

**CITY OF WHITEHOUSE, TEXAS**

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

**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Gollob Morgan Peddy PC**  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018, and the related notes to the financial statements, which collectively comprise City of Whitehouse, Texas' basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

City of Whitehouse, Texas' 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, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7; the Schedule of Changes in the City's Net Pension Liability and Other Postemployment Benefit Liability and Related Ratios on pages 46-48; the budgetary comparison information contained in Schedules 3 on pages 51-57, and Schedules 9 through 14 on pages 64-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Whitehouse, Texas' basic financial statements. The additional supplemental information is presented for purposes of additional analysis and 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 January 31, 2019 on our consideration of City of Whitehouse, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whitehouse, Texas' internal control over financial reporting and compliance.



Certified Public Accountants

Tyler, Texas  
January 31, 2019

## 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, 2018.

### Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$14,842,207 (net position). Of this amount \$2,032,897 (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 unrestricted fund balance of \$855,694.
- The total net position of \$14,842,207 is made up of \$12,233,161 in capital assets net of related debt and \$2,609,046 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.

#### **Adoption of GASB Statement No. 75**

During the year, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. See Note 8 for additional information.

As noted in the Changes in Net Position on the following page, the City has restated its beginning net position by a total of \$79,850. A total of \$56,206 of this restatement was for the governmental activities and the remaining \$23,644 was for the City's business-type activities.

#### **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, 2018 the City's assets exceeded liabilities by \$14,842,207.

By far the largest portion of the City's net position, \$12,233,161, 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 \$1,427,410 during the current year primarily due to the start of construction on two significant capital projects for street improvements and stormwater drainage. 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, \$2,032,897, increased by \$35,249 during the year.

### City of Whitehouse's Net position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 6,694,835	\$ 1,478,489	\$ 2,012,496	\$ 1,647,111	\$ 8,707,331	\$ 3,125,600
Capital assets	11,110,500	10,139,886	16,779,358	17,286,529	27,889,858	27,426,415
Total Assets	17,805,335	11,618,375	18,791,854	18,933,640	36,597,189	30,552,015
Deferred outflows of resources	224,116	185,837	446,548	559,369	670,664	745,206
Total Deferred Outflows of Resources	224,116	185,837	446,548	559,369	670,664	745,206
Current liabilities	1,268,822	616,356	1,613,251	1,481,382	2,882,073	2,097,738
Non current liabilities	7,488,355	2,731,878	11,795,733	12,945,076	19,284,088	15,676,954
Total Liabilities	8,757,177	3,348,234	13,408,984	14,426,458	22,166,161	17,774,692
Deferred outflows of resources	233,004	62,943	26,481	26,481	259,485	89,424
Total Deferred Outflows of Resources	233,004	62,943	26,481	26,481	259,485	89,424
Net invested in capital assets	8,242,437	7,385,532	3,990,724	3,420,219	12,233,161	10,805,751
Restricted	576,149	629,706	-	-	576,149	629,706
Unrestricted	220,684	377,797	1,812,213	1,619,851	2,032,897	1,997,648
Total Net Position	\$ 9,039,270	\$ 8,393,035	\$ 5,802,937	\$ 5,040,070	\$ 14,842,207	\$ 13,433,105

*Governmental activities.* During the current year the governmental activities had an increase in net position of \$702,441 which represented a \$8,520 decrease from the previous year.

*Business-type activities.* The City had a \$786,511 increase in net position for its business-type activities during the year. This is a \$266,546 increase from the previous year. The increase is primarily due to an increase in charges for services which is attributable to increased water and sewer usage and a rate increase.

### City of Whitehouse's Changes in Net position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Charges for services	\$ 1,978,593	\$ 2,090,625	\$ 3,091,969	\$ 2,848,004	\$ 5,070,562	\$ 4,938,629
Grant revenues	37,818	-	-	-	37,818	-
General revenue:						
Property taxes	2,793,497	2,612,725	-	-	2,793,497	2,612,725
Franchise taxes	289,165	294,005	-	-	289,165	294,005
Sales taxes	909,410	852,960	-	-	909,410	852,960
Interest income	96,982	24,992	19,581	6,160	116,563	31,152
Total revenues	6,105,465	5,875,307	3,111,550	2,854,164	9,217,015	8,729,471
Expenses:						
General government	859,055	1,153,944	-	-	859,055	1,153,944
Public safety	2,055,056	2,243,466	-	-	2,055,056	2,243,466
Community development	1,151,784	566,425	-	-	1,151,784	566,425
Parks and recreation	423,647	425,421	-	-	423,647	425,421
Interest	237,848	101,330	506,692	528,601	744,540	629,931
Water and sewer operations	-	-	2,493,981	2,479,358	2,493,981	2,479,358
Total expenses	4,727,390	4,490,586	3,000,673	3,007,959	7,728,063	7,498,545
Transfers	(675,634)	(673,760)	675,634	673,760	-	-
Change in net position	702,441	710,961	786,511	519,965	1,488,952	1,230,926
Prior period adjustment	(56,206)	-	(23,644)	-	(79,850)	-
Net position beginning of year	8,393,035	7,682,074	5,040,070	4,520,105	13,433,105	12,202,179
Net position end of year	\$ 9,039,270	\$ 8,393,035	\$ 5,802,937	\$ 5,040,070	\$ 14,842,207	\$ 13,433,105

## 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 unrestricted fund balance of \$855,694. The total unrestricted fund balance for the governmental funds increased by \$245,838 during the year, which was primarily due to controlling expenditures in the current year and an increase in tax revenues and vehicle registration fees.

*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 \$1,812,213 at year end as compared to \$1,619,851 at the end of the prior year.

## General Fund Budgetary Highlights

Over the year, the City of Whitehouse made two budget amendments to its original budget for its General Fund. Revenues were \$349,141 over budget while expenditures were over budget by \$134,807. After considering operating transfers and loan proceeds, the City had a favorable variance of \$165,007 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, 2018, amounts to \$12,233,161 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 commitment for street and drainage improvements. During the year, the City issued \$5,319,443 in new bonds related to the commitment to improve streets and drainage within the City. Of the bond funds issued during the year, the City incurred \$621,089 in capital projects costs along with \$286,183 spent from other sources. The total net increase in the City's investment in fixed assets for the current year (see Note 4C) amounted to \$463,443.

## City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
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	621,089	45,000	-	-	621,089	45,000
Buildings and improvements	2,155,339	1,891,184	92,423	81,928	2,247,762	1,973,112
Parks	2,300,039	2,249,162	-	-	2,300,039	2,249,162
Water and sewer system Infrastructure	-	-	16,496,015	17,010,603	16,496,015	17,010,603
Machinery and equipment	5,281,702	5,216,924	-	-	5,281,702	5,216,924
	562,147	547,432	158,120	161,198	720,267	708,630
<b>Total</b>	<b>\$ 11,110,500</b>	<b>\$ 10,139,886</b>	<b>\$ 16,779,358</b>	<b>\$ 17,286,529</b>	<b>\$ 27,889,858</b>	<b>\$ 27,426,415</b>

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

*Long-term debt.* During the current year, the City issued three new notes totaling \$434,890. The proceeds of the debt were used for city infrastructure improvements and to purchase police vehicles and a service truck for the water department. After principal payments of \$1,716,065 were made against debt during the year, the City had total debt and other long-term liabilities outstanding of \$21,209,258 at the end of the fiscal year.

**City of Whitehouse's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 7,357,723	\$ 2,439,000	\$ -	\$ -	\$ 7,357,723	\$ 2,439,000
Notes Payable	512,575	315,354	39,204	-	551,779	315,354
Compensated absences	49,849	52,265	16,338	15,629	66,187	67,894
Net Pension Liability	267,012	432,967	121,253	181,580	388,265	614,547
OPEB Liability	67,945	-	27,929	-	95,874	-
Revenue bonds and Certificates of obligation	-	-	12,749,430	13,866,310	12,749,430	13,866,310
<b>Total</b>	<b>\$ 8,255,104</b>	<b>\$ 3,239,586</b>	<b>\$ 12,954,154</b>	<b>\$ 14,063,519</b>	<b>\$ 21,209,258</b>	<b>\$ 17,303,105</b>

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.

Proposed construction and development factors were not considered in the preparation of the City's budget and tax rate of \$ 0.792891 per \$100.00 property valuation for the 2018-2019 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: Jennifer Lusk, Finance Director  
 PO Box 776  
 Whitehouse, TX 75791

Or call 903-839-4914.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 594,045	\$ 1,687,970	\$ 2,282,015
Receivables (net of allowance for doubtful accounts)	399,547	479,468	879,015
Internal balances	683,017	(683,017)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	5,018,226	298,075	5,316,301
Water rights - Lake Columbia	-	230,000	230,000
Capital Assets (net of accumulated depreciation):			
Land	190,184	25,000	215,184
Construction in progress	621,089	-	621,089
Easements	-	7,800	7,800
Buildings and improvements	2,155,339	92,423	2,247,762
Parks	2,300,039	-	2,300,039
Infrastructure	5,281,702	-	5,281,702
Machinery and equipment	562,147	158,120	720,267
Water and sewer system	-	16,496,015	16,496,015
Total Assets	<u>17,805,335</u>	<u>18,791,854</u>	<u>36,597,189</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding (net of amortization)	-	424,350	424,350
Deferred charge on TMRS pension	218,727	20,103	238,830
Deferred charge on other postemployment benefits	5,389	2,095	7,484
Total Deferred Outflows of Resources	<u>224,116</u>	<u>446,548</u>	<u>670,664</u>
<b>LIABILITIES</b>			
Accounts payable	439,613	98,202	537,815
Deposits and other refundable balances	-	298,075	298,075
Accrued interest	62,460	58,553	121,013
Non-current liabilities:			
Due within one year	766,749	1,158,421	1,925,170
Due in more than one year	7,488,355	11,795,733	19,284,088
Total Liabilities	<u>8,757,177</u>	<u>13,408,984</u>	<u>22,166,161</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charge on TMRS pension	233,004	26,481	259,485
Total Deferred Inflows of Resources	<u>233,004</u>	<u>26,481</u>	<u>259,485</u>
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	8,242,437	3,990,724	12,233,161
Restricted for:			
Police forfeitures	8,271	-	8,271
Debt service	567,878	-	567,878
Unrestricted	220,684	1,812,213	2,032,897
Total Net Position	<u>\$ 9,039,270</u>	<u>\$ 5,802,937</u>	<u>\$ 14,842,207</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, 2018**

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
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government	\$ 859,055	\$ 324,065	\$ -	\$ (534,990)	\$ -	\$ (534,990)
Public safety	2,055,056	181,407	-	(1,873,649)	-	(1,873,649)
Community development	1,151,784	1,321,365	-	169,581	-	169,581
Parks and recreation	423,647	151,756	37,818	(234,073)	-	(234,073)
Interest	237,848	-	-	(237,848)	-	(237,848)
Total governmental activities	4,727,390	1,978,593	37,818	(2,710,979)	-	(2,710,979)
Business-type activities:						
Water and sewer	2,493,981	3,091,969	-	-	597,988	597,988
Interest	506,692	-	-	-	(506,692)	(506,692)
Total business-type activities	3,000,673	3,091,969	-	-	91,296	91,296
Total primary government	\$ 7,728,063	\$ 5,070,562	\$ 37,818	(2,710,979)	91,296	(2,619,683)
General revenues:						
Property taxes				2,793,497	-	2,793,497
Franchise taxes				289,165	-	289,165
Sales and use taxes				909,410	-	909,410
Miscellaneous income				-	-	-
Interest and rent				96,982	19,581	116,563
Transfers				(675,634)	675,634	-
Total general revenues and transfers				3,413,420	695,215	4,108,635
Change in net position				702,441	786,511	1,488,952
Net position - beginning of year (as previously stated)				8,393,035	5,040,070	13,433,105
Prior period adjustment				(56,206)	(23,644)	(79,850)
Net position - beginning of year (as restated)				8,336,829	5,016,426	13,353,255
Net position - end of year				\$ 9,039,270	\$ 5,802,937	\$ 14,842,207

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

CITY OF WHITEHOUSE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	MAJOR FUNDS					ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	2018 STORMWATER CONSTRUCTION FUND	2018 STREET CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS		
<b>ASSETS</b>							
Cash and investments	\$ 494,390	\$ -	\$ -	\$ -	\$ 99,655	\$ -	\$ 594,045
Receivables:							
Property taxes	27,670	53,205	-	-	-	-	80,875
Fines	24,563	-	-	-	-	-	24,563
Sales taxes	132,308	-	-	-	-	-	132,308
Charges for services (net)	201,247	-	-	-	-	-	201,247
Restricted Assets:							
Temporarily restricted							
Cash and cash equivalents	-	-	2,764,826	2,245,129	8,271	-	5,018,226
Due from other funds	115,139	743,310	-	-	-	-	858,449
<b>Total Assets</b>	<b>995,317</b>	<b>796,515</b>	<b>2,764,826</b>	<b>2,245,129</b>	<b>107,926</b>	<b>-</b>	<b>6,909,713</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	87,390	-	165,933	186,267	23	-	439,613
Due to other funds	-	175,432	-	-	-	-	175,432
<b>Total Liabilities</b>	<b>87,390</b>	<b>175,432</b>	<b>165,933</b>	<b>186,267</b>	<b>23</b>	<b>-</b>	<b>615,045</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	27,670	53,205	-	-	-	-	80,875
Unavailable revenue - fines	24,563	-	-	-	-	-	24,563
<b>Total Deferred Inflows of Resources</b>	<b>52,233</b>	<b>53,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,438</b>
<b>Fund Balances:</b>							
Restricted:							
Police forfeitures	-	-	-	-	8,271	-	8,271
Debt Service	-	567,878	-	-	-	-	567,878
Total Restricted	-	567,878	-	-	8,271	-	576,149
Assigned:							
Capital Projects	-	-	2,598,893	2,058,862	99,632	-	4,757,387
Unassigned	855,694	-	-	-	-	-	855,694
<b>Total Fund Balances</b>	<b>855,694</b>	<b>567,878</b>	<b>2,598,893</b>	<b>2,058,862</b>	<b>107,903</b>	<b>-</b>	<b>6,189,230</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 995,317</b>	<b>\$ 796,515</b>	<b>\$ 2,764,826</b>	<b>\$ 2,245,129</b>	<b>\$ 107,926</b>	<b>\$ -</b>	

CITY OF WHITEHOUSE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

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)	\$ 6,189,230
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	11,110,500
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	65,992
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.	224,116
Deferred inflows represent the consumption of net position that are applicable to a future reporting period.	(233,004)
Interest payable on long-term debt does not require current financial resources Therefore, interest payable is not reported as a liability in governmental funds balance sheet	(62,460)
Long term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(8,255,104)</u>
Net position of governmental activities	<u>\$ 9,039,270</u>

**CITY OF WHITEHOUSE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	MAJOR FUNDS					ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	2018 STORMWATER CONSTRUCTION FUND	2018 STREET CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS		
<b>REVENUES</b>							
Current and delinquent taxes	\$ 955,123	\$ 1,835,788	\$ -	\$ -	\$ -	\$ -	\$ 2,790,911
Fines and forfeitures	180,396	-	-	-	-	-	180,396
Licenses and permits	62,535	-	-	-	-	-	62,535
Franchise taxes	285,075	-	-	-	4,090	-	289,165
Sales taxes - regular	559,294	-	-	-	-	-	559,294
Sales taxes - additional 1/2 cent	279,647	-	-	-	-	-	279,647
Sales tax fees	70,469	-	-	-	-	-	70,469
Donations	4,782	-	-	-	-	-	4,782
Solid waste collections	972,975	-	-	-	-	-	972,975
Grant revenues	37,818	-	-	-	-	-	37,818
Zoning and platting fees	1,200	-	-	-	-	-	1,200
Splash Pad	27,803	-	-	-	-	-	27,803
Sports Complex	123,953	-	-	-	-	-	123,953
Intergovernmental revenue	77,288	-	-	-	-	-	77,288
Street maintenance fee	-	-	-	-	348,390	-	348,390
Interest and rent	30,319	10,679	30,100	25,032	852	-	96,982
Vehicle registration fees	199,199	-	-	-	-	-	199,199
Miscellaneous income	52,297	-	-	-	8,834	-	61,131
Operations and Maintenance							
<b>Total Revenues</b>	<b>3,920,173</b>	<b>1,846,467</b>	<b>30,100</b>	<b>25,032</b>	<b>362,166</b>	<b>-</b>	<b>6,183,938</b>
<b>EXPENDITURES</b>							
Legislative	28,916	-	-	-	-	-	28,916
General administration	658,258	-	-	-	2,298	-	660,556
Treasury and financial	85,604	-	-	-	-	-	85,604
Tax appraisal and collections	44,078	-	-	-	-	-	44,078
Municipal court	319,643	-	-	-	-	-	319,643
Parks/recreation	321,017	-	-	-	-	-	321,017
Community development	68,000	-	-	-	-	-	68,000
Street and ground maintenance	146,903	-	-	-	40,633	-	187,536
Police	1,066,331	-	-	-	-	-	1,066,331
Fire	597,832	-	-	-	-	-	597,832
Sanitation	691,204	-	-	-	-	-	691,204
Debt service:							
Bond principal	-	495,787	-	-	-	-	495,787
Note principal	-	84,768	-	-	-	-	84,768
Interest and fees	-	101,562	-	-	-	-	101,562
Capital outlay	507,017	-	280,590	340,499	286,183	-	1,414,289
<b>Total Expenditures</b>	<b>4,534,803</b>	<b>682,117</b>	<b>280,590</b>	<b>340,499</b>	<b>329,114</b>	<b>-</b>	<b>6,167,123</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(614,630)</b>	<b>1,164,350</b>	<b>(250,490)</b>	<b>(315,467)</b>	<b>33,052</b>	<b>-</b>	<b>16,815</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	475,692	275,193	-	-	-	(223,714)	527,171
Transfers out	-	(1,202,805)	-	-	(223,714)	223,714	(1,202,805)
Bond proceeds	-	-	2,902,583	2,416,860	-	-	5,319,443
Bond issuance costs	-	-	(53,200)	(42,531)	-	-	(95,731)
Loan proceeds	384,776	-	-	-	-	-	384,776
<b>Total Other Financing Sources (Uses)</b>	<b>860,468</b>	<b>(927,612)</b>	<b>2,849,383</b>	<b>2,374,329</b>	<b>(223,714)</b>	<b>-</b>	<b>4,932,854</b>
<b>Net Change in Fund Balances</b>	<b>245,838</b>	<b>236,738</b>	<b>2,598,893</b>	<b>2,058,862</b>	<b>(190,662)</b>	<b>-</b>	<b>4,949,669</b>
<b>Fund Balance, October 1, 2017</b>	<b>609,856</b>	<b>331,140</b>	<b>-</b>	<b>-</b>	<b>298,565</b>	<b>-</b>	<b>1,239,561</b>
<b>Fund Balance, September 30, 2018</b>	<b>\$ 855,694</b>	<b>\$ 567,878</b>	<b>\$ 2,598,893</b>	<b>\$ 2,058,862</b>	<b>\$ 107,903</b>	<b>\$ -</b>	<b>\$ 6,189,230</b>

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, 2018**

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

Net change in fund balances - total governmental funds	\$ 4,949,669
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.	970,614
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.	(78,473)
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.	(5,161,803)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds	<u>22,434</u>
Change in net position of governmental activities	<u><u>\$ 702,441</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, 2018**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
<b>REVENUES</b>				
Current and delinquent taxes	\$ 833,938	\$ 833,938	\$ 955,123	\$ 121,185
Fines and forfeitures	177,865	177,865	180,396	2,531
Licenses and permits	13,000	13,000	62,535	49,535
Franchise taxes	280,000	280,000	285,075	5,075
Sales taxes - regular	500,000	500,000	559,294	59,294
Sales taxes - additional 1/2 cent	250,000	250,000	279,647	29,647
Sales tax fees	72,000	72,000	70,469	(1,531)
Solid waste collections	990,400	990,400	972,975	(17,425)
Zoning and platting fees	390	390	1,200	810
Splash Park	34,000	34,000	27,803	(6,197)
Sports Complex	115,000	115,000	123,953	8,953
Intergovernmental revenue	69,500	69,500	77,288	7,788
Interest and rent	19,500	19,500	30,319	10,819
Vehicle registration fees	125,000	125,000	199,199	74,199
Miscellaneous income	52,621	52,621	57,079	4,458
<b>Total Revenues</b>	<b>3,533,214</b>	<b>3,533,214</b>	<b>3,882,355</b>	<b>349,141</b>
<b>EXPENDITURES</b>				
Legislative	17,500	17,500	28,916	(11,416)
General administration	539,517	539,517	714,826	(175,309)
Treasury and financial	87,719	87,719	86,176	1,543
Tax appraisal and collections	44,067	44,067	44,078	(11)
Municipal court	262,567	262,567	328,574	(66,007)
Parks/recreation	717,290	717,290	717,867	(577)
Community development	68,000	68,000	68,000	-
Street and ground maintenance	171,863	171,863	147,639	24,224
Police	1,220,269	1,220,269	1,172,787	47,482
Fire	615,898	615,898	589,283	26,615
Sanitation	662,132	662,132	643,483	18,649
<b>Total Expenditures</b>	<b>4,406,822</b>	<b>4,406,822</b>	<b>4,541,629</b>	<b>(134,807)</b>
Revenues Over (Under) Expenditures	(873,608)	(873,608)	(659,274)	214,334
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	471,364	471,364	475,692	4,328
Loan proceeds	435,931	435,931	384,776	(51,155)
Sale of assets	2,500	2,500	-	(2,500)
<b>Total Other Financing Sources (Uses)</b>	<b>909,795</b>	<b>909,795</b>	<b>860,468</b>	<b>(49,327)</b>
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	36,187	36,187	201,194	165,007
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	44,644	44,644
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	\$ 36,187	\$ 36,187	\$ 245,838	\$ 209,651

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, 2018**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund Balance, October 1, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,856</u>	<u>\$ 609,856</u>
Fund Balance, September 30, 2018	<u>\$ 36,187</u>	<u>\$ 36,187</u>	<u>\$ 855,694</u>	<u>\$ 819,507</u>

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

Uses/Outflows of Resources:

Differences - Budget to GAAP

Increase in accrued grant revenues earned in the current year but received in the following year	37,818
Decrease in accrued expenses for services rendered or goods provided during the current year but paid for in the following year	6,826
Net Change in Budget Basis Presentation and GAAP Basis Presentation	<u>\$ 44,644</u>

CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018

	UTILITY FUND
Current Assets:	
Cash and certificates of deposit	\$ 1,687,970
Accounts receivable (Net)	<u>479,468</u>
Total Current Assets	<u>2,167,438</u>
Restricted Current Assets:	
Temporarily Restricted	
Customer deposits	<u>298,075</u>
Total Restricted Current Assets	<u>298,075</u>
Noncurrent Assets:	
Water rights - Lake Columbia	230,000
Capital Assets:	
Land	25,000
Easements	7,800
Buildings	357,479
Water and sewer system	25,340,681
Machinery & equipment	958,627
Less: Accumulated depreciation	<u>(9,910,229)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>16,779,358</u>
Total Noncurrent Assets:	<u>17,009,358</u>
Total Assets	<u>19,474,871</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding (net of amortization)	424,350
Deferred charge on other post employment benefits	2,095
Deferred charge on TMRS pension	<u>20,103</u>
Total Deferred Outflows of Resources	<u>446,548</u>

(continued)

CITY OF WHITEHOUSE, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018

LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 98,202
Compensated absences	1,634
Due to other funds	683,017
Total Current Liabilities	<u>782,853</u>
Current liabilities payable from restricted assets:	
Customer deposits	298,075
Accrued interest	58,553
Notes payable	10,983
Revenue bonds payable	1,145,804
Total current liabilities payable from restricted assets	<u>1,513,415</u>
Noncurrent Liabilities:	
Revenue bonds payable	11,603,626
Notes payable	28,221
Compensated absences	14,704
Other post employment benefits	27,929
Net pension liability	121,253
Total Noncurrent Liabilities	<u>11,795,733</u>
Total Liabilities	<u>14,092,001</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on TMRS pension	26,481
Total Deferred Inflows of Resources	<u>26,481</u>
NET POSITION	
Invested in capital assets, net of related debt	3,990,724
Unrestricted	1,812,213
Total Net Position	<u>\$ 5,802,937</u>

**CITY OF WHITEHOUSE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>UTILITY FUND</u>
OPERATING REVENUES	
Water sales	\$ 2,111,491
Sewer charges	805,854
Charges for other services	<u>174,624</u>
Total Operating Revenues	<u>3,091,969</u>
OPERATING EXPENSES	
Utility administration	391,729
Customer service	124,377
Water operations	453,672
Sewer operations	412,016
Water supply	494,249
Depreciation	<u>617,938</u>
Total Operating Expenses	<u>2,493,981</u>
Operating Income (Loss)	<u>597,988</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(506,692)
Interest income	<u>19,581</u>
Total non-operating revenue (expenses)	<u>(487,111)</u>
Income before transfers	110,877
Transfers in	1,202,805
Transfers out	<u>(527,171)</u>
Total Transfers	<u>675,634</u>
Change in Net Position	786,511
Net Position, October 1, 2017, as originally stated	5,040,070
Prior period adjustment	<u>(23,644)</u>
Net Position, October 1, 2017, as restated	<u>5,016,426</u>
Net Position, September 30, 2018	<u><u>\$ 5,802,937</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, 2018

	UTILITY FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 3,076,188
Cash paid to suppliers for goods and services	(1,168,137)
Cash paid to employees for services	<u>(638,757)</u>
Net cash provided by operating activities	<u>1,269,294</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	1,137,870
Transfers out	<u>(462,236)</u>
Net cash provided by non-capital financing activities	<u>675,634</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases or construction of capital assets	(110,767)
Loan proceeds	50,114
Principal paid on notes	(10,910)
Interest paid	(205,016)
Principal paid on bonds	<u>(1,116,880)</u>
Net cash used in capital and related financing activities	<u>(1,393,459)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	<u>19,581</u>
Net cash provided by investing activities	<u>19,581</u>
Net increase in cash	571,050
Cash, beginning of period	<u>1,414,995</u>
Cash, end of period	<u><u>\$ 1,986,045</u></u>
Reconciliation of cash to Exhibit 7:	
Cash - current asset	\$ 1,687,970
Cash - restricted current asset	298,075
Total cash, end of period	<u><u>\$ 1,986,045</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, 2018

	<u>UTILITY FUND</u>
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:</b>	
Operating income	\$ 597,988
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	617,938
Decrease in deferred outflows of resources	47,886
Decrease in accounts payable	76,596
Increase in accounts receivable	(31,071)
Increase in net pension liability	(60,327)
Increase in other post employee benefit liability	4,285
Decrease in compensated absences	709
Increase in customer deposits	<u>15,290</u>
Total adjustments	<u>671,306</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,269,294</u>

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**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.

**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. Blended Component Unit**

In April of 2018, the City authorized the creation of an Economic Development Corporation pursuant to Chapters 501 and 505 of the Texas Local Government Code. Whitehouse Economic Development Corporation (WEDCO) is a nonprofit corporation organized to promote and develop new or expanding employment roles within the City of Whitehouse. The City plans to fund this new entity by dedicating one-eighth of a percent of sales tax revenue to economic development activities such as attracting new businesses and encouraging the expansion of existing ones, acquiring properties to be redeveloped, and completing infrastructure improvements that would assist in new development. 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 a Certain Organization 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.

**D. 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.

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**E. 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.

2018 Stormwater Construction Fund is used to account for the construction of major drainage improvement projects.

2018 Street Construction Fund is used to account for construction of major street and roadway projects.

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.

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued**

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.

**F. 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.

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**F. Assets, Liabilities, and Net Position or Equity - Continued**

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 has implemented 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 two items that qualify for reporting in this category. First 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. The second is a deferred charge on the TMRS pension and other postemployment benefit.

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**F. Assets, Liabilities, and Net Position or Equity - Continued**

The TMRS pension and OPEB expense and net pension and OPEB liability are reported as of the date of the last actuarial study, which was December 31, 2017. The deferred outflow shows the difference in contributions to the TMRS retirement plan that occurred between December 31, 2017 and September 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources (revenue) until that time. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualify for reporting under this category, deferred inflow of resources related to pensions.

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. Tax Abatements – During the previous year, the City adopted GASB Statement No. 77, Tax Abatement Disclosures. The City has evaluated the total tax abatements issued for the year and has determined that the amount is not material to the financial statements.

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**F. Assets, Liabilities, and Net Position or Equity - Continued**

14. 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.
15. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
16. Other Postemployment Benefits – For purposes of measuring the other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by TMRS. Benefit payments are treated as being equal to the City’s yearly contributions for retirees.

**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**

An 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 \$11,110,500 difference are as follows:

Capital assets, October 1, 2017, net of accumulated depreciation	\$	10,139,886
Capital asset additions, net of retirements		1,414,289
Depreciation of capital assets, net of retirements		<u>(443,675)</u>
	\$	<u><u>11,110,500</u></u>

Another element states that “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The details of this \$65,992 difference are as follows:

Allowance account for uncollectible property taxes	\$	(39,446)
Unavailable revenue - property taxes		80,875
Unavailable revenue - fines		<u>24,563</u>
	\$	<u><u>65,992</u></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 \$(8,255,104) difference are as follows:

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position – Continued**

Long-term liabilities, October 1, 2016	\$	(3,296,116)
Debt incurred during current year		(5,704,219)
Principal paid on debt in current year		580,555
Amortization of bond premium		7,720
Increase in other postemployment benefit liability		(11,415)
Decrease in net pension liability		165,955
Change in compensated absences		<u>2,416</u>
	\$	<u><u>(8,255,104)</u></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**

An 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 difference of \$970,614 was related to fixed asset additions exceeding current year depreciation expense as follows:

Capital outlay, asset additions	\$	1,414,289
Depreciation expense		<u>(443,675)</u>
	\$	<u><u>970,614</u></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 \$(78,473) are as follows:

Change in allowance for uncollectible taxes	\$	(5,715)
Change in deferred revenue		<u>(72,758)</u>
	\$	<u><u>(78,473)</u></u>

Also, another element states “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 \$(5,161,803) difference are as follows:

Principal payments on debt	\$	580,555
Change in accrued interest		(48,275)
Debt incurred during current year		(5,704,219)
Amortization on bond premium		7,720
Change in compensated absences		<u>2,416</u>
	\$	<u><u>(5,161,803)</u></u>

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**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, 2018 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 2,282,015
Restricted cash and cash equivalents	<u>5,316,301</u>
Total Cash and cash equivalents	<u><u>7,598,316</u></u>
Cash on hand	\$ 1,100
Savings and checking accounts	7,024,433
External investment pools	<u>572,783</u>
Total Cash and Investments	<u><u>\$ 7,598,316</u></u>

Public Funds Investment Pools – Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (“the Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares. The City’s investments in Pools are reported at an amount determined by fair value per share of the Pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**A. Deposits and Investments - Continued**

At year-end, the City's investment balances were as follows:

<u>External Investment Pool</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
Logic	\$ 314,612	0.15	AAAm
Texpool	22	0.08	AAAm
MBIA	<u>258,149</u>	0.14	AAAm
	<u>\$ 572,783</u>		

GASB Statement No. 72, Fair Value Measurement and Application, establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available, of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the assets or liability (supported by little or no market activity). Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Investment Pools noted above are measured at amortized costs or net asset value (NAV) and are exempt from fair value reporting.

Logic

Logic is a public funds investment pool managed by J. P. Morgan Investment Management Inc. Logic uses amortized cost rather than market value to report net position to compute share prices. Logic is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available by request at [www.logic.org](http://www.logic.org).

TexPool

TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool invests in a high quality portfolio of debt securities investments that are legally permissible for local governments in the state. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available by request at [www.texpool.com](http://www.texpool.com).

Texas Class

Texas Class is an investment pool administered by Cutwater Investor Services Corporation with Wells Fargo Bank Texas, NA as the custodian. Texas Class is supervised by a Board of Trustees who are elected by the participants. Texas Class is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available by request at [www.texasclass.com](http://www.texasclass.com).

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**A. Deposits and Investments - Continued**

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year-end and, if so, the reporting of certain related disclosures:

**Interest Rate Risk** – This is the risk that changes in market risk rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. 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. At year-end, the City was not exposed to interest rate risk.

**Credit Rate Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. The City’s investment policy allows for investments in intergovernmental investment pools. The City’s investments in Logic, Texpool, and Texas Class are not evidenced by securities that exist in physical or book entry form and are not subject to credit risk categorization.

**Custodial Rate Risk** – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agency. At September 30, 2018, the carrying value of the City’s bank deposits was \$ 7,598,316 while the bank balance was \$2,694,079. 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. At year-end, the City was not exposed to custodial credit risk.

**Foreign Currency Risk** – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

**B. Receivables**

Receivables at year end for the government’s individual major funds and non-major 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	\$ 27,670	\$ 53,205	\$ -	\$ -	\$ 80,875
Assessments	-	-	-	45,223	45,223
Sales Tax	132,308	-	-	-	132,308
Accounts (services)	185,389	-	-	434,245	619,634
Other	37,818	-	-	-	37,818
Gross receivables	<u>383,185</u>	<u>53,205</u>	<u>-</u>	<u>479,468</u>	<u>915,858</u>
Less: Allowance for Uncollectibles	<u>(36,843)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,843)</u>
Net Receivables	<u>\$ 346,342</u>	<u>\$ 53,205</u>	<u>\$ -</u>	<u>\$ 479,468</u>	<u>\$ 879,015</u>

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2018 was as follows:

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 190,184	\$ -	\$ -	\$ 190,184
Construction in Process	45,000	1,211,862	(635,773)	621,089
Total Capital Assets, Not Being Depreciated	<u>235,184</u>	<u>1,211,862</u>	<u>(635,773)</u>	<u>811,273</u>
<b>Capital Assets, Being Depreciated</b>				
Buildings and Improvements	2,853,633	341,253	-	3,194,886
Parks	2,431,225	119,761	-	2,550,986
Infrastructure	8,192,553	273,492	-	8,466,045
Machinery and Equipment	2,352,336	103,694	-	2,456,030
Total Capital Assets, Being Depreciated	<u>15,829,747</u>	<u>838,200</u>	<u>-</u>	<u>16,667,947</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	(962,449)	(77,098)	-	(1,039,547)
Parks	(182,063)	(68,884)	-	(250,947)
Infrastructure	(2,975,629)	(208,714)	-	(3,184,343)
Machinery and Equipment	(1,804,904)	(88,979)	-	(1,893,883)
Total Accumulated Depreciation	<u>(5,925,045)</u>	<u>(443,675)</u>	<u>-</u>	<u>(6,368,720)</u>
Net Total Assets Being Depreciated	<u>9,904,702</u>	<u>394,525</u>	<u>-</u>	<u>10,299,227</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><b>\$ 10,139,886</b></u>	<u><b>\$ 1,606,387</b></u>	<u><b>\$ (635,773)</b></u>	<u><b>\$ 11,110,500</b></u>
<b>Business-Type Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Easements	7,800	-	-	7,800
Total Capital Assets, Not Being Depreciated	<u>32,800</u>	<u>-</u>	<u>-</u>	<u>32,800</u>
<b>Capital Assets, Being Depreciated</b>				
Water and Sewer System	25,284,149	56,532	-	25,340,681
Buildings	337,408	20,071	-	357,479
Machinery and Equipment	924,463	34,164	-	958,627
Total Capital Assets, Being Depreciated	<u>26,546,020</u>	<u>110,767</u>	<u>-</u>	<u>26,656,787</u>
<b>Less Accumulated Depreciation For:</b>				
Water and Sewer System	(8,273,546)	(571,120)	-	(8,844,666)
Buildings	(255,480)	(9,576)	-	(265,056)
Machinery and Equipment	(763,265)	(37,242)	-	(800,507)
Total Accumulated Depreciation	<u>(9,292,291)</u>	<u>(617,938)</u>	<u>-</u>	<u>(9,910,229)</u>
Net Total Assets Being Depreciated	<u>17,253,729</u>	<u>(507,171)</u>	<u>-</u>	<u>16,746,558</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u><b>\$ 17,286,529</b></u>	<u><b>\$ (507,171)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 16,779,358</b></u>

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**C. Capital Assets – Continued**

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

Governmental Activities:	
General Government	\$ 44,290
Public Safety	83,727
Community Development	209,745
Parks and Recreation	105,912
Total depreciation expense, governmental activities	<u>\$ 443,675</u>
Business-Type Activities:	
Water and Sewer Operations	<u>\$ 617,938</u>

As of September 30, 2018, the City had various active construction projects. At year-end, the City's commitment with contractors are as follows:

<u>Project</u>	<u>Spent To-Date</u>	<u>Estimated Remaining Construction</u>
2018 Asphalt Overlay Program	\$ 306,381	\$ 1,426,547
2018 Drainage Improvements	208,590	215,993
2018 Seal Coat & Crack Seal Program	<u>34,118</u>	<u>325,898</u>
	<u>\$ 549,089</u>	<u>\$ 1,968,438</u>

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2018 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	38,687
Debt Service Fund	Utility Debt Service Fund	<u>624,085</u>
		<u>\$ 683,017</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, 2018, is as follows:

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**D. Interfund Receivables, Payables, and Transfers – Continued**

	Transfers In				Total
	Utility Operating Fund	Utility Debt Service Fund	Debt Fund	General Fund	
<u>Transfers Out:</u>					
Utility Operating Fund	\$ -	\$ 436,143	\$ 163,820	\$ 363,350	\$ 963,313
Street Maintenance Fund	-	-	111,373	-	111,373
Other Governmental Funds	-	-	-	112,341	112,341
Debt Service Fund	75,022	1,127,790	-	-	1,202,812
Total transfers out /in	<u>\$ 75,022</u>	<u>\$ 1,563,933</u>	<u>\$ 275,193</u>	<u>\$ 475,691</u>	<u>\$ 2,389,839</u>

**E. Long-term Debt**

The following is a summary of bond and certificates of obligation transactions of the City for the year ended September 30, 2018:

	GENERAL OBLIGATION	REVENUE	TOTAL
Bonds payable - October 1, 2017	\$ 2,439,000	\$ 13,866,310	\$ 16,305,310
Additions	5,319,443	-	5,319,443
Retirements	(400,720)	(1,116,880)	(1,517,600)
Bonds payable - September 30, 2018	<u>\$ 7,357,723</u>	<u>\$ 12,749,430</u>	<u>\$ 20,107,153</u>

Outstanding bonds at September 30, 2018 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% \$ 1,570,000

\$1,800,000 series 2013 Tax Note; maturing serially in varying amounts through 9-30-2020 at 1.60% 476,000

\$5,190,000 Series 2018 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-19 through 8-15-38. Interest at 3.0% to 3.12%. 5,311,723

Total Governmental Bonded Debt \$ 7,357,723

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**E. Long-term Debt – Continued**

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 2-15-26. Interest at 4.2%.	\$ 1,425,000
\$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52%	2,563,000
\$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%	1,125,000
\$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%.	7,205,000
\$700,000 series 2016 Tax Note; maturing serially in varying amounts through 2-15-2021 at 2.12%	<u>431,430</u>
Total Business-Type Bonded Debt	<u><u>\$ 12,749,430</u></u>

The funding requirements to amortize all bonds outstanding as of September 30, 2018, including interest, are as follows:

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2019	\$ 571,000	\$ 298,639	\$ 1,145,804	\$ 396,636	\$ 2,412,079
2020	655,000	210,320	1,186,789	359,696	2,411,805
2021	670,000	196,163	1,224,837	320,579	2,411,579
2022	700,000	173,750	1,118,000	276,053	2,267,803
2023	720,000	150,375	1,164,000	229,178	2,263,553
2024-2028	2,620,000	398,088	6,910,000	535,200	10,463,288
2029-2033	595,000	163,250	-	-	758,250
2034-2038	826,723	67,313	-	-	894,036
	<u>\$ 7,357,723</u>	<u>\$ 1,657,897</u>	<u>\$ 12,749,430</u>	<u>\$ 2,117,341</u>	<u>\$ 23,882,391</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.

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**E. Long-term Debt – Continued**

The bond ordinances also require that the following information concerning insurance coverage as of September 30, 2018 be disclosed.

<u>INSURER</u>	<u>POLICY</u>	<u>Limit of Liability</u>			<u>COVERAGE DATE</u>
		<u>Each Occurrence</u>	<u>Annual Aggregate</u>	<u>Deductible</u>	
Texas Municipal League	General Liability	1,000,000	2,000,000	\$ -	10/1/2017 to 10/1/2018
	Law Enforcement	1,000,000	2,000,000	\$ 2,500	10/1/2017 to 10/1/2018
	Errors & Omissions	1,000,000	2,000,000	\$ 5,000	10/1/2017 to 10/1/2018
	Auto Liability	1,000,000	n/a	\$ -	10/1/2017 to 10/1/2018
	Auto Physical Damage	per schedule & endorsement	n/a	\$500/\$10,000	10/1/2017 to 10/1/2018
Texas Municipal League	Information Security & Privacy Liability	25,000	1,000,000	\$ 1,250	10/1/2017 to 10/1/2018
	Regulatory Defense & Penalties	5,000 - 15,000	50,000	\$2,500/\$5,000	10/1/2017 to 10/1/2018
Texas Municipal League	Real & Personal Property	19,973,903	n/a	\$ 1,000	10/1/2017 to 10/1/2018
	Mobile Equipment	432,375	n/a	\$ 500	10/1/2017 to 10/1/2018
	Boiler & Machinery	100,000	n/a	\$ 1,000	10/1/2017 to 10/1/2018
Texas Municipal League	Workers Comp	complies with state statute:	n/a		10/1/2017 to 10/1/2018
TOTAL		<u>24,531,278</u>			

The funding requirements to amortize all notes outstanding as of September 30, 2018, including interest, are as follows:

	GOVERNMENTAL		BUSINESS TYPE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2019	\$ 190,764	\$ 14,746	\$ 10,983	\$ 1,262	\$ 217,755
2020	170,035	9,541	11,334	911	191,821
2021	89,267	4,873	11,702	542	106,384
2022	62,509	1,996	5,185	166	69,856
	<u>\$ 512,575</u>	<u>\$ 31,156</u>	<u>\$ 39,204</u>	<u>\$ 2,881</u>	<u>\$ 543,731</u>

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**E. Long-term Debt – Continued**

**Changes in long-term liabilities**

Long term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance 10/1/17	Additions	Reductions	Ending Balance 9/30/18	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 2,439,000	\$ 5,190,000	\$ 393,000	\$ 7,236,000	\$ 571,000
Bond Premium	-	129,443	7,720	121,723	-
Notes Payable	315,354	384,776	187,555	512,575	190,764
Net Pension Liability	432,967	-	165,955	267,012	-
Other Postemployment Benefits	56,530	11,415	-	67,945	-
Compensated Absences	52,265	-	2,416	49,849	4,985
<b>Governmental Activity Long-Term Liabilities</b>	<b><u>3,296,116</u></b>	<b><u>5,715,634</u></b>	<b><u>756,646</u></b>	<b><u>8,255,104</u></b>	<b><u>766,749</u></b>
<b>Business-type Activities:</b>					
Revenue Bonds	13,866,310	-	1,116,880	12,749,430	1,145,804
Notes Payable	-	50,114	10,910	39,204	10,983
Net Pension Liability	181,580	-	60,327	121,253	-
Other Postemployment Benefits	23,780	4,149	-	27,929	-
Compensated Absences	15,629	709	-	16,338	1,634
<b>Business-type Activity Long-Term Liabilities</b>	<b><u>\$ 14,087,299</u></b>	<b><u>\$ 54,972</u></b>	<b><u>\$ 1,188,117</u></b>	<b><u>\$ 12,954,154</u></b>	<b><u>\$ 1,158,421</u></b>

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

**F. Leases of Lessors**

The City derives revenues from an operating lease with East Texas Medical Center Emergency Medical Service to occupy a building owned by the City that has a cost of \$7,655, accumulated depreciation of \$3,923, and a carrying value of \$3,732. This lease ends January 1, 2020.

Future minimum rental payments to be received on this operating leases are contractually due as follows as of September 30, 2018:

Year Ending September 30	Amounts
2019	\$ 18,000
2020	4,500
	<b><u>\$ 22,500</u></b>

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**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, 2018, \$1,813,650 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>\$1,813,650</u>
Total Bonds Defeased (Refunded)		<u><u>\$1,813,650</u></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, 2018, the City had \$434,245 in net receivables from its residents for the usage of these services.

**NOTE 7 — DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The City of Whitehouse participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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:

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 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

**Employees covered by benefit terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Inactive employees or beneficiaries currently receiving benefits	18	18
Inactive employees entitled to but not yet receiving benefits	31	31
Active employees	<u>42</u>	<u>35</u>
	<u>91</u>	<u>84</u>

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Whitehouse were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Whitehouse were 5.11% and 8.60% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$153,825, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Inflation	2.50% per year
Overall payroll growth	3.50% to 10.50% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For smaller cities, more conservative methods and assumptions are used; lower termination rates are used for smaller cities, with maximum multipliers of 115% for employers with less than 100 members. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 13% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	<u>100.00%</u>	

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2016	\$ 4,692,416	\$ 4,077,869	\$ 614,547
Changes for the year:			
Service cost	187,993	-	187,993
Interest	318,220	-	318,220
Change of benefit terms	-	-	-
Difference between expected and actual experience	52,437	-	52,437
Changes of assumptions	-	-	-
Contributions - employer	-	140,954	(140,954)
Contributions - employee	-	81,950	(81,950)
Net investment income	-	565,106	(565,106)
Benefit payments, including refunds of employee contributions	(147,436)	(147,436)	-
Administrative expense	-	(2,929)	2,929
Other changes	-	(148)	148
Net changes	411,214	637,497	(226,283)
Balance at 12/31/2017	\$ 5,103,630	\$ 4,715,366	\$ 388,264

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,276,884	\$ 388,264	\$ (317,524)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2018, the City recognized pension expense of \$151,234.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 16,076
Changes in actuarial assumptions	6,634	-
Difference between projected and actual investment earnings	-	243,409
Contributions subsequent to the measurement date	232,196	-
Total	<u>\$ 238,830</u>	<u>\$ 259,485</u>

The City had \$232,196 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended December 31
2018	\$ (1,935)
2019	(16,823)
2020	(52,633)
2021	(57,970)
2022	-
Thereafter	-
	<u>\$ (129,361)</u>

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description**

The City of Whitehouse participates in a single-employer defined benefit group-term life insurance plan. Texas Municipal Retirement System (“TMRS”) administers this defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

**Benefits Provided**

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500.

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Employees covered by benefit terms.**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2017</u>
Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	7
Active employees	42
	65

**Contributions**

The member cities contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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 life insurance during employee's entire careers.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

For calendar year 2017, the total SDB contribution rate for the City of Whitehouse was 0.20% while the retiree portion of the SDB contribution was 0.04%. The City's contributions for the year ended September 30, 2018, were \$725 for the retiree portion and \$3,623 for the total SDB rate. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**Net OPEB Liability**

The City's Net OPEB Liability was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Net OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50% to 10.50% including inflation
Discount rate*	3.31%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a three year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.
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\*The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2017.

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member’s compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. The post-retirement mortality assumption for health annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2001 and dated December 31, 2013.

**Changes in the Net OPEB Liability**

	<u>Increase (Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability</u>
Balance at 12/31/2016	\$ 80,310
Changes for the year:	
Service cost	4,589
Interest	3,110
Change of benefit terms	-
Difference between expected and actual experience	8,521
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(656)
Net changes	<u>15,564</u>
Balance at 12/31/2017	<u>\$ 95,874</u>

**Sensitivity of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability if the City, calculated using the discount rate of 3.31%, would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	<u>1% Decrease in</u>		<u>Discount Rate (2.31%)</u>		<u>Discount Rate (3.31%)</u>		<u>1% Increase in</u>
City’s net pension liability	\$	117,876	\$	95,874	\$	79,126	

**CITY OF WHITEHOUSE, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2018, the City recognized OPEB expense of \$8,941.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	7,279	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	205	-
Total	<u>\$ 7,484</u>	<u>\$ -</u>

The City had \$529 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2018. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2018	\$ 1,242
2019	1,242
2020	1,242
2021	1,242
2022	1,242
Thereafter	1,069
	<u>\$ 7,279</u>

**NOTE 9 – DEFICIT NET POSITION OR FUND BALANCE**

At September 30, 2018, the Enterprise Debt Service Fund had a deficit net position of \$108,722.

**NOTE 10 – COMMITMENTS**

Effective May 1, 2015, the City signed a contract with Republic Services 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 September 30, 2020.

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, 2018, the City paid a demand fee of \$26,674 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.

**CITY OF WHITEHOUSE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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, 2017, has been renewed for another year through September 30, 2018.

Effective October 16<sup>th</sup> 2015, the City signed a contract with Smith County for emergency and non-emergency dispatch services. Under this agreement, the City agrees to pay an annual dollar amount of \$30,000. The contract automatically renews annually.

**NOTE 11 – 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.

There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City. However, the City incurred a total of \$205,000 during the current fiscal year for two settlements that exceeded insurance coverage. These settlement payments were from lawsuits with the City during fiscal year 2015 in which it was believed that the suits would be covered by the City's insurance carrier, TML. Thus, no contingent liability was recorded at the time.

As of September 30, 2018, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2018, there was no reduction in insurance coverage from the prior year.

**NOTE 12 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2018, expenditures exceeded appropriations in the following departments of the General Fund: Legislative, General Administration, Tax Appraisal and Collections, Municipal Court, Parks/Recreation Services, and Sanitation. These over expenditures were funded by lower expenditures in other categories and higher than expected revenues.

Expenditures exceeded appropriations in the following departments of the Utility Fund: Water Supply. These over expenditures were funded by excess fund balance.

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

During the year, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The other postemployment benefit liability of the Texas Municipal Retirement System (TMRS) has been determined based on the flow of economic resource measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liability: deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense. Benefit payments are treated as being equal to the City's yearly contributions for retirees.

In connection with the implementation of GASB Statement No. 75, as amended by GASB Statement No. 45, a restatement to beginning net position has been made for the recording of the beginning OPEB liability.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 31, 2019, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WHITEHOUSE, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
<b>Total pension liability</b>			
Service Cost	\$ 168,558	\$ 164,171	\$ 187,993
Interest (on the Total Pension Liability)	266,073	304,286	318,220
Changes in benefit terms	-	382,200	-
Difference between expected and actual results	16,262	(116,546)	52,437
Change of assumptions	20,359	-	-
Benefit payments, including refunds of employee contributions	(124,673)	(167,369)	(147,436)
Net Change in Total Pension Liability	346,579	566,742	411,214
Total Pension Liability - Beginning	3,779,095	4,125,674	4,692,416
Total Pension Liability - Ending (a)	<u>\$ 4,125,674</u>	<u>\$ 4,692,416</u>	<u>\$ 5,103,630</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 91,796	\$ 86,486	\$ 140,954
Contributions - Employee	88,435	84,624	81,950
Net Investment Income	5,552	258,085	565,106
Benefit payments, including refunds of employee contributions	(124,673)	(167,369)	(147,436)
Administrative Expense	(3,381)	(2,915)	(2,929)
Other	(167)	(157)	(148)
Net Change in Plan Fiduciary Net Position	57,562	258,754	637,497
Plan Fiduciary Net Position - Beginning	3,761,553	3,819,115	4,077,869
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,819,115</u>	<u>\$ 4,077,869</u>	<u>\$ 4,715,366</u>
Net Pension Liability - Ending (a)-(b)	306,559	614,547	388,264
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	7.43%	86.90%	92.39%
Covered Employee Payroll	\$ 1,768,710	\$ 1,692,482	\$ 1,638,998
Net Pension Liability as a Percentage of Covered Employee Payroll	17.33%	36.31%	23.69%

**CITY OF WHITEHOUSE, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 92,260	\$ 90,900	\$ 84,016	\$ 122,276	\$ 153,825
Contributions in relation to the actuarially determined contributions	<u>92,260</u>	<u>90,900</u>	<u>86,637</u>	<u>122,276</u>	<u>153,825</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ (2,621)	\$ -	\$ -
Covered employee payroll	\$ 1,651,541	\$ 1,722,060	\$ 1,636,970	\$ 1,607,660	\$ 1,811,734
Contributions as a percentage of covered employee payroll	5.59%	5.28%	5.29%	7.61%	8.49%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:** There were no benefit changes during the year.

**CITY OF WHITEHOUSE, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<b>Measurement Year 2017</b>
<b>Total OPEB liability</b>	
Service Cost	\$ 4,589
Interest	3,110
Changes in benefit terms	-
Difference between expected and actual experience	-
Change of assumptions and other inputs	8,521
Benefit payments	(656)
Net Change in Total OPEB Liability	15,564
Total OPEB Liability - Beginning	80,310
Total OPEB Liability - Ending (a)	\$ 95,874
Covered Employee Payroll	\$ 1,638,998
Net OPEB Liability as a Percentage of Covered Employee Payroll	5.85%

**NOTES TO SCHEDULE**

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Rates:**

Actuarial Cost Method	Entry Age Normal
Supplemental Death Benefit	Contribution rate is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees.
Retiree's share of benefit-related costs	\$0.00
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate	3.31%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**Other Information:** The Supplemental Death Benefits Fund is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

**ADDITIONAL SUPPLEMENTAL INFORMATION**

**CITY OF WHITEHOUSE, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	STORMWATER MAINTENANCE FUND	STREET MAINTENANCE FUND	POLICE FORFEITURE FUNDS	ECONOMIC DEVELOPMENT FUND	PEG CHANNEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and investments	\$ 64,570	\$ 27,361	\$ -	\$ 7,724	\$ -	\$ 99,655
Restricted Assets:						
Temporarily restricted						
Cash and cash equivalents	-	-	8,271	-	-	8,271
Total Assets	<u>\$ 64,570</u>	<u>\$ 27,361</u>	<u>\$ 8,271</u>	<u>\$ 7,724</u>	<u>\$ -</u>	<u>\$ 107,926</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 23	\$ -	\$ 23
Total Liabilities	-	-	-	23	-	23
Fund Balances:						
Restricted:						
Police forfeitures	-	-	8,271	-	-	8,271
PEG Channel	-	-	-	-	-	-
Assigned:						
Capital Projects	64,570	27,361	-	7,701	-	99,632
Total Fund Balances	<u>64,570</u>	<u>27,361</u>	<u>8,271</u>	<u>7,701</u>	<u>-</u>	<u>107,903</u>
Total Liabilities and Fund Balances	<u>\$ 64,570</u>	<u>\$ 27,361</u>	<u>\$ 8,271</u>	<u>\$ 7,724</u>	<u>\$ -</u>	<u>\$ 107,926</u>

**CITY OF WHITEHOUSE, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	STORMWATER MAINTENANCE FUND	STREET MAINTENANCE FUND	POLICE FORFEITURE FUNDS	ECONOMIC DEVELOPMENT FUND	PEG CHANNEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Franchise fee	\$ -	\$ -	\$ -	\$ -	\$ 4,090	\$ 4,090
Maintenance fees	174,195	174,195	-	-	-	348,390
Miscellaneous	-	-	1,017	7,817	-	8,834
Interest	472	83	68	68	161	852
<b>Total Revenues</b>	<u>174,667</u>	<u>174,278</u>	<u>1,085</u>	<u>7,885</u>	<u>4,251</u>	<u>362,166</u>
<b>EXPENDITURES</b>						
Administration	-	-	2,114	184	-	2,298
Capital outlay	273,493	12,690	-	-	-	286,183
Streets and grounds	32,542	8,091	-	-	-	40,633
<b>Total Expenditures</b>	<u>306,035</u>	<u>20,781</u>	<u>2,114</u>	<u>184.00</u>	<u>-</u>	<u>329,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(131,368)</u>	<u>153,497</u>	<u>(1,029)</u>	<u>7,701.00</u>	<u>4,251</u>	<u>33,052</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Transfers out	-	(111,373)	-	-	(112,341)	(223,714)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(111,373)</u>	<u>-</u>	<u>-</u>	<u>(112,341)</u>	<u>(223,714)</u>
Net change in fund balances	(131,368)	42,124	(1,029)	7,701	(108,090)	(190,662)
Fund Balance - October 1, 2017	<u>195,938</u>	<u>(14,763)</u>	<u>9,300</u>	<u>-</u>	<u>108,090</u>	<u>298,565</u>
Fund Balance - September 30, 2018	<u>\$ 64,570</u>	<u>\$ 27,361</u>	<u>\$ 8,271</u>	<u>\$ 7,701</u>	<u>\$ -</u>	<u>\$ 107,903</u>

**CITY OF WHITEHOUSE, TEXAS**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**GENERAL FUND**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>LEGISLATIVE</u>				
PERSONNEL SERVICES:				
Special projects	\$ 5,000	\$ 5,000	\$ 28,399	\$ (23,399)
Total Personnel Services	5,000	5,000	28,399	(23,399)
SUPPLIES AND MATERIALS:				
Educational and training	2,500	2,500	433	2,067
Total Supplies and Materials	2,500	2,500	433	2,067
CONTRACTUAL SERVICES:				
Contractual and fee base services	10,000	10,000	84	9,916
Total Contractual Services	10,000	10,000	84	9,916
TOTAL LEGISLATIVE	<u>17,500</u>	<u>17,500</u>	<u>28,916</u>	<u>(11,416)</u>
<u>GENERAL/ADMINISTRATION</u>				
PERSONNEL SERVICES:				
Administration	52,437	52,437	52,437	-
Clerical	56,576	56,576	56,576	-
Operations and Maintenance	50,440	50,440	50,440	-
Workers compensation	718	718	374	344
Unemployment compensation	563	563	486	77
Employee retirement	13,745	13,745	14,112	(367)
Employee insurance	23,721	23,721	23,758	(37)
Retiree insurance	600	600	600	-
Payroll taxes	12,198	12,198	10,960	1,238
Total Personnel Services	<u>210,998</u>	<u>210,998</u>	<u>209,743</u>	<u>1,255</u>
SUPPLIES AND MATERIALS:				
Office supplies	4,500	4,500	4,967	(467)
Website and IT	13,868	13,868	5,118	8,750
Postage and delivery	1,000	1,000	1,409	(409)
Fuel	1,000	1,000	1,785	(785)
Minor tools	150	150	-	150
Educational and training	8,500	8,500	6,189	2,311
Other supplies	1,500	1,500	1,265	235
Total Supplies and Materials	<u>30,518</u>	<u>30,518</u>	<u>20,733</u>	<u>9,785</u>
MAINTENANCE OF BUILDING/GROUNDS:				
Building and grounds	2,500	2,500	1,335	1,165
Total Maintenance of Building/Grounds	<u>2,500</u>	<u>2,500</u>	<u>1,335</u>	<u>1,165</u>
MAINTENANCE OF EQUIPMENT/MACHINERY:				
HVAC equipment	200	200	-	200
Automotive equipment	500	500	957	(457)
Communication equipment	100	100	-	100
Total Maintenance of Equipment/ Machinery	<u>800</u>	<u>800</u>	<u>957</u>	<u>(157)</u>

**CITY OF WHITEHOUSE, TEXAS**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**GENERAL FUND**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>CONTRACTUAL SERVICES:</b>				
Communication services	\$ 7,500	\$ 7,500	\$ 9,400	\$ (1,900)
Insurance	6,750	6,750	11,721	(4,971)
Advertising	4,000	4,000	2,994	1,006
Legal fees	50,000	50,000	47,481	2,519
Contractual and fee base services	24,435	24,435	37,215	(12,780)
Utility services	70,000	70,000	74,046	(4,046)
Computer leasing services	1,285	1,285	1,285	-
Codification	4,200	4,200	495	3,705
Miscellaneous expense	-	-	238	(238)
Settlements	-	-	205,000	(205,000)
Memberships/subscriptions	5,585	5,585	8,872	(3,287)
<b>Total Contractual Services</b>	<b>173,755</b>	<b>173,755</b>	<b>398,747</b>	<b>(224,992)</b>
<b>CAPITAL OUTLAY</b>				
Buildings	181,931	120,946	83,311	37,635
<b>Total Capital Outlay</b>	<b>181,931</b>	<b>120,946</b>	<b>83,311</b>	<b>37,635</b>
<b>TOTAL GENERAL ADMINISTRATION</b>	<b>600,502</b>	<b>539,517</b>	<b>714,826</b>	<b>(175,309)</b>
<b>TREASURY AND FINANCIAL</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	33,415	33,415	34,414	(999)
Workers compensation	150	150	63	87
Unemployment compensation	113	113	162	(49)
Employee retirement	2,880	2,880	3,024	(144)
Employee insurance	3,455	3,455	3,623	(168)
Payroll taxes	2,556	2,556	2,641	(85)
<b>Total Personnel Services</b>	<b>42,569</b>	<b>42,569</b>	<b>43,927</b>	<b>(1,358)</b>
<b>SUPPLIES AND MATERIALS:</b>				
Website & IT	7,895	7,895	7,700	195
Educational and training	2,000	2,000	724	1,276
<b>Total Supplies and Materials</b>	<b>9,895</b>	<b>9,895</b>	<b>8,424</b>	<b>1,471</b>
<b>CONTRACTUAL SERVICES:</b>				
Communication Services	-	-	600	(600)
Memberships and Subscriptions	490	490	885	(395)
Contractual/fee services	34,765	34,765	32,340	2,425
<b>Total Contractual Services</b>	<b>35,255</b>	<b>35,255</b>	<b>33,825</b>	<b>1,430</b>
<b>TOTAL TREASURY AND FINANCIAL</b>	<b>87,719</b>	<b>87,719</b>	<b>86,176</b>	<b>1,543</b>
<b>TAX APPRAISAL AND COLLECTIONS</b>				
<b>CONTRACTUAL SERVICES:</b>				
Contractual/Fee Services	44,067	44,067	44,078	(11)
<b>Total Contractual Services</b>	<b>44,067</b>	<b>44,067</b>	<b>44,078</b>	<b>(11)</b>
<b>TOTAL TAX APPRAISAL AND COLLECTIONS</b>	<b>44,067</b>	<b>44,067</b>	<b>44,078</b>	<b>(11)</b>
<b>MUNICIPAL COURT</b>				
<b>PERSONNEL SERVICES:</b>				
Clerical	35,194	35,194	31,613	3,581
Overtime	-	-	257	(257)
Workers compensation	158	158	125	33
Unemployment compensation	225	225	162	63
Employee retirement	3,034	3,034	2,766	268
Employee insurance	9,414	9,414	8,100	1,314
Payroll taxes	2,692	2,692	1,872	820
<b>Total Personnel Services</b>	<b>50,717</b>	<b>50,717</b>	<b>44,895</b>	<b>5,822</b>

**CITY OF WHITEHOUSE, TEXAS**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**GENERAL FUND**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	\$ 300	\$ 300	\$ -	\$ 300
Website & IT	4,830	4,830	4,078	752
Laboratory supplies	-	-	30	(30)
Postage and delivery	500	500	423	77
Educational and training	1,000	1,000	1,247	(247)
<b>Total Supplies and Materials</b>	<b>6,630</b>	<b>6,630</b>	<b>5,778</b>	<b>852</b>
<b>MAINTENANCE OF EQUIPMENT</b>				
Office equipment	420	420	449	(29)
<b>Total Maintenance of Equipment</b>	<b>420</b>	<b>420</b>	<b>449</b>	<b>(29)</b>
<b>CONTRACTUAL SERVICES:</b>				
Communication services	200	200	33	167
Contractual/fee services	13,000	13,000	9,000	4,000
Utility services	1,500	1,500	2,030	(530)
Collection agency fees	4,000	4,000	7,796	(3,796)
State Fee	58,000	58,000	59,831	(1,831)
Omni base fee	1,100	1,100	726	374
On Line / Credit Card Fees	2,000	2,000	-	2,000
Vehicle registration	125,000	125,000	198,036	(73,036)
<b>Total Contractual Services</b>	<b>204,800</b>	<b>204,800</b>	<b>277,452</b>	<b>(72,652)</b>
<b>TOTAL MUNICIPAL COURT</b>	<b>262,567</b>	<b>262,567</b>	<b>328,574</b>	<b>(66,007)</b>
<b><u>PARKS/RECREATION SERVICES</u></b>				
<b>PERSONNEL SERVICES:</b>				
Administration	47,486	47,486	47,486	-
Operations and Maintenance	66,893	66,893	66,428	465
Overtime	1,000	1,000	974	26
Part-Time	22,200	22,200	18,102	4,098
Uniforms and clothing	550	550	-	550
Workers compensation	5,750	5,750	2,795	2,955
Unemployment compensation	2,025	2,025	963	1,062
Employee retirement	9,859	9,859	10,011	(152)
Employee insurance	22,064	22,064	19,924	2,140
Payroll taxes	10,525	10,525	9,801	724
<b>Total Personnel Services</b>	<b>188,352</b>	<b>188,352</b>	<b>176,484</b>	<b>11,868</b>
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	1,050	1,050	162	888
Laboratory supplies	200	200	190	10
Postage and delivery	-	-	13	(13)
Website & IT	3,475	3,475	3,384	91
Tires - flat repairs	1,000	1,000	15	985
Fuel	1,500	1,500	4,222	(2,722)
Educational and training	600	600	118	482
Other supplies	10,500	10,500	7,044	3,456
Concession - Ball park	25,000	25,000	15,827	9,173
Concession - Splash park	5,000	5,000	1,851	3,149
<b>Total Supplies and Materials</b>	<b>48,325</b>	<b>48,325</b>	<b>32,826</b>	<b>15,499</b>
<b>MAINTENANCE OF BUILDINGS/LAND</b>				
Maintenance - ball parks	13,250	13,250	12,810	440
Maintenance - The Rec	2,500	2,500	11,167	(8,667)
Building and grounds	3,000	3,000	3,854	(854)
<b>Total Maintenance of Buildings/Land</b>	<b>18,750</b>	<b>18,750</b>	<b>27,831</b>	<b>(9,081)</b>

**CITY OF WHITEHOUSE, TEXAS**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**GENERAL FUND**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>MAINTENANCE OF EQUIPMENT/MACHINERY</b>				
Machinery & Equipment	\$ 4,500	\$ 4,500	\$ 3,506	\$ 994
HVAC equipment	300	300	-	300
Automotive equipment	500	500	479	21
Tools	1,000	1,000	476	524
Other maintenacne	10,000	10,000	14,755	(4,755)
Playground equipment	1,000	1,000	-	1,000
<b>Total Maintenance of Equipment/Machinery</b>	<b>17,300</b>	<b>17,300</b>	<b>19,216</b>	<b>(1,916)</b>
<b>CONTRACTUAL SERVICES</b>				
Communication Services	2,760	2,760	3,464	(704)
Insurance	4,111	4,111	3,924	187
Contractual services	52,000	52,000	53,578	(1,578)
Utility Services	10,500	10,500	16,160	(5,660)
Computer leasing services	1,542	1,542	1,542	-
Advertising	2,600	2,600	742	1,858
Online/Credit card fees	2,600	2,600	2,948	(348)
Miscellaneous	-	-	2,011	(2,011)
Memberships and subscriptions	850	850	860	(10)
<b>Total Contractual Services</b>	<b>76,963</b>	<b>76,963</b>	<b>85,229</b>	<b>(8,266)</b>
<b>CAPITAL OUTLAY</b>				
Buildings	209,415	270,400	270,400	-
Land improvements	97,200	97,200	105,881	(8,681)
<b>Total Capital Outlay</b>	<b>306,615</b>	<b>367,600</b>	<b>376,281</b>	<b>(8,681)</b>
<b>TOTAL PARKS/RECREATION SERVICES</b>	<b>656,305</b>	<b>717,290</b>	<b>717,867</b>	<b>(577)</b>
<b>COMMUNITY DEVELOPMENT</b>				
<b>CONTRACTUAL SERVICES:</b>				
Contractual/fee services	63,000	63,000	63,000	-
Economic Development	5,000	5,000	5,000	-
<b>Total Contractual Services</b>	<b>68,000</b>	<b>68,000</b>	<b>68,000</b>	<b>-</b>
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>68,000</b>	<b>68,000</b>	<b>68,000</b>	<b>-</b>
<b>STREET AND GROUNDS MAINTENANCE</b>				
<b>PERSONNEL SERVICES:</b>				
Operations and maintenance	89,627	89,627	81,981	7,646
Overtime	1,000	1,000	750	250
Uniforms and clothing	1,100	1,100	125	975
Workers compensation	9,447	9,447	4,593	4,854
Unemployment compensation	450	450	336	114
Employee retirement	7,726	7,726	7,176	550
Employee insurance	14,872	14,872	12,599	2,273
Payroll taxes	7,086	7,086	5,979	1,107
<b>Total Personnel Services</b>	<b>131,308</b>	<b>131,308</b>	<b>113,539</b>	<b>17,769</b>
<b>SUPPLIES AND MATERIALS:</b>				
Tires and tubes	1,000	1,000	1,015	(15)
Laboratory supplies	-	-	140	(140)
Fuel	1,500	1,500	1,599	(99)
Minor tools	500	500	55	445
Chemical and mechanical	400	400	-	400
Safety supplies	100	100	90	10
Other supplies	100	100	51	49
<b>Total Supplies and Materials</b>	<b>3,600</b>	<b>3,600</b>	<b>2,950</b>	<b>650</b>

**CITY OF WHITEHOUSE, TEXAS**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**GENERAL FUND**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Machinery and heavy equipment	\$ 5,500	\$ 5,500	\$ 2,137	\$ 3,363
Vehicle maintenance	2,000	2,000	1,010	990
Shop equipment	500	500	3	497
Minor tools and equipment	400	400	88	312
Signal and sign system	3,500	3,500	1,390	2,110
<b>Total Maintenance of Equipment/Machinery</b>	<b>11,900</b>	<b>11,900</b>	<b>4,628</b>	<b>7,272</b>
<b>CONTRACTUAL SERVICES</b>				
Communication services	750	750	377	373
Leases and rentals	1,000	1,000	142	858
Advertising	-	-	57	(57)
Contractual services	20,700	20,700	24,300	(3,600)
Insurance	2,605	2,605	1,646	959
<b>Total Contractual Services</b>	<b>25,055</b>	<b>25,055</b>	<b>26,522</b>	<b>(1,467)</b>
<b>TOTAL STREET AND GROUNDS MAINTENANCE</b>	<b>171,863</b>	<b>171,863</b>	<b>147,639</b>	<b>24,224</b>
<b>POLICE OPERATIONS</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	132,392	132,392	132,392	-
Operations and maintenance	539,063	539,063	532,084	6,979
Overtime	12,000	12,000	5,644	6,356
Certificate pay	5,100	5,100	4,766	334
Uniforms and clothing	4,500	4,500	7,953	(3,453)
Workers compensation	29,438	29,438	14,217	15,221
Unemployment compensation	3,375	3,375	2,430	945
Employee retirement	59,353	59,353	58,906	447
Employee insurance	112,734	112,734	112,557	177
Payroll taxes	52,675	52,675	46,645	6,030
<b>Total Personnel Services</b>	<b>950,630</b>	<b>950,630</b>	<b>917,594</b>	<b>33,036</b>
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	2,000	2,000	2,612	(612)
Website & IT	14,936	14,936	14,399	537
Laboratory supplies	1,000	1,000	1,551	(551)
Postage and delivery	500	500	210	290
Fuel	25,000	25,000	28,084	(3,084)
Emergency medical supplies	500	500	-	500
Safety supplies	500	500	9,425	(8,925)
Educational and training	4,000	4,000	2,032	1,968
Lease continuing education	1,500	1,500	947	553
Community resource supply	200	200	193	7
Evidence processing	500	500	350	150
CID supplies	550	550	82	468
Other supplies	5,500	5,500	5,485	15
Police Explorer Program	300	300	-	300
<b>Total Supplies and Materials</b>	<b>56,986</b>	<b>56,986</b>	<b>65,370</b>	<b>(8,384)</b>
<b>MAINTENANCE OF BUILDINGS/LAND:</b>				
Buildings and grounds	2,000	2,000	2,419	(419)
Gun range	1,000	1,000	117	883
<b>Total Maintenance of Buildings/Land</b>	<b>3,000</b>	<b>3,000</b>	<b>2,536</b>	<b>464</b>

**CITY OF WHITEHOUSE, TEXAS**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**GENERAL FUND**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Office equipment	\$ 1,320	\$ 1,320	\$ 1,343	\$ (23)
HVAC equipment	200	200	90	110
Automotive equipment	15,000	15,000	20,650	(5,650)
Minor tools and equipment	1,550	1,550	1,095	455
Communication equipment	800	800	-	800
<b>Total Maintenance of Equipment/Machinery</b>	<b>18,870</b>	<b>18,870</b>	<b>23,178</b>	<b>(4,308)</b>
<b>CONTRACTUAL SERVICES:</b>				
Communication services	11,000	11,000	12,422	(1,422)
Insurance	20,000	20,000	19,424	576
Contractual/fee services	40,603	40,603	30,591	10,012
Utility services	8,000	8,000	3,838	4,162
Computer leasing services	6,680	6,680	6,680	-
Memberships and subscriptions	500	500	150	350
<b>Total Contractual Services</b>	<b>86,783</b>	<b>86,783</b>	<b>73,105</b>	<b>13,678</b>
<b>CAPITAL OUTLAY:</b>				
Motor vehicles	104,000	104,000	91,004	12,996
<b>Total Capital Outlay</b>	<b>104,000</b>	<b>104,000</b>	<b>91,004</b>	<b>12,996</b>
<b>TOTAL POLICE OPERATIONS</b>	<b>1,220,269</b>	<b>1,220,269</b>	<b>1,172,787</b>	<b>47,482</b>
<b>FIRE OPERATIONS</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	68,037	68,037	68,034	3
Operations maintenance	383,100	383,100	377,513	5,587
Overtime	500	500	-	500
Community service	-	-	471	(471)
Uniforms and clothing	3,000	3,000	2,830	170
Workers compensation	16,015	16,015	7,799	8,216
Unemployment compensation	6,525	6,525	4,119	2,406
Employee retirement	21,936	21,936	19,179	2,757
Employee insurance	9,585	9,585	9,591	(6)
Payroll taxes	34,512	34,512	33,438	1,074
<b>Total Personnel Services</b>	<b>543,210</b>	<b>543,210</b>	<b>522,974</b>	<b>20,236</b>
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	200	200	534	(334)
Laboratory services	500	500	420	80
Postage & delivery supplies	150	150	16	134
Tires & tubes	1,500	1,500	732	768
Motor vehicle supplies	3,800	3,800	3,797	3
Emergency medical supplies	1,000	1,000	330	670
Minor tools and apparatus	200	200	194	6
Janitorial supplies	1,000	1,000	776	224
FOAM	1,040	1,040	995	45
Safety supplies	500	500	496	4
Educational and training	6,000	6,000	3,987	2,013
<b>Total Supplies and Materials</b>	<b>15,890</b>	<b>15,890</b>	<b>12,277</b>	<b>3,613</b>
<b>MAINTENANCE OF BUILDING:</b>				
Building and grounds	2,500	2,500	3,699	(1,199)
<b>Total Maintenance of Equipment/Machinery</b>	<b>2,500</b>	<b>2,500</b>	<b>3,699</b>	<b>(1,199)</b>

**CITY OF WHITEHOUSE, TEXAS**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**GENERAL FUND**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>MAINTENANCE OF EQUIPMENT/MACHINERY:</b>				
Office equipment	\$ 1,140	\$ 1,140	\$ 1,243	\$ (103)
Automotive equipment	8,000	8,000	9,291	(1,291)
Shop equipment	400	400	416	(16)
Safety and medical equipment	8,000	8,000	4,599	3,401
Tools	3,000	3,000	3,044	(44)
Outdoor Warning System	300	300	441	(141)
Communication equipment	3,000	3,000	268	2,732
	<u>23,840</u>	<u>23,840</u>	<u>19,302</u>	<u>4,538</u>
<b>Total Maintenance of Equipment/Machinery</b>				
<b>CONTRACTUAL SERVICES:</b>				
Communication services	13,885	13,885	16,575	(2,690)
Insurance	6,759	6,759	5,375	1,384
Contractual/fee services	1,600	1,600	1,600	-
Utility service	5,500	5,500	4,858	642
Computer leasing services	514	514	514	-
Memberships and subscriptions	1,200	1,200	1,043	157
Miscellaneous expense	1,000	1,000	1,015	(15)
	<u>30,458</u>	<u>30,458</u>	<u>31,031</u>	<u>(573)</u>
<b>Total Contractual Services</b>				
<b>TOTAL FIRE OPERATIONS</b>	<u>615,898</u>	<u>615,898</u>	<u>589,283</u>	<u>26,615</u>
<b>SANITATION</b>				
<b>CONTRACTUAL SERVICES:</b>				
Contractual/fee services	602,700	602,700	586,976	15,724
Sales tax	59,432	59,432	56,507	2,925
	<u>662,132</u>	<u>662,132</u>	<u>643,483</u>	<u>18,649</u>
<b>Total Contractual Services</b>				
<b>TOTAL SANITATION</b>	<u>662,132</u>	<u>662,132</u>	<u>643,483</u>	<u>18,649</u>
<b>TOTAL EXPENDITURES - BUDGET BASIS</b>	<u>\$ 4,406,822</u>	<u>\$ 4,406,822</u>	<u>4,541,629</u>	<u>\$ (134,807)</u>
<b>Financial Statement Adjustments:</b>				
Decrease in accrued expenses			<u>(6,826)</u>	
<b>TOTAL EXPENDITURES - GAAP BASIS</b>			<u>\$ 4,534,803</u>	

CITY OF WHITEHOUSE, TEXAS

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

SEPTEMBER 30, 2018

	TAX NOTE & GENERAL OBLIGATION NOTES	2006 SERIES REFUNDING FUND	TOTAL
	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>			
Receivables:	\$ 53,205	\$ -	\$ 53,205
Due from other funds			
Due from General Fund	9,452	-	9,452
Due from Utility Fund	38,692	-	38,692
Due from Utility Debt Service Fund	<u>695,166</u>	<u>-</u>	<u>695,166</u>
TOTAL ASSETS	\$ <u>796,515</u>	\$ <u>-</u>	\$ <u>796,515</u>
Operations and Maintenance			
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to General Fund	\$ 104,348	\$ -	\$ 104,348
Due to Utility Debt Service Fund	<u>71,084</u>	<u>-</u>	<u>71,084</u>
Total Liabilities	<u>175,432</u>	<u>-</u>	<u>175,432</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	53,205	-	53,205
<u>FUND BALANCE</u>			
Restricted:			
Debt Service	<u>567,878</u>	<u>-</u>	<u>567,878</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ <u>796,515</u>	\$ <u>-</u>	\$ <u>796,515</u>

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

**DEBT SERVICE FUNDS**

**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>TAX NOTE &amp; GENERAL OBLIGATION NOTES</u>	<u>2006 SERIES REFUNDING FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Current and delinquent taxes	\$ 1,602,263	\$ 233,525	\$ 1,835,788
Interest income	<u>10,679</u>	<u>-</u>	<u>10,679</u>
 Total Revenues	 <u>1,612,942</u>	 <u>233,525</u>	 <u>1,846,467</u>
<u>EXPENDITURES</u>			
Debt Service:			
Bond principal	335,787	160,000	495,787
Note principal	84,768	-	84,768
Interest and fees	<u>28,037</u>	<u>73,525</u>	<u>101,562</u>
 Total Expenditures	 <u>448,592</u>	 <u>233,525</u>	 <u>682,117</u>
 Revenues Over (Under) Expenditures	 1,164,350	 -	 1,164,350
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	275,193	-	275,193
Transfers out	<u>(1,202,805)</u>	<u>-</u>	<u>(1,202,805)</u>
 Total Other Financing Sources (Uses)	 <u>(927,612)</u>	 <u>-</u>	 <u>(927,612)</u>
 Revenues and Other Sources Over (Under) Expenditures and Other Uses	 236,738	 -	 236,738
 Fund Balance, October 1, 2017	 <u>331,140</u>	 <u>-</u>	 <u>331,140</u>
 Fund Balance, September 30, 2018	 <u>\$ 567,878</u>	 <u>\$ -</u>	 <u>\$ 567,878</u>

CITY OF WHITEHOUSE, TEXAS  
COMBINING STATEMENT OF NET POSITION  
UTILITY FUND  
SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	OPERATING FUND	DEBT SERVICE	TOTAL UTILITY FUND
<b>ASSETS</b>			
Current Assets:			
Cash and certificates of deposit	\$ 1,094,806	\$ 593,164	\$ 1,687,970
Accounts receivable (net)	479,468	-	479,468
<b>Total Current Assets</b>	<b>1,574,274</b>	<b>593,164</b>	<b>2,167,438</b>
Restricted Current Assets:			
Temporarily Restricted			
Customer deposits	298,075	-	298,075
<b>Total Restricted Current Assets</b>	<b>298,075</b>	<b>-</b>	<b>298,075</b>
Noncurrent Assets:			
Water rights - Lake Columbia	230,000	-	230,000
Capital Assets:			
Land	25,000	-	25,000
Easements	7,800	-	7,800
Buildings	357,479	-	357,479
Water and sewer system	25,340,681	-	25,340,681
Machinery & equipment	958,627	-	958,627
Less: Accumulated depreciation	(9,910,229)	-	(9,910,229)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>16,779,358</b>	<b>-</b>	<b>16,779,358</b>
<b>Total Noncurrent Assets:</b>	<b>17,009,358</b>	<b>-</b>	<b>17,009,358</b>
<b>Total Assets</b>	<b>18,881,707</b>	<b>593,164</b>	<b>19,474,871</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding (net of amortization)	424,350	-	424,350
Deferred charge on other post employment benefits	2,095	-	2,095
Deferred charge on TMRS pension	20,103	-	20,103
<b>Total Deferred Outflows of Resources</b>	<b>446,548</b>	<b>-</b>	<b>446,548</b>

(continued)

CITY OF WHITEHOUSE, TEXAS  
COMBINING STATEMENT OF NET POSITION  
UTILITY FUND  
SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	OPERATING FUND	DEBT SERVICE	TOTAL UTILITY FUND
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 98,202	\$ -	\$ 98,202
Compensated absences	1,634	-	1,634
Due to other funds	39,684	643,333	683,017
Total Current Liabilities	139,520	643,333	782,853
Current liabilities payable from restricted assets:			
Customer deposits	298,075	-	298,075
Accrued interest	-	58,553	58,553
Notes payable	10,983	-	10,983
Revenue bonds payable	1,145,804	-	1,145,804
Total current liabilities payable from restricted assets	1,454,862	58,553	1,513,415
Noncurrent Liabilities:			
Revenue bonds payable	11,603,626	-	11,603,626
Notes payable	28,221	-	28,221
Compensated absences	14,704	-	14,704
Other post employment benefits	27,929	-	27,929
Net pension liability	121,253	-	121,253
Total Noncurrent Liabilities	11,795,733	-	11,795,733
<b>Total Liabilities</b>	<b>13,390,115</b>	<b>701,886</b>	<b>14,092,001</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charge on TMRS pension	26,481	-	26,481
<b>Total Deferred Inflows of Resources</b>	<b>26,481</b>	<b>-</b>	<b>26,481</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,990,724	-	3,990,724
Unrestricted	1,920,935	(108,722)	1,812,213
<b>Total Net Position</b>	<b>\$ 5,911,659</b>	<b>\$ (108,722)</b>	<b>\$ 5,802,937</b>

**CITY OF WHITEHOUSE, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**UTILITY FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	DEBT SERVICE	ELIMINATIONS	
OPERATING REVENUES				
Water sales	2,111,491	\$ -	\$ -	\$ 2,111,491
Sewer charges	805,854	-	-	805,854
Charges for other services	174,624	-	-	174,624
Total Operating Revenues	<u>3,091,969</u>	<u>-</u>	<u>-</u>	<u>3,091,969</u>
OPERATING EXPENSES				
Utility administration	391,729	-	-	391,729
Customer service	124,377	-	-	124,377
Water operations	453,672	-	-	453,672
Sewer operations	412,016	-	-	412,016
Water supply	494,249	-	-	494,249
Depreciation	617,938	-	-	617,938
Total Operating Expenses	<u>2,493,981</u>	<u>-</u>	<u>-</u>	<u>2,493,981</u>
Operating Income (Loss)	<u>597,988</u>	<u>-</u>	<u>-</u>	<u>597,988</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and fiscal charge expense	-	(506,692)	-	(506,692)
Interest income	19,581	-	-	19,581
Total Non-Operating Revenue (Expenses)	<u>19,581</u>	<u>(506,692)</u>	<u>-</u>	<u>(487,111)</u>
Income before transfers	617,569	(506,692)	-	110,877
Transfers in	1,127,790	756,165	(681,150)	1,202,805
Transfers out	(963,321)	(245,000)	681,150	(527,171)
Total Transfers	<u>164,469</u>	<u>511,165</u>	<u>-</u>	<u>675,634</u>
Change in Net Position	782,038	4,473	-	786,511
Net Position, October 1, 2017, as originally stated	5,153,265	(113,195)	-	5,040,070
Prior period adjustment	(23,644)	-	-	(23,644)
Net Position, October 1, 2017, as restated	<u>5,129,621</u>	<u>(113,195)</u>	<u>-</u>	<u>5,016,426</u>
Net Position, September 30, 2018	<u>\$ 5,911,659</u>	<u>\$ (108,722)</u>	<u>\$ -</u>	<u>\$ 5,802,937</u>

**CITY OF WHITEHOUSE, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**UTILITY FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Increase (Decrease) in Cash and Cash Equivalents**

	BUSINESS-TYPE ACTIVITIES			TOTAL UTILITY FUND
	OPERATING FUND	DEBT SERVICE	ELIMINATIONS	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 3,076,188	\$ -	\$ -	\$ 3,076,188
Cash paid to suppliers for goods and services	(1,168,137)	-	-	(1,168,137)
Cash paid to employees for services	(638,757)	-	-	(638,757)
Net cash provided by operating activities	<u>1,269,294</u>	<u>-</u>	<u>-</u>	<u>1,269,294</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in	1,127,790	691,230	(681,150)	1,137,870
Transfers out	(898,386)	(245,000)	681,150	(462,236)
Net cash provided by (used in) non-capital financing activities	<u>229,404</u>	<u>446,230</u>	<u>-</u>	<u>675,634</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases or construction of capital assets	(110,767)	-	-	(110,767)
Loan proceeds	50,114	-	-	50,114
Principal paid on notes	(10,910)	-	-	(10,910)
Interest paid	-	(205,016)	-	(205,016)
Principal paid on bonds	(1,116,880)	-	-	(1,116,880)
Net cash used in capital and related financing activities	<u>(1,188,443)</u>	<u>(205,016)</u>	<u>-</u>	<u>(1,393,459)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest earned on investments	19,581	-	-	19,581
Net cash provided by investing activities	<u>19,581</u>	<u>-</u>	<u>-</u>	<u>19,581</u>
Net increase in cash	329,836	241,214	-	571,050
Cash, beginning of period	1,063,045	351,950	-	1,414,995
Cash, end of period	<u>\$ 1,392,881</u>	<u>\$ 593,164</u>	<u>\$ -</u>	<u>\$ 1,986,045</u>
<b>Reconciliation of cash to Schedule 6:</b>				
Cash - current asset	\$ 1,094,806	\$ 593,164	\$ -	\$ 1,687,970
Cash - restricted current asset	298,075	-	-	298,075
Total cash, end of period	<u>\$ 1,392,881</u>	<u>\$ 593,164</u>	<u>\$ -</u>	<u>\$ 1,986,045</u>
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:</b>				
Operating income	\$ 597,988	\$ -	\$ -	\$ 597,988
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Depreciation expense	617,938	-	-	617,938
Decrease in deferred outflows of resources	47,886	-	-	47,886
Decrease in accounts payable	76,596	-	-	76,596
Increase in accounts receivable	(31,071)	-	-	(31,071)
Decrease in net pension liability	(60,327)	-	-	(60,327)
Increase in other post employee benefit liability	4,285	-	-	4,285
Increase in compensated absences	709	-	-	709
Increase in customer deposits	15,290	-	-	15,290
Total adjustments	<u>671,306</u>	<u>-</u>	<u>-</u>	<u>671,306</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,269,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,269,294</u>

## CITY OF WHITEHOUSE, TEXAS

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

## UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Charges for services:				
Water sales	\$ 1,950,000	\$ 1,950,000	\$ 2,111,491	\$ 161,491
Sewer charges	790,000	790,000	805,854	15,854
Tap and connect fees	25,000	25,000	36,700	11,700
Miscellaneous revenue	-	-	7,263	7,263
Penalties	90,000	90,000	137,924	47,924
Loan proceeds	247,769	247,769	50,114	(197,655)
Interest and rent	<u>1,000</u>	<u>1,000</u>	<u>12,318</u>	<u>11,318</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	<u>\$ 3,103,769</u>	<u>\$ 3,103,769</u>	3,161,664	<u>\$ 57,895</u>
Financial Statement Adjustments:				
Reclassify loan proceeds as liability			(50,114)	
Debt Service Fund payment of principal and fees on bonds and note			<u>1,127,790</u>	
TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			<u>\$ 4,239,340</u>	

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>UTILITY ADMINISTRATION</b>				
<b>PERSONNEL SERVICES:</b>				
Administration	\$ 163,998	\$ 163,998	\$ 164,996	\$ (998)
Workers' compensation	4,833	4,833	1,263	3,570
Unemployment compensation	450	450	162	288
Employee retirement	14,137	14,137	14,513	(376)
Employee insurance	16,512	16,512	16,321	191
Payroll taxes	12,546	12,546	12,281	265
Total Personnel Services	212,476	212,476	209,536	2,940
<b>SUPPLIES AND MATERIALS:</b>				
Office supplies	2,000	2,000	2,576	(576)
Postage and delivery service	12,000	12,000	13,316	(1,316)
Motor vehicle supplies	300	300	-	300
Educational and training	1,500	1,500	345	1,155
Other supplies	500	500	719	(219)
Total Supplies and Materials	16,300	16,300	16,956	(656)
<b>MAINTENANCE OF BUILDINGS/LAND:</b>				
Buildings and grounds	2,000	2,000	1,382	618
Total Maintenance of Buildings/Land	2,000	2,000	1,382	618
<b>MAINTENANCE - EQUIPMENT/MACHINERY:</b>				
Office equipment	2,232	2,232	2,252	(20)
Automotive equipment	200	200	151	49
HVAC equipment	300	300	-	300
Total Maintenance - Equipment/Machinery	2,732	2,732	2,403	329
<b>CONTRACTUAL SERVICES:</b>				
Communication services	1,500	1,500	5,819	(4,319)
Leases and Rentals	987	987	987	-
Insurance	6,000	6,000	5,143	857
Advertising	250	250	1	249
Legal fees	2,500	2,500	-	2,500
Contractual and fee basis service	35,630	35,630	74,725	(39,095)
Utility services	20,000	20,000	13,931	6,069
Utility billing - dataprose	7,000	7,000	6,863	137
Computer leasing services	2,827	2,827	2,827	-
On-Line / credit card fees	24,000	24,000	27,794	(3,794)
Document shredding	450	450	442	8
Memberships and subscriptions	550	550	471	79
Total Contractual Services	101,694	101,694	139,003	(37,309)
<b>CAPITAL OUTLAY:</b>				
Buildings	28,769	28,769	24,384	4,385
Water system improvements	100,000	100,000	-	100,000
Total Capital Outlay	128,769	128,769	24,384	104,385
<b>TOTAL UTILITY ADMINISTRATION</b>	<b>463,971</b>	<b>463,971</b>	<b>393,664</b>	<b>70,307</b>

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>CUSTOMER SERVICE</b>				
<b>PERSONNEL SERVICES:</b>				
Clerical	\$ 99,174	\$ 99,174	\$ 83,693	\$ 15,481
Overtime	500	500	614	(114)
Worker's compensation	446	446	250	196
Unemployment compensation	675	675	648	27
Employee retirement	8,592	8,592	7,301	1,291
Employee insurance	25,435	25,435	18,318	7,117
Payroll taxes	7,625	7,625	5,778	1,847
<b>Total Personnel Services</b>	<b>142,447</b>	<b>142,447</b>	<b>116,602</b>	<b>25,845</b>
<b>SUPPLIES AND MATERIALS</b>				
Website & IT	20,524	20,524	22,886	(2,362)
Laboratory supplies	-	-	60	(60)
Other supplies	500	500	20	480
<b>Total Supplies and Materials</b>	<b>21,024</b>	<b>21,024</b>	<b>22,966</b>	<b>(1,942)</b>
<b>CONTRACTUAL SERVICES</b>				
Insurance	300	300	-	300
<b>Total Contractual Services</b>	<b>300</b>	<b>300</b>	<b>-</b>	<b>300</b>
<b>TOTAL CUSTOMER SERVICE</b>	<b>163,771</b>	<b>163,771</b>	<b>139,568</b>	<b>24,203</b>
<b>WATER OPERATIONS</b>				
<b>PERSONNEL SERVICES:</b>				
Operations and maintenance	118,706	118,706	124,658	(5,952)
Overtime	9,000	9,000	10,305	(1,305)
Certificate Pay	600	600	208	392
Uniforms and clothing	1,450	1,450	591	859
Workers' compensation	6,754	6,754	3,413	3,341
Unemployment compensation	675	675	570	105
Employee retirement	11,060	11,060	11,715	(655)
Employee insurance	26,543	26,543	22,910	3,633
Payroll taxes	9,815	9,815	9,407	408
<b>Total Personnel Services</b>	<b>184,603</b>	<b>184,603</b>	<b>183,777</b>	<b>826</b>
<b>SUPPLIES AND MATERIALS:</b>				
Laboratory supplies	100	100	70	30
Tires and tubes	2,000	2,000	1,762	238
Motor vehicle supplies	7,000	7,000	10,327	(3,327)
Water meter supplies	5,500	5,500	9,105	(3,605)
Minor tools and apparatus	1,500	1,500	739	761
Chemical and mechanical supplies	28,000	28,000	19,642	8,358
Safety Supplies	100	100	-	100
Educational and training	1,500	1,500	1,920	(420)
Other supplies	400	400	302	98
<b>Total Supplies and Materials</b>	<b>46,100</b>	<b>46,100</b>	<b>43,867</b>	<b>2,233</b>
<b>MAINTENANCE - BUILDING/LAND:</b>				
Buildings and grounds	5,000	5,000	2,511	2,489
Chlorination facilities	8,000	8,000	5,995	2,005
Water system	20,000	20,000	25,535	(5,535)
Meters and settings	6,000	6,000	10,482	(4,482)
<b>Total Maintenance - Building/Land</b>	<b>39,000</b>	<b>39,000</b>	<b>44,523</b>	<b>(5,523)</b>

CITY OF WHITEHOUSE, TEXAS

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>MAINTENANCE - EQUIPMENT/MACHINERY:</b>				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 12,644	\$ (2,644)
Auto equipment maintenance	3,000	3,000	2,743	257
Contingency	25,000	25,000	56,532	(31,532)
Safety and medical equipment	200	200	25	175
<b>Total Maintenance - Equipment/Machinery</b>	<b>38,200</b>	<b>38,200</b>	<b>71,944</b>	<b>(33,744)</b>
<b>CONTRACTUAL SERVICES:</b>				
Communication services	2,600	2,600	4,242	(1,642)
Leases and rentals	1,500	1,500	1,500	-
Insurance	11,500	11,500	6,438	5,062
Contractual and fee basis service	12,000	12,000	5,950	6,050
Memberships and subscriptions	-	-	140	(140)
Utility services	138,000	138,000	136,080	1,920
Regulatory inspection fee	7,800	7,800	6,997	803
<b>Total Contractual Services</b>	<b>173,400</b>	<b>173,400</b>	<b>161,347</b>	<b>12,053</b>
<b>CAPITAL OUTLAY:</b>				
Water system improvements	85,000	85,000	-	85,000
<b>Total Capital Outlay</b>	<b>85,000</b>	<b>85,000</b>	<b>-</b>	<b>85,000</b>
<b>TOTAL WATER OPERATIONS</b>	<b>566,303</b>	<b>566,303</b>	<b>505,458</b>	<b>60,845</b>
<b>WASTEWATER OPERATIONS</b>				
<b>PERSONNEL SERVICES:</b>				
Operations and maintenance	79,872	79,872	84,189	(4,317)
Overtime	6,500	6,500	12,123	(5,623)
Certificate Pay	600	600	-	600
Uniforms and clothing	1,000	1,000	183	817
Workers' compensation	2,843	2,843	2,276	567
Unemployment compensation	450	450	324	126
Employee retirement	7,497	7,497	8,348	(851)
Employee insurance	13,537	13,537	14,073	(536)
Payroll taxes	6,653	6,653	7,326	(673)
<b>Total Personnel Services</b>	<b>118,952</b>	<b>118,952</b>	<b>128,842</b>	<b>(9,890)</b>
<b>SUPPLIES AND MATERIALS:</b>				
Laboratory supplies	100	100	30	70
Postage and delivery	-	-	25	(25)
Tires and tubes	1,500	1,500	1,440	60
Motor vehicle supplies	5,000	5,000	5,664	(664)
Minor tools and apparatus	750	750	323	427
Chemical and mechanical supplies	38,000	38,000	42,899	(4,899)
Safety supplies	1,000	1,000	631	369
Botanical gear	-	-	-	-
Educational and training	1,000	1,000	480	520
<b>Total Supplies and Materials</b>	<b>47,350</b>	<b>47,350</b>	<b>51,492</b>	<b>(4,142)</b>
<b>MAINTENANCE - BUILDING/LAND:</b>				
Building and grounds	10,000	10,000	997	9,003
Sanitary sewers	25,000	25,000	14,613	10,387
Lift stations	20,000	20,000	6,853	13,147
<b>Total Maintenance - Building/Land</b>	<b>55,000</b>	<b>55,000</b>	<b>22,463</b>	<b>32,537</b>

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>MAINTENANCE - EQUIPMENT/MACHINERY:</b>				
Machinery and heavy equipment	\$ 10,000	\$ 10,000	\$ 17,400	\$ (7,400)
Automotive equipment	2,500	2,500	1,603	897
Contingency	25,000	25,000	-	25,000
Shop equipment	400	400	-	400
Total Maintenance - Equipment/Machinery	37,900	37,900	19,003	18,897
<b>CONTRACTUAL SERVICES:</b>				
Communication services	1,400	1,400	957	443
Leases and rentals	200	200	-	200
Insurance	3,500	3,500	6,274	(2,774)
Contractual and fee basis service	111,853	111,853	102,170	9,683
Utility services	100,000	100,000	74,486	25,514
Regulatory inspection fee	13,000	13,000	11,101	1,899
Memberships and subscriptions	-	-	70	(70)
Total Contractual Services	229,953	229,953	195,058	34,895
<b>CAPITAL OUTLAY:</b>				
Motor vehicles	34,000	34,000	25,744	8,256
Total Capital Outlay	34,000	34,000	25,744	8,256
<b>TOTAL WASTEWATER OPERATIONS</b>	<b>523,155</b>	<b>523,155</b>	<b>442,602</b>	<b>80,553</b>
<b>WATER SUPPLY</b>				
<b>CONTRACTUAL SERVICES:</b>				
Contractual and fee basis service	406,315	406,315	442,917	(36,602)
Total Contractual Services	406,315	406,315	442,917	(36,602)
<b>TOTAL WATER SUPPLY</b>	<b>406,315</b>	<b>406,315</b>	<b>442,917</b>	<b>(36,602)</b>
<b>UTILITY DEBT SERVICE</b>				
<b>DEBT SERVICE:</b>				
Revenue bonds principal	245,000	245,000	245,000	-
Revenue bonds interest	113,655	113,655	121,735	(8,080)
G.O. bonds principal	137,880	137,880	140,000	(2,120)
G.O. bonds interest	12,069	12,069	9,941	2,128
Installment notes principal	43,897	43,897	10,910	32,987
Installment notes interest	4,255	4,255	1,334	2,921
Total Debt Service	556,756	556,756	528,920	27,836
<b>TOTAL UTILITY DEBT SERVICE</b>	<b>556,756</b>	<b>556,756</b>	<b>528,920</b>	<b>27,836</b>

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

UTILITY OPERATING FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>TRANSFERS</b>				
Interfund transfers	\$ 363,350	\$ 363,350	\$ 363,350	\$ -
<b>TOTAL TRANSFERS</b>	<u>363,350</u>	<u>363,350</u>	<u>363,350</u>	<u>-</u>
<b>TOTAL EXPENSES - BUDGET BASIS</b>	<u>\$ 3,043,621</u>	<u>\$ 3,043,621</u>	\$ 2,816,479	<u>\$ 227,142</u>
Financial Statement Adjustments:				
Depreciation			617,938	
Record transfers to other funds			71,051	
TMRS pension adjustment			(10,346)	
Other post employment benefits adjustment			2,190	
Increase in accrued expenses			70,757	
Reclassify capital expenditures			<u>(110,767)</u>	
<b>TOTAL EXPENSES AND TRANSFERS - GAAP BASIS</b>			<u>\$ 3,457,302</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, 2018

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>				
Transfers in	\$ 685,423	\$ 685,423	\$ 756,165	\$ 70,742
TOTAL REVENUES - BUDGET BASIS	<u>\$ 685,423</u>	<u>\$ 685,423</u>	756,165	<u>\$ 70,742</u>
TOTAL REVENUES - GAAP BASIS			<u>\$ 756,165</u>	
<b><u>EXPENSES</u></b>				
Bond principal:				
2006 Certificates of Obligation	\$ 145,000	\$ 145,000	\$ 145,000	\$ -
2007 Certificates of Obligation	100,000	100,000	100,000	-
Bond interest:				
2006 Certificates of Obligation	70,975	70,975	70,975	-
2007 Certificates of Obligation	50,760	50,760	50,760	-
2007 Refunding	123,735	123,735	123,735	-
2012 Refunding	182,884	182,884	182,884	-
2016 Tax Note	<u>12,069</u>	<u>12,069</u>	<u>12,069</u>	<u>-</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 685,423</u>	<u>\$ 685,423</u>	685,423	<u>\$ -</u>
Record amortization of bond defeasance			64,935	
Interest on notes payable			<u>1,334</u>	
TOTAL EXPENSES - GAAP BASIS			<u>\$ 751,692</u>	

**OTHER SCHEDULES**

**CITY OF WHITEHOUSE, TEXAS**  
**SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>TOTAL</u>	<u>LAND</u>	<u>CONSTRUCTION IN PROCESS</u>	<u>BUILDINGS &amp; IMPROVEMENTS</u>	<u>PARKS</u>	<u>INFRASTRUCTURE</u>	<u>MACHINERY &amp; EQUIPMENT AUTOS</u>	<u>OTHER EQUIPMENT</u>
Governmental assets - October 1, 2017	\$ 16,064,931	\$ 190,184	\$ 45,000	2,853,633	\$ 2,431,225	\$ 8,192,553	\$ 1,076,912	\$ 1,275,424
EXPENDITURES FROM GOVERNMENTAL FUNDS:								
GENERAL FUND								
Street Improvements	894,581	-	880,581	-	-	14,000	-	-
Building Improvements	46,353	-	-	46,353	-	-	-	-
Community Development	12,690	-	-	-	-	-	12,690	-
Police Vehicles	91,004	-	-	-	-	-	91,004	-
Fire Apparatus	24,500	-	-	24,500	-	-	-	-
Parks	345,161	-	331,281	-	13,880	-	-	-
COMPLETION OF CAPITAL PROJECTS	-	-	(635,773)	270,400	105,881	259,492	-	-
 GOVERNMENTAL ASSETS - SEPTEMBER 30, 2018	 <u>\$ 17,479,220</u>	 <u>\$ 190,184</u>	 <u>\$ 621,089</u>	 <u>3,194,886</u>	 <u>\$ 2,550,986</u>	 <u>8,466,045</u>	 <u>\$ 1,180,606</u>	 <u>\$ 1,275,424</u>

CITY OF WHITEHOUSE, TEXAS

SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	TOTAL	BONDS PAYABLE			NOTES PAYABLE	COMPENSATED ABSENCES	NET PENSION LIABILITY	OPEB LIABILITY
		2006 SERIES	2013 SERIES	2018 SERIES				
Governmental fund debt, October 1, 2017	\$ 3,239,586	\$ 1,730,000	\$ 709,000	\$ -	\$ 315,354	\$ 52,265	\$ 432,967	\$ -
<b>ADDITIONS</b>								
Bonded Debt:								
2018 Certificates of Obligation	5,319,443	-	-	5,319,443	-	-	-	-
Notes Payable:								
Austin Bank								
2018 Ford Explorers (Police Dept)	91,004	-	-	-	91,004	-	-	-
City Improvements	293,772	-	-	-	293,772	-	-	-
	<u>384,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,776</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other post-employment benefits	67,945	-	-	-	-	-	-	67,945
Total Additions	5,772,164	-	-	5,319,443	384,776	-	-	67,945
<b>RETIREMENTS</b>								
Bond principal:								
2006 Limited Tax Refunding Bonds	160,000	160,000	-	-	-	-	-	-
2018 Certificates of Obligation	7,720	-	-	7,720	-	-	-	-
2013 Series Tax Notes	233,000	-	233,000	-	-	-	-	-
	<u>400,720</u>	<u>160,000</u>	<u>233,000</u>	<u>7,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Notes Payable:								
Austin Bank								
2018 Ford Explorers (Police Dept)	22,952	-	-	-	22,952	-	-	-
City Improvements	55,122	-	-	-	55,122	-	-	-
2017 Street Maintenance	24,713	-	-	-	24,713	-	-	-
Fire Truck Compressor	4,856	-	-	-	4,856	-	-	-
2015 Street Maintenance	79,912	-	-	-	79,912	-	-	-
	<u>187,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,555</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Note Retirements	187,555	-	-	-	187,555	-	-	-
Net Pension Liability	165,955	-	-	-	-	-	165,955	-
Compensated Absences	2,416	-	-	-	-	2,416	-	-
Total Other Retirements	168,371	-	-	-	-	2,416	165,955	-
<b>GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2018</b>	<u>\$ 8,255,104</u>	<u>\$ 1,570,000</u>	<u>\$ 476,000</u>	<u>\$ 5,311,723</u>	<u>\$ 512,575</u>	<u>\$ 49,849</u>	<u>\$ 267,012</u>	<u>\$ 67,945</u>

CITY OF WHITEHOUSE, TEXAS

SCHEDULE "14"

SCHEDULE OF REVENUE AND GENERAL OBLIGATION BONDS AND NOTES PAYABLE

FISCAL YEAR ENDED SEPTEMBER 30, 2018

ISSUE DATE	MATURITY	BOND NUMBERS AND INTEREST RATE	BONDS AND NOTES ISSUED	BOND/NOTE PRINCIPAL			OUTSTANDING 9-30-18	BOND/NOTE PRINCIPAL AND INTEREST REQUIREMENTS YEAR ENDING 9-30-18			BOND/NOTE INTEREST TO BE PROVIDED IN FUTURE YEARS	
				BALANCE 10-1-17	ISSUED CURRENT YEAR	CURRENT YEAR RETIREMENTS		PRINCIPAL	INTEREST	TOTAL		
<b>BUSINESS TYPE ACTIVITIES DEBT</b>												
<b>BONDED DEBT</b>												
2006-Water & Sewer Certificates of Obligation	4/1/06	Payable serially in varying amounts to 2-15-26	4.20%	\$ 2,800,000	\$ 1,570,000	\$ -	\$ 145,000	\$ 1,425,000	\$ 155,000	\$ 56,595	\$ 211,595	\$ 195,510
2007 Tax Refunding Bonds	7/15/07	Payable serially in varying amounts to 2-15-27	4.52%	4,359,000	2,912,000	-	349,000	2,563,000	300,000	109,068	409,068	285,551
2007-Water & Sewer Certificates of Obligation	5/15/07	Payable serially in varying amounts to 2-15-26	4.32%	2,000,000	1,225,000	-	100,000	1,125,000	105,000	46,332	151,332	185,328
2016Tax Note	10/27/15	Payable serially in varying amounts to 2-15-21	2.12%	700,000	569,310	-	137,880	431,430	140,804	9,146	149,950	9,274
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	7,590,000	-	385,000	7,205,000	445,000	175,495	620,495	1,045,043
<b>Total Business Type Activities Bonded Debt</b>				<b>19,589,000</b>	<b>13,866,310</b>	<b>-</b>	<b>1,116,880</b>	<b>12,749,430</b>	<b>1,145,804</b>	<b>396,636</b>	<b>1,542,440</b>	<b>1,720,706</b>
<b>GOVERNMENTAL FUND DEBT:</b>												
<b>BONDED DEBT</b>												
2006 Limited Tax Refunding Bonds	10/15/06	Payable serially in varying amounts to 2-15-26	4.80%	3,140,000	1,730,000	-	160,000	1,570,000	170,000	66,725	236,725	247,775
2013 Tax Note	06/20/13	Payable serially in varying amounts to 2-15-26	1.60%	1,800,000	709,000	-	233,000	476,000	236,000	5,728	241,728	1,920
2018 Series Combination Tax & Revenue Bonds	02/20/18	Payable serially in varying amounts to 2-15-26	3.00% to 3.12%	5,190,000	-	5,319,443	7,720	5,311,723	165,000	226,186	391,186	1,109,563
<b>Total Governmental Fund Bonded Debt</b>				<b>10,130,000</b>	<b>2,439,000</b>	<b>5,319,443</b>	<b>400,720</b>	<b>7,357,723</b>	<b>571,000</b>	<b>298,639</b>	<b>869,639</b>	<b>1,359,258</b>
<b>Total Bonded Indebtedness</b>				<b>\$ 29,719,000</b>	<b>\$ 16,305,310</b>	<b>\$ 5,319,443</b>	<b>\$ 1,517,600</b>	<b>\$ 20,107,153</b>	<b>\$ 1,716,804</b>	<b>\$ 695,275</b>	<b>\$ 2,412,079</b>	<b>\$ 3,079,964</b>
<b>BUSINESS TYPE ACTIVITIES DEBT NOTES PAYABLE</b>												
Note Payable - Austin Bank		Maturing 02-15-2021		\$ 25,744	\$ -	\$ 25,744	\$ 6,337	\$ 19,407	\$ 6,264	\$ 556	\$ 6,820	\$ 718
Note Payable - Austin Bank		Maturing 02-15-2022		24,370	-	24,370	4,573	19,797	4,719	632	5,351	975
<b>Total Business Type Activities Notes Payable</b>				<b>50,114</b>	<b>-</b>	<b>50,114</b>	<b>10,910</b>	<b>39,204</b>	<b>10,983</b>	<b>1,188</b>	<b>12,171</b>	<b>1,693</b>
<b>GOVERNMENTAL FUND: NOTES PAYABLE</b>												
Note Payable - Austin Bank		Maturing 02-15-2020	2.20%	400,000	245,181	-	79,912	165,269	81,695	3,685	85,380	1,863
Note Payable - Austin Bank		Maturing 12-04-2020	2.50%	25,460	20,173	-	4,856	15,317	4,978	388	5,366	395
Note Payable - Austin Bank		Maturing 08-14-2019	2.75%	50,000	50,000	-	24,713	25,287	25,287	705	25,992	-
Note Payable - Austin Bank		Maturing 08-14-2019	2.50%	91,004	-	91,004	22,952	68,052	21,921	2,346	24,267	2,404
Note Payable - Austin Bank		Maturing 08-14-2019	2.50%	293,772	-	293,772	55,122	238,650	56,883	7,622	64,505	11,748
<b>Total Governmental Fund Notes Payable</b>				<b>860,236</b>	<b>315,354</b>	<b>384,776</b>	<b>187,555</b>	<b>512,575</b>	<b>190,764</b>	<b>14,746</b>	<b>205,510</b>	<b>16,410</b>
<b>Total Notes Payable</b>				<b>\$ 910,350</b>	<b>\$ 315,354</b>	<b>\$ 434,890</b>	<b>\$ 198,465</b>	<b>\$ 551,779</b>	<b>\$ 201,747</b>	<b>\$ 15,934</b>	<b>\$ 217,681</b>	<b>\$ 18,103</b>

**OTHER SCHEDULES**

**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 Auditors' 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 the City of Whitehouse, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Whitehouse, Texas' basic financial statements, and have issued our report thereon dated January 31, 2019.

***Internal Control over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the next paragraph that we consider to be significant deficiencies.

Non-Cash Adjustments (Court)

In connection with our assessment of fraud risk with the City's controls, we tested the City's procedures for non-cash adjustments made on citations where the citation is settled by means other than actual payment. For one of the items selected for testing, we found that the defendant improperly received credit for being indigent that was not compliant with Texas Government Code. In addition, on two of the items selected for testing, we found that the defendant received community service credit from non-qualified organizations.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Whitehouse, Texas' 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the preceding paragraph.

### ***City of Whitehouse, Texas's Response to Findings***

The City agrees with the findings reflected above related to the improper credits for the non-cash adjustments of court citations. The City's court clerk and finance director will take the necessary steps to ensure that training occurs and procedures are updated to ensure that non-cash adjustments of court citations are proper and in compliance with government code.

### **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  
January 31, 2019