services	14,400	14,400	7,152	7,248
Contractual and fee basis services	80,000	80,000	72,462	7,538
Online/Credit card fees	1,600	1,600	1,193	407
Memberships and subscriptions	50	50	45	5
Total Contractual Services	<u>99,697</u>	<u>99,697</u>	<u>86,869</u>	<u>12,828</u>

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CAPITAL OUTLAY				
Machinery and equipment	15,000	15,000	13,993	1,007
Land improvements	-	323,643	416,724	(93,081)
Motor vehicles	25,000	25,000	24,702	298
Library books & periodicals	3,600	3,600	1,209	2,391
Total Capital Outlay	43,600	367,243	456,628	(89,385)
TOTAL PARKS/RECREATION SERVICES	\$ 346,455	\$ 670,098	\$ 713,544	\$ (43,446)
COMMUNITY DEVELOPMENT				
CONTRACTUAL SERVICES:				
Contractual/fee services	24,000	24,000	28,614	(4,614)
Economic Development	5,000	5,000	5,000	-
Miscellaneous expense	3,000	3,000	3,200	(200)
Total Contractual Services	32,000	32,000	36,814	(4,814)
TOTAL COMMUNITY DEVELOPMENT	\$ 32,000	\$ 32,000	\$ 36,814	\$ (4,814)
STREET AND GROUNDS MAINTENANCE				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 79,040	\$ 79,040	\$ 81,983	\$ (2,943)
Overtime	5,000	5,000	3,763	1,237
Uniforms and clothing	500	500	610	(110)
Workers compensation	4,218	4,218	3,979	239
Unemployment compensation	540	540	414	126
Employee retirement	4,841	4,841	4,957	(116)
Employee insurance	16,566	16,566	16,514	52
Payroll taxes	6,429	6,429	6,072	357
Total Personnel Services	117,134	117,134	118,292	(1,158)
SUPPLIES AND MATERIALS:				
Tires and tubes	1,250	1,250	1,763	(513)
Laboratory supplies	-	-	70	(70)
Motor vehicle supplies	3,300	3,300	4,279	(979)
Minor tools and apparatus	1,000	1,000	384	616
Chemical and mechanical	250	250	-	250
Safety supplies	150	150	64	86
Other supplies	150	150	40	110
Total Supplies and Materials	6,100	6,100	6,600	(500)

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE OF BUILDINGS/LAND:				
Streets and alleys	50,000	50,000	69,342	(19,342)
Total Maintenance of Buildings/Land	50,000	50,000	69,342	(19,342)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	6,000	6,000	5,209	791
Automotive equipment	3,000	3,000	1,656	1,344
Shop equipment	500	500	306	194
Minor tools and equipment	450	450	17	433
Signal and sign system	2,500	2,500	2,945	(445)
Communication equipment	200	200	-	200
Total Maintenance of Equipment/Machinery	12,650	12,650	10,133	2,517
CONTRACTUAL SERVICES				
Communication services	360	360	698	(338)
Leases and rentals	1,100	1,100	-	1,100
Insurance	2,872	2,872	2,741	131
Total Contractual Services	4,332	4,332	3,439	893
TOTAL STREET AND GROUNDS MAINTENANCE	\$ 190,216	\$ 190,216	\$ 207,806	\$ (17,590)
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	64,480	64,480	64,480	-
Operations and maintenance	584,320	584,320	590,835	(6,515)
Overtime	10,000	10,000	6,266	3,734
Certificate pay	3,900	3,900	3,023	877
Merit pay	9,500	9,500	8,128	1,372
Uniforms and clothing	10,000	10,000	7,358	2,642
One time pay adjustments	8,351	8,351	8,350	1
Workers compensation	13,586	13,586	13,586	-
Unemployment compensation	4,590	4,590	3,920	670
Employee retirement	42,944	42,944	43,193	(249)
Employee insurance	143,395	143,395	132,746	10,649
Payroll taxes	55,247	55,247	53,146	2,101
Total Personnel Services	1,015,313	1,015,313	1,000,031	15,282

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Office supplies	4,000	4,000	4,379	(379)
Data processing supplies	1,500	1,500	26,089	(24,589)
Photo/audio/video	1,600	1,600	1,862	(262)
Laboratory supplies	4,000	4,000	2,475	1,525
Postage and delivery	850	850	586	264
Tires and tubes	3,000	3,000	4,269	(1,269)
Motor vehicle supplies	40,000	40,000	54,593	(14,593)
Emergency medical supplies	1,800	1,800	1,297	503
Minor tools and apparatus	800	800	571	229
Janitorial supplies	1,500	1,500	-	1,500
Safety supplies	3,000	3,000	3,723	(723)
Educational and training	14,000	14,000	3,528	10,472
K-9 misc	4,000	4,000	2,193	1,807
Other supplies	5,000	5,000	6,923	(1,923)
Community resource supply	1,500	1,500	1,166	334
Evidence processing	500	500	748	(248)
Evidence supplies	800	800	1,177	(377)
CID supplies	350	350	370	(20)
Total Supplies and Materials	88,200	88,200	115,949	(27,749)
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	6,000	6,000	4,200	1,800
Total Maintenance of Buildings/Land	6,000	6,000	4,200	1,800
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	1,500	1,500	1,251	249
HVAC equipment	500	500	857	(357)
Automotive equipment	15,000	15,000	11,879	3,121
Safety and medical equipment	-	-	16	(16)
Communication equipment	1,000	1,000	631	369
Outdoor warning system	10,000	10,000	445	9,555
Total Maintenance of Equipment/Machinery	28,000	28,000	15,079	12,921
CONTRACTUAL SERVICES:				
Communication services	15,200	15,200	13,034	2,166
Insurance	17,027	17,027	16,991	36
Advertising	-	-	525	(525)
Business and travel	4,750	4,750	4,791	(41)
Legal Fees	-	-	1,698	(1,698)
Contractual/fee services	15,727	15,727	24,402	(8,675)
Utility services	8,700	8,700	7,419	1,281
Data processing maintenance	2,500	2,500	33,007	(30,507)
Computer leasing	-	-	26,120	(26,120)
Memberships and subscriptions	800	800	960	(160)
Total Contractual Services	64,704	64,704	128,947	(64,243)
CAPITAL OUTLAY:				
Other equipment	17,000	17,000	16,604	396
Motor vehicles	-	32,703	32,855	(152)
Total Capital Outlay	17,000	49,703	49,459	244
TOTAL POLICE OPERATIONS	\$ 1,219,217	\$ 1,251,920	\$ 1,313,665	\$ (61,745)

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
ANIMAL CONTROL				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 32,240	\$ 32,240	\$ 32,312	\$ (72)
Overtime	500	500	273	227
Certificate pay	600	600	600	-
Uniforms and clothing	700	700	122	578
Workers compensation	744	744	744	-
Unemployment compensation	270	270	207	63
Employee retirement	1,857	1,857	1,918	(61)
Employee insurance	5,673	5,673	5,648	25
Payroll taxes	2,505	2,505	2,531	(26)
Total Personnel Services	45,089	45,089	44,355	734
SUPPLIES AND MATERIALS:				
Office supplies	-	-	61	(61)
Postage and delivery service	2,000	2,000	868	1,132
Tires and tubes	700	700	-	700
Motor vehicle supplies	5,000	5,000	2,359	2,641
Minor tools and apparatus	700	700	92	608
Chemical and mechanical supplies	100	100	-	100
Safety supplies	300	300	252	48
Educational and training	500	500	575	(75)
Animal supplies	500	500	336	164
Other supplies	500	500	257	243
Total Supplies and Materials	10,300	10,300	4,800	5,500
MAINTENANCE OF BUILDING:				
Building and grounds	800	800	339	461
Total Maintenance of Equipment/Machinery	800	800	339	461
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	159	159	159	-
Automotive equipment	700	700	598	102
Total Maintenance of Equipment/Machinery	859	859	757	102
CONTRACTUAL SERVICES:				
Communication services	600	600	463	137
Insurance	137	137	110	27
Business and travel	500	500	9	491
Contractual and fee based services	6,000	6,000	6,915	(915)
Memberships and subscriptions	-	-	50	(50)
Total Contractual Services	7,237	7,237	7,547	(310)
TOTAL ANIMAL CONTROL	\$ 64,285	\$ 64,285	\$ 57,798	\$ 6,487
FIRE OPERATIONS				
PERSONNEL SERVICES:				
Administration	\$ 52,500	\$ 52,500	\$ 51,753	\$ 747
Operations maintenance	236,184	236,184	267,023	(30,839)
Special projects	12,000	12,000	3,375	8,625
Uniforms and clothing	3,000	3,000	4,507	(1,507)
Workers compensation	6,954	6,954	6,954	-
Unemployment compensation	2,700	2,700	4,142	(1,442)
Employee retirement	3,024	3,024	2,920	104
Employee insurance	9,970	9,970	9,420	550
Payroll taxes	22,084	22,084	24,060	(1,976)
Total Personnel Services	348,416	348,416	374,154	(25,738)

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

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Office supplies	500	500	461	39
Laboratory services	-	-	1,200	(1,200)
Postage & delivery supplies	-	-	283	(283)
Tires & tubes	4,000	4,000	2,609	1,391
Motor vehicle supplies	12,000	12,000	5,366	6,634
Emergency medical supplies	300	300	276	24
Minor tools and apparatus	800	800	907	(107)
Janitorial supplies	2,000	2,000	886	1,114
Safety supplies	1,500	1,500	1,494	6
Educational and training	3,000	3,000	3,368	(368)
Other supplies	3,000	3,000	3,089	(89)
Total Supplies and Materials	27,100	27,100	19,939	7,161
MAINTENANCE OF BUILDING:				
Building and grounds	3,000	3,000	10,045	(7,045)
Total Maintenance of Equipment/Machinery	3,000	3,000	10,045	(7,045)
MAINTENANCE OF EQUIPMENT/MACHINERY:				
Office equipment	2,028	2,028	1,952	76
Hvac equipment	-	-	1,791	(1,791)
Automotive equipment	4,000	4,000	5,259	(1,259)
Shop equipment	300	300	287	13
Safety and medical equipment	12,000	12,000	11,686	314
Tools	4,000	4,000	3,219	781
Communication equipment	500	500	454	46
Total Maintenance of Equipment/Machinery	22,828	22,828	24,648	(1,820)
CONTRACTUAL SERVICES:				
Communication services	900	900	2,927	(2,027)
Insurance	7,020	7,020	6,577	443
Business and travel	3,000	3,000	(10)	3,010
Contractual/fee services	1,000	1,000	612	388
Utility service	5,000	5,000	5,796	(796)
Memberships and subscriptions	2,000	2,000	1,047	953
Miscellaneous expense	1,500	1,500	1,400	100
Total Contractual Services	20,420	20,420	18,349	2,071
CAPITAL OUTLAY:				
Buildings	3,000	3,000	579	2,421
Machinery and Equipment	-	596,000	595,758	242
Motor vehicles	10,000	10,000	-	10,000
Total Capital Outlay	13,000	609,000	596,337	12,663
TOTAL FIRE OPERATIONS	\$ 434,764	\$ 1,030,764	\$ 1,043,472	\$ (12,708)
SANITATION				
CONTRACTUAL SERVICES:				
Contractual/fee services	\$ 527,726	\$ 527,726	\$ 520,700	\$ 7,026
Sales tax	45,100	45,100	45,410	(310)
Total Contractual Services	572,826	572,826	566,110	6,716
TOTAL SANITATION	\$ 572,826	\$ 572,826	\$ 566,110	\$ 6,716
TOTAL EXPENDITURES - BUDGET BASIS	\$ 3,667,578	\$ 4,619,924	4,742,914	\$ (122,990)
Financial Statement Adjustments:				
Reclass of expenditures paid in other funds			(261,690)	
Record transfers to other funds			261,690	
Increase in accrued expenses			1,477	
TOTAL EXPENDITURES - GAAP BASIS			\$ 4,744,391	

SCHEDULE "4"

CITY OF WHITEHOUSE, TEXAS

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

SEPTEMBER 30, 2014

	<u>GENERAL OBLIGATION NOTES</u>	<u>2006 SERIES REFUNDING FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Receivables:	\$ 39,806	\$ -	\$ 39,806
Due from other funds			
Due from Utility Fund	38,692	-	38,692
Due from Street Construction Fund	2,150	-	2,150
Due from Utility Debt Service Fund	<u>66,178</u>	<u>-</u>	<u>66,178</u>
TOTAL ASSETS	<u>\$ 146,826</u>	<u>\$ -</u>	<u>\$ 146,826</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
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	39,806	-	39,806
<u>FUND BALANCE</u>			
Restricted:			
Debt Service	<u>12,126</u>	<u>-</u>	<u>12,126</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 146,826</u>	<u>\$ -</u>	<u>\$ 146,826</u>

CITY OF WHITEHOUSE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	GENERAL OBLIGATION NOTES	2006 SERIES REFUNDING FUND	TOTAL
REVENUES			
Current and delinquent taxes	\$ 1,456,575	\$ 233,388	\$ 1,689,963
Interest income	1,107	-	1,107
Total Revenues	1,457,682	233,388	1,691,070
EXPENDITURES			
Debt Service:			
Bond principal	415,000	135,000	550,000
Note principal	200,000	-	200,000
Interest and fees	34,256	98,388	132,644
Total Expenditures	649,256	233,388	882,644
Revenues Over (Under) Expenditures	808,426	-	808,426
OTHER FINANCING SOURCES (USES)			
Other Expense	(1,000)	-	(1,000)
Transfers in	58,938	-	58,938
Transfers out	(1,034,492)	-	(1,034,492)
Total Other Financing Sources (Uses)	(976,554)	-	(976,554)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(168,128)	-	(168,128)
Fund Balance (Deficit), October 1, 2013	180,254	-	180,254
FUND BALANCE (DEFICIT), SEPTEMBER 30, 2014	\$ 12,126	\$ -	\$ 12,126

**CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2014**

	BUSINESS-TYPE ACTIVITIES		
	OPERATING FUND	DEBT SERVICE	TOTAL UTILITY FUND
ASSETS			
Current Assets:			
Cash and certificates of deposit	\$ 600,991	\$ 93,454	\$ 694,445
Accounts receivable (Net)	404,937	-	404,937
Total Current Assets	1,005,928	93,454	1,099,382
Restricted Current Assets:			
Temporarily Restricted			
Customer deposits	252,215	-	252,215
Total Restricted Current Assets	252,215	-	252,215
Noncurrent Assets:			
Water rights - Lake Columbia	230,000	-	230,000
Other receivable	76,159	-	76,159
Capital Assets:			
Land	25,000	-	25,000
Easements	7,800	-	7,800
Buildings	331,708	-	331,708
Water and sewer system	24,264,699	-	24,264,699
Machinery & equipment	856,666	-	856,666
Less: Accumulated depreciation	(7,512,589)	-	(7,512,589)
Total Capital Assets (net of accumulated depreciation)	17,973,284	-	17,973,284
Total Noncurrent Assets:	18,279,443	-	18,279,443
Total Assets	19,537,586	93,454	19,631,040
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (net of amortization)	703,621	-	703,621
Total Deferred Outflows of Resources	\$ 703,621	\$ -	\$ 703,621

(continued)

**CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2014**

	BUSINESS-TYPE ACTIVITIES		
	OPERATING FUND	DEBT SERVICE	TOTAL UTILITY FUND
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 64,410	\$ -	\$ 64,410
Compensated absences	1,840	-	1,840
Due to other funds	41,679	85,431	127,110
Total Current Liabilities	107,929	85,431	193,360
Current liabilities payable from restricted assets:			
Customer deposits	252,215	-	252,215
Accrued interest	-	53,770	53,770
Revenue bonds payable	885,000	-	885,000
Total current liabilities payable from restricted assets	1,137,215	53,770	1,190,985
Noncurrent Liabilities:			
Revenue bonds payable	15,153,000	-	15,153,000
Compensated absences	16,564	-	16,564
Total Noncurrent Liabilities	15,169,564	-	15,169,564
Total Liabilities	16,414,708	139,201	16,553,909
NET POSITION			
Invested in capital assets, net of related debt	1,935,284	-	1,935,284
Unrestricted	1,891,215	(45,747)	1,845,468
Total Net Position	\$ 3,826,499	\$ (45,747)	\$ 3,780,752

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	DEBT SERVICE	ELIMINATIONS	
OPERATING REVENUES				
Water sales	\$ 1,846,607	\$ -	\$ -	\$ 1,846,607
Sewer charges	745,094	-	-	745,094
Assessment revenue	3,491	-	-	3,491
Charges for other services	148,129	-	-	148,129
Total Operating Revenues	2,743,321	-	-	2,743,321
OPERATING EXPENSES				
Utility administration	371,463	-	-	371,463
Customer service	136,741	-	-	136,741
Water operations	475,043	-	-	475,043
Sewer operations	334,755	-	-	334,755
Water supply	320,615	-	-	320,615
Depreciation	588,362	-	-	588,362
Total Operating Expenses	2,226,979	-	-	2,226,979
Operating Income (Loss)	516,342	-	-	516,342
NON-OPERATING REVENUES (EXPENSES)				
Interest and fiscal charge expense	-	(609,471)	-	(609,471)
Interest income	1,232	817	-	2,049
Total Non-Operating Revenue (Expenses)	1,232	(608,654)	-	(607,422)
Income before transfers	517,574	(608,654)	-	(91,080)
Transfers in	870,247	826,828	(572,211)	1,124,864
Transfers out	(1,917,646)	(210,000)	572,211	(1,555,435)
Total Transfers	(1,047,399)	616,828	-	(430,571)
Change in Net Position	(529,825)	8,174	-	(521,651)
Net Position, October 1, 2013	4,356,324	(53,921)	-	4,302,403
Net Position, September 30, 2014	\$ 3,826,499	\$ (45,747)	\$ -	\$ 3,780,752

CITY OF WHITEHOUSE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

Increase (Decrease) in Cash and Cash Equivalents

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	DEBT SERVICE	ELIMINATIONS	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 2,789,115	\$ -	\$ -	\$ 2,789,115
Cash paid to suppliers for goods and services	(1,084,788)	-	-	(1,084,788)
Cash paid to employees for services	(563,384)	-	-	(563,384)
Net cash provided by operating activities	<u>1,140,943</u>	<u>-</u>	<u>-</u>	<u>1,140,943</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	870,247	749,102	(572,211)	1,047,138
Transfers out	(1,839,920)	(210,000)	572,211	(1,477,709)
Net cash provided by (used in) non-capital financing activities	<u>(969,673)</u>	<u>539,102</u>	<u>-</u>	<u>(430,571)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases or construction of capital assets	(36,570)	-	-	(36,570)
Interest paid	-	(702,819)	-	(702,819)
Principal paid on bonds	(862,000)	-	-	(862,000)
Net cash used in capital and related financing activities	<u>(898,570)</u>	<u>(702,819)</u>	<u>-</u>	<u>(1,601,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earned on investments	1,232	817	-	2,049
Net cash provided by investing activities	<u>1,232</u>	<u>817</u>	<u>-</u>	<u>2,049</u>
Net decrease in cash	(726,068)	(162,900)	-	(888,968)
Cash, beginning of period	1,579,274	256,354	-	1,835,628
Cash, end of period	<u>\$ 853,206</u>	<u>\$ 93,454</u>	<u>\$ -</u>	<u>\$ 946,660</u>
Reconciliation of cash to Schedule 6:				
Cash - current asset	\$ 600,991	\$ 93,454	\$ -	\$ 694,445
Cash - restricted current asset	252,215	-	-	252,215
Total cash, end of period	<u>\$ 853,206</u>	<u>\$ 93,454</u>	<u>\$ -</u>	<u>\$ 946,660</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:				
Operating income (loss)	\$ 516,342	\$ -	\$ -	\$ 516,342
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	588,362	-	-	588,362
Decrease in accounts receivable	26,654	-	-	26,654
Decrease in accounts payable	(9,555)	-	-	(9,555)
Increase in customer deposits	19,140	-	-	19,140
Total adjustments	<u>624,601</u>	<u>-</u>	<u>-</u>	<u>624,601</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,140,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,140,943</u>

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Charges for services:				
Water sales	\$ 1,986,981	\$ 1,986,981	\$ 1,846,607	\$ (140,374)
Sewer charges	759,357	759,357	745,094	(14,263)
Tap and connect fees	30,000	30,000	44,225	14,225
Penalties	88,000	88,000	103,904	15,904
Interest and rent	<u>950</u>	<u>950</u>	<u>4,723</u>	<u>3,773</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	<u>\$ 2,865,288</u>	<u>\$ 2,865,288</u>	2,744,553	<u>\$ (120,735)</u>
Financial Statement Adjustments:				
Debt Service Fund payment of principal and fees on bonds and note			862,000	
Transfers recorded for capital expenditures			<u>8,247</u>	
TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			<u>\$ 3,614,800</u>	

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
UTILITY ADMINISTRATION				
PERSONNEL SERVICES:				
Administration	\$ 137,361	\$ 137,361	\$ 138,511	\$ (1,150)
Uniforms and clothing	2,500	2,500	746	1,754
One time pay adjustment	6,868	6,868	6,363	505
Workers' compensation	2,476	2,476	1,223	1,253
Unemployment compensation	540	540	207	333
Employee retirement	8,308	8,308	8,384	(76)
Employee insurance	16,213	16,213	16,119	94
Payroll taxes	11,034	11,034	10,560	474
Total Personnel Services	185,300	185,300	182,113	3,187
SUPPLIES AND MATERIALS:				
Office supplies	1,500	1,500	2,446	(946)
Data processing supplies	500	500	389	111
Postage and delivery service	15,580	15,580	18,485	(2,905)
Motor vehicle supplies	1,000	1,000	730	270
Educational and training	300	300	111	189
Other supplies	950	950	336	614
Total Supplies and Materials	19,830	19,830	22,497	(2,667)
MAINTENANCE OF BUILDINGS/LAND:				
Buildings and grounds	1,000	1,000	1,060	(60)
Total Maintenance of Buildings/Land	1,000	1,000	1,060	(60)
MAINTENANCE - EQUIPMENT/MACHINERY:				
Office equipment	1,431	1,431	1,811	(380)
Automotive equipment	500	500	517	(17)
HVAC equipment	500	500	203	297
Total Maintenance - Equipment/Machinery	2,431	2,431	2,531	(100)
CONTRACTUAL SERVICES:				
Communication services	4,900	4,900	2,101	2,799
Insurance	22,741	22,741	22,472	269
Advertising	800	800	163	637
Business and travel	500	500	455	45
Legal fees	5,000	5,000	475	4,525
Contractual and fee basis service	14,434	14,434	11,187	3,247
Utility services	22,200	22,200	18,768	3,432
Data processing maintenance	25,000	25,000	19,795	5,205
Utility billing - dataprose	9,420	9,420	9,264	156
Computer leasing services	13,240	13,240	16,101	(2,861)
On-Line / credit card fees	13,000	13,000	17,198	(4,198)
IT support	35,000	35,000	37,337	(2,337)
Document shredding	500	500	412	88
Memberships and subscriptions	400	400	217	183
Total Contractual Services	167,135	167,135	155,945	11,190
CAPITAL OUTLAY:				
Office equipment	5,248	5,248	5,248	-
Total Capital Outlay	5,248	5,248	5,248	-
TOTAL UTILITY ADMINISTRATION	\$ 380,944	\$ 380,944	\$ 369,394	\$ 11,550

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CUSTOMER SERVICE				
PERSONNEL SERVICES:				
Clerical	\$ 64,480	\$ 64,480	\$ 64,789	\$ (309)
Operations and maintenance	27,040	27,040	26,705	335
Overtime	2,000	2,000	1,496	504
Certificate pay	1,200	1,200	1,200	-
Uniforms and clothing	250	250	449	(199)
Worker's compensation	2,323	2,323	2,203	120
Unemployment compensation	810	810	627	183
Employee retirement	5,387	5,387	5,239	148
Employee insurance	16,990	16,990	17,317	(327)
Payroll taxes	7,154	7,154	6,782	372
Total Personnel Services	127,634	127,634	126,807	827
SUPPLIES AND MATERIALS				
Tires & tubes	-	-	355	(355)
Motor vehicle supplies	3,000	3,000	2,690	310
Minor tools and apparatus	-	-	15	(15)
Other supplies	300	300	257	43
Total Supplies and Materials	3,300	3,300	3,317	(17)
MAINTENANCE - BUILDING/LAND:				
Buildings and grounds	-	-	13	(13)
Total Maintenance - Building/Land	-	-	13	(13)
MAINTENANCE - EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	3,500	3,500	3,227	273
Automotive equipment	1,500	1,500	1,001	499
Communication equipment	-	-	78	(78)
Total Maintenance - Equipment/Machinery	5,000	5,000	4,306	694
CONTRACTUAL SERVICES				
Communication services	360	360	164	196
Insurance	1,231	1,231	1,096	135
Contractual & fee basis	-	-	100	(100)
Utility services	300	300	15	285
Total Contractual Services	1,891	1,891	1,375	516
CAPITAL OUTLAY:				
Machinery & equipment	-	-	945	(945)
Total Capital Outlay	-	-	945	(945)
TOTAL CUSTOMER SERVICE	\$ 137,825	\$ 137,825	\$ 136,763	\$ 1,062
WATER OPERATIONS				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 136,240	\$ 136,240	\$ 102,359	\$ 33,881
Overtime	7,000	7,000	10,961	(3,961)
Uniforms and clothing	1,000	1,000	747	253
Workers' compensation	9,475	9,475	5,463	4,012
Unemployment compensation	1,080	1,080	652	428
Employee retirement	8,251	8,251	6,563	1,688
Employee insurance	31,675	31,675	19,999	11,676
Payroll taxes	10,958	10,958	8,211	2,747
Total Personnel Services	205,679	205,679	154,955	50,724

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Laboratory supplies	-	-	214	(214)
Tires and tubes	1,500	1,500	1,030	470
Motor vehicle supplies	6,000	6,000	11,308	(5,308)
Water meter supplies	12,000	12,000	12,000	-
Minor tools and apparatus	1,000	1,000	999	1
Chemical and mechanical supplies	20,350	20,350	19,555	795
Educational and training	1,500	1,500	700	800
Other supplies	400	400	303	97
Total Supplies and Materials	42,750	42,750	46,109	(3,359)
MAINTENANCE - BUILDING/LAND:				
Buildings and grounds	4,500	4,500	3,550	950
Chlorination facilities	5,000	5,000	4,379	621
Water system	12,000	12,000	11,882	118
Water tower & tanks	-	-	18	(18)
Meters and settings	32,000	32,000	33,641	(1,641)
Total Maintenance - Building/Land	53,500	53,500	53,470	30
MAINTENANCE - EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	10,000	10,000	10,556	(556)
Auto equipment maintenance	1,500	1,500	1,576	(76)
Safety and medical equipment	250	250	183	67
Total Maintenance - Equipment/Machinery	11,750	11,750	12,315	(565)
CONTRACTUAL SERVICES:				
Communication services	2,600	2,600	2,719	(119)
Leases and rentals	1,500	1,500	1,500	-
Insurance	1,231	1,231	1,096	135
Business and travel	500	500	58	442
Contractual and fee basis service	30,000	30,000	29,778	222
Utility services	138,000	138,000	148,412	(10,412)
Regulatory inspection fee	6,000	6,000	6,235	(235)
Total Contractual Services	179,831	179,831	189,798	(9,967)
CAPITAL OUTLAY:				
Contingency	25,000	25,000	26,749	(1,749)
Total Capital Outlay	25,000	25,000	26,749	(1,749)
TOTAL WATER OPERATIONS	\$ 518,510	\$ 518,510	\$ 483,396	\$ 35,114
WASTEWATER OPERATIONS				
PERSONNEL SERVICES:				
Operations and maintenance	\$ 71,760	\$ 71,760	\$ 70,404	\$ 1,356
Overtime	7,000	7,000	5,267	1,733
Uniforms and clothing	500	500	642	(142)
Workers' compensation	1,552	1,552	1,514	38
Unemployment compensation	540	540	420	120
Employee retirement	4,537	4,537	4,374	163
Employee insurance	11,385	11,385	11,310	75
Payroll taxes	6,025	6,025	5,760	265
Total Personnel Services	103,299	103,299	99,691	3,608

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPLIES AND MATERIALS:				
Laboratory supplies	-	-	70	(70)
Tires and tubes	1,500	1,500	1,030	470
Motor vehicle supplies	4,500	4,500	3,701	799
Minor tools and apparatus	1,200	1,200	799	401
Chemical and mechanical supplies	30,000	30,000	31,991	(1,991)
Safety supplies	1,200	1,200	479	721
Educational and training	1,000	1,000	1,535	(535)
Total Supplies and Materials	39,400	39,400	39,605	(205)
MAINTENANCE - BUILDING/LAND:				
Building and grounds	8,000	8,000	7,987	13
Sanitary sewers	23,000	23,000	23,993	(993)
Lift stations	25,000	25,000	24,885	115
Total Maintenance - Building/Land	56,000	56,000	56,865	(865)
WASTEWATER OPERATIONS (cont'd)				
MAINTENANCE - EQUIPMENT/MACHINERY:				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 7,820	\$ 2,180
Automotive equipment	1,500	1,500	1,429	71
Shop equipment	500	500	68	432
Communication equipment	200	200	-	200
Total Maintenance - Equipment/Machinery	12,200	12,200	9,317	2,883
CONTRACTUAL SERVICES:				
Communication services	960	960	979	(19)
Leases and rentals	250	250	-	250
Insurance	821	821	548	273
Business and travel	600	600	20	580
Contractual and fee basis service	25,000	25,000	26,292	(1,292)
Utility services	105,000	105,000	89,836	15,164
Regulatory inspection fee	6,800	6,800	7,884	(1,084)
Total Contractual Services	139,431	139,431	125,559	13,872
CAPITAL OUTLAY:				
Shop equipment	16,000	16,000	16,000	-
Contingency	25,000	25,000	5,240	19,760
Total Capital Outlay	41,000	41,000	21,240	19,760
TOTAL WASTEWATER OPERATIONS	\$ 391,330	\$ 391,330	\$ 352,277	\$ 39,053
WATER SUPPLY				
CONTRACTUAL SERVICES:				
Contractual and fee basis service	\$ 343,856	\$ 343,856	\$ 331,788	\$ 12,068
Total Contractual Services	343,856	343,856	331,788	12,068
TOTAL WATER SUPPLY	\$ 343,856	\$ 343,856	\$ 331,788	\$ 12,068

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
UTILITY DEBT SERVICE				
DEBT SERVICE:				
Revenue bonds principal	\$ 228,500	\$ 228,500	\$ 228,500	\$ -
Revenue bonds interest	<u>192,649</u>	<u>192,649</u>	<u>192,649</u>	<u>-</u>
 Total Debt Service	 <u>421,149</u>	 <u>421,149</u>	 <u>421,149</u>	 <u>-</u>
 TOTAL UTILITY DEBT SERVICE	 <u>\$ 421,149</u>	 <u>\$ 421,149</u>	 <u>\$ 421,149</u>	 <u>\$ -</u>
 TOTAL EXPENSES - BUDGET BASIS	 <u>\$ 2,193,614</u>	 <u>\$ 2,193,614</u>	 <u>\$ 2,094,767</u>	 <u>\$ 98,847</u>
 Financial Statement Adjustments:				
Depreciation			588,362	
Record transfers to other funds			1,496,497	
Decrease in accrued expenses			(6,678)	
Reclassify capital expenditures			<u>(28,323)</u>	
 TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			 <u>\$ 4,144,625</u>	

CITY OF WHITEHOUSE, TEXAS

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

ENTERPRISE DEBT SERVICE FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Interest income	\$ 650	\$ 817	\$ 167
Transfers in	<u>362,211</u>	<u>826,828</u>	<u>464,617</u>
TOTAL REVENUES - BUDGET BASIS	\$ <u>362,861</u>	827,645	\$ <u>464,784</u>
TOTAL REVENUES - GAAP BASIS		\$ <u>827,645</u>	
EXPENSES			
Bond principal:			
2006 Certificates of Obligation	\$ 125,000	\$ 125,000	\$ -
2007 Refunding	85,000	85,000	-
Bond interest:			
2006 Certificates of Obligation	85,575	85,560	15
2007 Refunding	66,636	66,636	-
Administrative fees	<u>50</u>	<u>-</u>	<u>50</u>
TOTAL EXPENSES - BUDGET BASIS	\$ <u>362,261</u>	362,196	\$ <u>65</u>
Interest paid on Utility Fund note		460,218	
Admin Charges		3	
Change in accrued interest on bonds		<u>(2,946)</u>	
TOTAL EXPENSES - GAAP BASIS		\$ <u>819,471</u>	

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	TOTAL	LAND	BUILDINGS & IMPROVEMENTS	PARKS	INFRASTRUCTURE	MACHINERY & EQUIPMENT		CONSTRUCTION IN PROGRESS
						AUTOS	OTHER EQUIPMENT	
Governmental assets - October 1, 2013	\$ 13,095,371	\$ 190,184	\$ 2,853,634	\$ -	\$ 7,285,491	\$ 565,226	\$ 1,166,729	\$ 1,034,107
EXPENDITURES FROM GOVERNMENTAL FUNDS:								
<u>GENERAL FUND</u>								
Street Improvements	48,544	-	-	-	48,544	-	-	-
Police Vehicles	35,880	-	-	-	-	35,880	-	-
Fire Apparatus	492,792	-	-	-	-	492,792	-	-
Machinery & Equipment	102,235	-	-	-	-	19,000	83,235	-
Parks	3,631,821	-	-	2,336,864	-	-	-	1,294,957
RETIREMENTS FROM GOVERNMENTAL FUNDS:								
<u>GENERAL FUND</u>								
Police Vehicles	(20,577)	-	-	-	-	(20,577)	-	-
Machinery & Equipment	(26,925)	-	-	-	-	(26,925)	-	-
Construction in Progress	(2,329,064)	-	-	-	-	-	-	(2,329,064)
 GOVERNMENTAL ASSETS - SEPTEMBER 30, 2014	 \$ 15,030,077	 \$ 190,184	 \$ 2,853,634	 \$ 2,336,864	 7,334,035	 \$ 1,065,396	 \$ 1,249,964	 \$ -

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CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>TOTAL</u>	<u>2006 SERIES</u>	<u>2013 SERIES</u>	<u>NOTES PAYABLE</u>	<u>COMPENSATED ABSENCES</u>
Governmental fund debt, October 1, 2013	\$ 4,167,263	\$ 2,315,000	\$ 1,800,000	\$	\$ 52,263
 <u>ADDITIONS</u>					
Note Payable - Austin Bank - Fire Engine	400,010	-	-	400,010	-
Note Payable - Austin Bank - Sports Complex	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total Additions	<u>600,010</u>	<u>-</u>	<u>-</u>	<u>600,010</u>	<u>-</u>
 <u>RETIREMENTS</u>					
Bond principal:					
2006 Limited Tax Refunding Bonds	135,000	135,000	-	-	-
2013 Series Tax Notes	<u>415,000</u>	<u>-</u>	<u>415,000</u>	<u>-</u>	<u>-</u>
Total Bond Retirements	<u>550,000</u>	<u>135,000</u>	<u>415,000</u>	<u>-</u>	<u>-</u>
Notes Payable:					
Austin Bank					
Sports Complex	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total Note Retirements	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Compensated absences and compensatory time	<u>10,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,305</u>
 GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2014	 <u>\$ 4,006,968</u>	 <u>\$ 2,180,000</u>	 <u>\$ 1,385,000</u>	 <u>\$ 400,010</u>	 <u>\$ 41,958</u>

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BONDS AND NOTES ISSUED	BOND/NOTE PRINCIPAL			OUTSTANDING 9-30-14	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-15			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS
					BALANCE 10-1-13	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	\$ 2,100,000	\$ -	\$ 125,000	\$ 1,975,000	\$ 130,000	\$ 80,220	\$ 210,220	\$ 2,303,535
2007 Tax Refunding Bonds	7/15/07	Payable serially in varying amounts to 2-15-27	4.52%	4,359,000	4,130,000	-	282,000	3,848,000	295,000	167,263	462,263	4,363,956
2007-Water & Sewer Certificates of Obligation	5/15/07	Payable serially in varying amounts to 2-15-26	4.32%	2,000,000	1,585,000	-	85,000	1,500,000	90,000	62,856	152,856	1,806,360
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	9,085,000	-	370,000	8,715,000	370,000	198,674	568,674	10,131,722
Total Business Type Activities				18,889,000	16,900,000	-	862,000	16,038,000	885,000	509,013	1,394,013	18,605,573
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	2,315,000	-	135,000	2,180,000	145,000	92,650	237,650	2,589,625
2013 Tax Note	06/20/13	Payable serially in varying amounts to 2-15-26	1.60%	1,800,000	1,800,000	-	415,000	1,385,000	222,000	20,384	242,384	1,210,112
Total Governmental Fund Bonded Debt				4,940,000	4,115,000	-	550,000	3,565,000	367,000	113,034	480,034	3,799,737
Total Bonded Indebtedness				\$ 23,829,000	\$ 21,015,000	\$ -	\$ 1,412,000	\$ 19,603,000	\$ 1,252,000	\$ 622,047	\$ 1,874,047	\$ 22,405,310
GOVERNMENTAL FUND:												
NOTES PAYABLE												
Note Payable - Austin Bank		Maturing 03-05-2019	2.20%	\$ 400,010	\$ -	\$ 400,010	\$ -	\$ 400,010	\$ 74,775	\$ 11,123	\$ 85,898	\$ 343,591
Note Payable - Austin Bank		Maturing 08-25-2016	2.95%	200,000	-	200,000	200,000	-	-	-	-	-
Total Governmental Fund Notes Payable				\$ 600,010	\$ -	\$ 600,010	\$ 200,000	\$ 400,010	\$ 74,775	\$ 11,123	\$ 85,898	\$ 343,591

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OTHER REPORTS

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

Independent Auditor's Report

The Governing Body
City of Whitehouse, Texas

We have audited, 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, 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, 2014, and the related notes to the financial statements, which collectively comprise City of Whitehouse, Texas 's basic financial statements, and have issued our report thereon dated February 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Whitehouse, Texas 's 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 's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Whitehouse, Texas 's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 's financial statements are free from 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.



Certified Public Accountants

Tyler, Texas
February 18, 2015