

CITY OF WHITE HOUSE, TENNESSEE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2005

Prepared By:

Finance Department

CITY OF WHITE HOUSE, TENNESSEE

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INTRODUCTORY SECTION

CITY OF WHITE HOUSE

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November 14, 2005

To the Board of Mayor and Aldermen and Citizens of White House, Tennessee:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of White House (the City) for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City of White House. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City of White House has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of White House's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of White House's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of White House's financial statements have been audited by Yeary, Howell, and Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of White House for the fiscal year ended June 30, 2005, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of White House's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of White House's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of White House, incorporated in 1971, is located in Middle Tennessee, 22 miles north of Metropolitan Nashville, adjacent to Interstate 65 and South Highway 31W. The population of the City of White House is 8,530 per the special census of 2005. The City of White House is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Mayor and Aldermen.

The City of White House currently operates under a Mayor-Aldermen form of government exercising the City Administrator plan. Policy-making and legislative authority are vested in a governing board consisting of the mayor and four aldermen, one from each Ward. The Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the Board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Board is elected on a non-partisan basis. Aldermen serve four-year staggered terms, with two members elected every two years. The Mayor is elected to serve a four-year term.

The City of White House provides a full range of services, including police and fire protection; sanitation services, wastewater utility services; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events.

The annual budget serves as the foundation for the City of White House's financial planning and control. All departments of the City of White House are required to submit requests for appropriation to the City Administrator before April 1 of each year. The City Administrator uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the Board of Mayor and Aldermen for review. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by June 30, the close of the City of White House's fiscal year. The appropriated budget is prepared by fund, function (department), and object (expense account). The City Administrator may make transfers of appropriations if less than \$10,000 within a department. Transfers of appropriations between departments, however, require the special approval of the Board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund this comparison is presented on pages 37-41 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which is on pages 42-44.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps the best understood when it is considered from the broader perspective of the specific environment within which the City of White House operates.

Local Economy. The City of White House currently enjoys a climate of healthy residential and commercial growth. The middle Tennessee region also is experiencing growth in these areas, and in general has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate.

The region, which includes both Robertson and Sumner Counties, in which the City of White House lies, has an unemployment rate of 4.2% to 4.5%. The City of White House's commercial growth is mainly on the Robertson County side of town along Interstate 65 and consists mostly of retail businesses. The City of White House also is home to several small manufacturing/distribution facilities.

The City of White House offers many amenities, including active parks and recreational programs. The neighborhoods are walkable and interconnected with a substantial Greenway system that will eventually encompass the entire community. The City has an outstanding school system that consistently scores considerably above statewide test scores in all subjects. New home prices average in upper \$100,000's, with various types and styles of neighborhoods from traditional one half acre lots, to new neo-traditional neighborhoods. These factors have resulted in continued and steady residential growth.

Long-term financial planning. Numerous initiatives are underway to identify future major capital spending. The City continues to compile a six-year capital improvements plan (CIP).

Of particular note in the current six-year CIP planning are results of the Wastewater Drainage Basin Analysis and list of engineering recommendations for upgrades to the City's sewer collection system, as well as plans for an additional fire station, and construction of the indoor recreation facility.

Finally, the Board continually assesses current taxing rates and City services to ensure an adequate level of resources for the community's public services.

Cash management policies and practices. Cash temporarily idle during the year was primarily invested on demand deposits, certificates of deposit, and the State of Tennessee Local Government Investment Pool. The government's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized by pledged securities.

Risk Management. The City relies primarily upon coverage for potential losses through the Tennessee Municipal League Pooled program. An active loss control program identifies risks and takes measures to reduce City exposure to claims and losses.

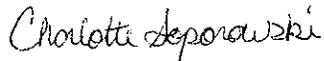
Pension Benefits. Employees of the City of White House are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The City of White House requires employees to contribute 5.0 percent of earnable compensation. The City is required to contribute an actuarially determined rate; the rate for the fiscal year ended June 30, 2005 was 5.20% of annual covered payroll. A more thorough analysis of the Pension Benefits may be found in the Notes to the Financial Statements on pages 33-34.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of White House for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the 16th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government staff published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



Charlotte Soporowski
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of White House,
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



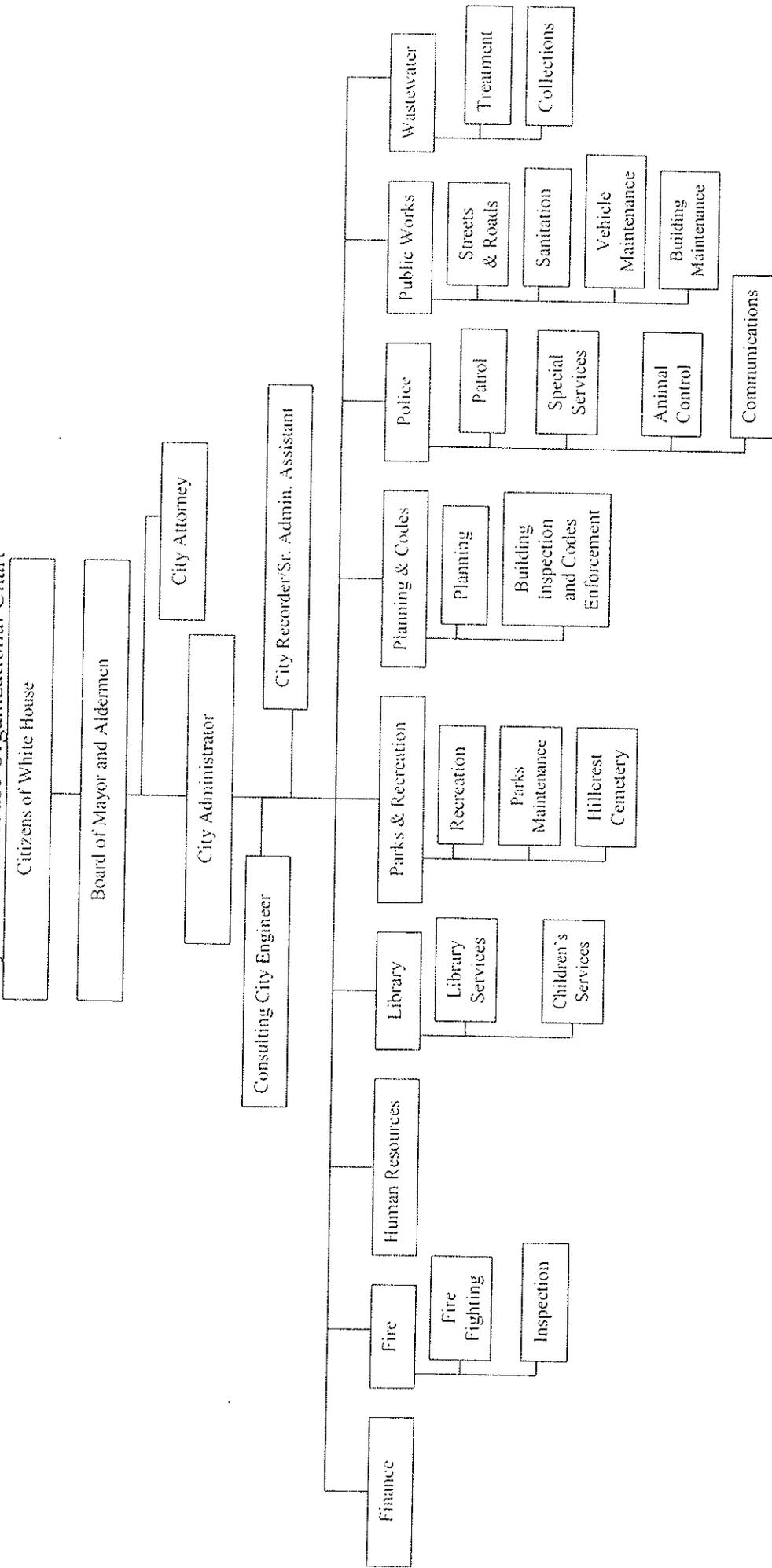
Nancy L. Zjelke

President

Jeffrey R. Egan

Executive Director

City of White House Organizational Chart



CITY OF WHITE HOUSE, TENNESSEE

Officials

For the Year Ended June 30, 2005

Mayor	Stan McAfee
Vice Mayor - Alderman	John Decker
Alderman	Farris H. Bibb, Jr.
Alderman	Mike Arnold
Alderman	Darrell Leftwich
Interim City Administrator	Donna Gwaltney
Finance	Charlotte Soporowski
City Recorder	Anne Love
Building Inspector	Addam McCormick
City Attorney	David Amonette
City Judge	Susan Johnson
Chief of Police	Stan H. Hilgadiack
Interim Director of Public Works	Pat Brady
Director of Parks and Recreation	Ashley Smith
Chief of Fire Department	Joe Palmer
Director of Utilities	Vacant
Director of Municipal Library	Judy Speight

FINANCIAL SECTION

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

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INDEPENDENT AUDITOR'S REPORT

Mayor and Aldermen of the
City of White House
White House, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of White House, Tennessee (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

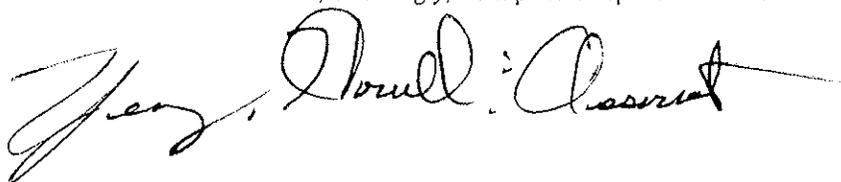
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City at June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005 on our consideration of the City of White House's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 - 12, the Required Supplementary Information on pages 37 - 45 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of White House's basic financial statements. The Introductory Section (Pages i through vii), Combining and Individual Nonmajor Fund Statements and Schedules, and Financial Schedules (Pages 47 - 62) and Statistical Section (Pages 64 - 78) as listed in the Table of Contents are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules, and the Financial Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



October 14, 2005

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2005**

As management of the City of White House, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of White House government for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to the financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of White House, Tennessee (the "City") using the integrated approach as prescribed by GASB statement number 34.

The Government – wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities, including long-term debt. Additionally, certain changes and eliminations have been made as prescribed by the GASB statement with regards to interfund activities, payables, and receivables.

The Fund Financial Statements include statements for each of the types of activities, governmental and business type. The governmental activities are prepared using the current financial resource measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Reconciliation of the Fund financial statements to the Government wide financial statements is provided to explain the differences created by the integrated approach.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is very similar to the accounting used by most private companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes to them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health or financial position. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or declining.

In the Statement of Net Assets and the Statement of Activities, we separate the City's Activities as follows:

Governmental Activities – Most of the City's basic services are reported in this area, including General Government, Police, Fire, Public Works, Planning, Library, Parks and Recreation, and Sanitation. Property Taxes, Sales Taxes, User Fees, Franchise Fees, and Intergovernmental Revenues are the types of revenues that pay for these activities.

Business Type Activities – The City charges a fee to customers for the collection and treatment of sanitary sewage. This activity is reported under Business Type Activities.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, but not the City as a whole. Some funds are required to be established by State Law and by bond covenants. However, management established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, federal or state grants or loans.

Governmental Funds – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’ programs. The differences of results in the Governmental Fund financial statements to those in the Government – wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary Funds – When the City charges customers for services it provides to cover the entire cost of the service, it becomes a proprietary fund type. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise fund is the same as the business type activity we report in the government-wide statement but provides more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City has provided comparative financial information for the prior fiscal year to the current fiscal year. As the City compiles more information in the new GASB 34 format, additional comparative data and analysis will be used in future CAFR’s. The analysis below focuses on the net assets of the City’s governmental and business type activities:

**Financial Analysis of the Financial Statements
City of White House's Net Assets**

	Governmental Activities	Business -type Activities	FY 2004-2005 Total	FY 2003-2004 Total
Current and other assets	\$ 6,011,760	\$ 2,007,907	\$ 8,019,667	\$ 8,156,715
Capital assets	10,794,652	15,862,614	26,657,266	26,038,148
Total assets	<u>16,806,412</u>	<u>17,870,521</u>	<u>34,676,933</u>	<u>34,194,863</u>
Long-term liabilities due in more than one year	7,358,426	5,682,304	13,040,730	13,168,957
Long-term liabilities due in within one year	472,000	560,488	1,032,488	1,169,365
Other liabilities	2,140,990	125,043	2,266,033	2,444,807
Total liabilities	<u>9,971,416</u>	<u>6,367,835</u>	<u>16,339,251</u>	<u>16,783,129</u>
Net assets:				
Invested in capital assets, net of related debt	3,187,652	10,649,501	13,837,153	12,039,918
Restricted	236,207	-	236,207	236,858
Unrestricted	3,411,137	853,185	4,264,322	5,134,958
Total net assets	<u>\$ 6,834,996</u>	<u>\$ 11,502,686</u>	<u>\$ 18,337,682</u>	<u>\$ 17,411,734</u>

At the close of the 2004-2005 fiscal year, the City’s government wide assets exceeded liabilities by \$ 18,097,682. The greatest portion of the City’s assets are attributable to its investment in capital assets such as land, buildings and equipment, less any outstanding debt used to acquire these assets. Capital assets such as parks, police and fire stations, and roads are all used to serve citizens. However, these assets cannot be used for future spending, nor can they be utilized for the retirement of debt. Debt payments are normally generated from other current sources of revenue.

At the end of the fiscal year, the City reported a positive balance in both its governmental and business type activities. Net assets for the Government as a whole increased by \$ 971,814 during the fiscal year. The largest contributory to the increase in net assets came from the Water and Sewer Fund which increased net assets by \$544,584 largely as a result of capital grants and contributions of \$759,117.

The next table shows the changes in net assets of the City's governmental and business type activities.

City of White House's Changes in Net Assets

	<i>Current Year</i>			<i>Prior Year</i>		
	Governmental Activities	Business-type Activities	FY 2004-2005 Total	Governmental Activities	Business-type Activities	FY 2003-2004 Total
Revenues:						
Program revenues:						
Charges for services	\$ 579,689	1,520,904	2,100,593	\$ 459,916	\$ 1,478,393	\$ 1,938,309
Operating grants and contributions	362,900	-	362,900	313,614	-	313,614
Capital grants and contributions	108,337	759,117	867,454	896,298	450,097	1,346,395
General revenues:						
Property taxes	1,882,786	-	1,882,786	1,795,626	-	1,795,626
Sales taxes	1,343,437	-	1,343,437	1,290,226	-	1,290,226
Other taxes	890,099	-	890,099	892,626	-	892,626
Other	399,176	29,146	428,322	260,425	14,877	275,302
Total revenues	5,566,424	2,309,167	7,875,591	5,908,731	1,943,367	7,852,098
Expenses:						
General government	793,433	-	793,433	780,626	-	780,626
City court	51,556	-	51,556	55,417	-	55,417
Police	1,346,609	-	1,346,609	1,361,469	-	1,361,469
Fire	542,760	-	542,760	429,855	-	429,855
Streets	407,358	-	407,358	463,148	-	463,148
Planning and Codes	156,978	-	156,978	158,585	-	158,585
Parks and recreation	568,662	-	568,662	614,796	-	614,796
Library	152,118	-	152,118	150,758	-	150,758
Sanitation	401,201	-	401,201	-	-	-
Government buildings	71,143	-	71,143	77,411	-	77,411
Public works	269,208	-	269,208	642,197	-	642,197
Senior citizen activities	38,871	-	38,871	40,398	-	40,398
Miscellaneous (primarily employee benefits and insurance)	222,222	-	222,222	61,977	-	61,977
Interest expense on long-term debt	214,075	-	214,075	134,787	-	134,787
Water & Sewer	-	1,667,583	1,667,583	-	1,481,781	1,481,781
Total expenses	5,236,194	1,667,583	6,903,777	4,971,424	1,481,781	6,453,205
Increases in net assets before transfer	330,230	641,584	971,814	937,307	461,586	1,398,893
Transfers	97,000	(97,000)	-	85,000	(85,000)	-

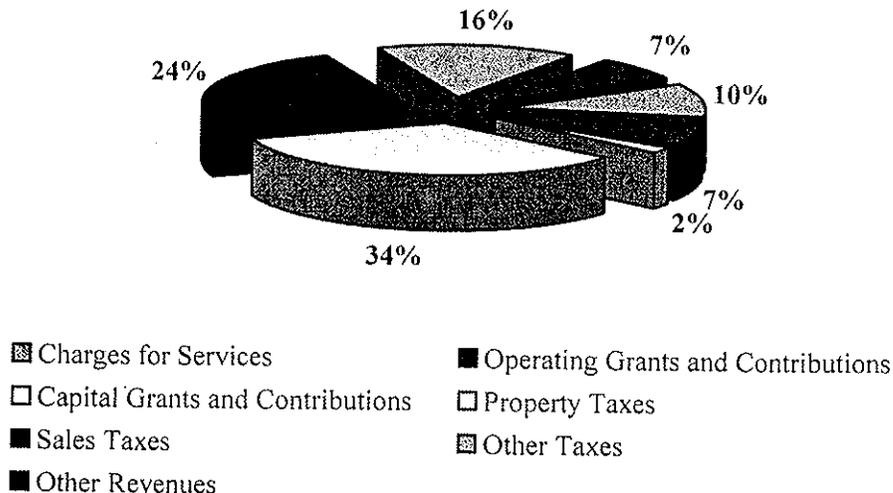
Increases in net assets	427,230	544,584	971,814	1,022,307	376,586	1,398,893
Net assets, beginning of year, as restated	6,407,766	10,958,102	17,365,868	5,431,325	10,581,516	16,012,841
Net assets, end of year	<u>\$ 6,834,996</u>	<u>\$ 11,502,686</u>	<u>\$ 18,337,682</u>	<u>\$ 6,453,632</u>	<u>\$ 10,958,102</u>	<u>\$ 17,411,734</u>

GOVERNMENT ACTIVITIES

The cost of all Governmental Activities this year was \$ 5,236,194. However, portions of the City's costs were financed through direct user fees, such as Building Inspection Fees and Court Fines and Costs, by those directly impacted by the service. State and Federal Grants, such as the COPS Grant or State Gasoline Tax payments, support another portion of operating costs. Overall, the City's governmental program revenues, including intergovernmental aid, grants and fees for service was \$ 1,050,926. General Revenues amounted to \$ 4,515,498. General Revenues were derived from taxes assessed to property owners, sales and use taxes, investment earnings, and other general tax assessments. Overall revenues from Governmental activities were \$ 5,566,424 for FY 2005, a decrease of \$ 342,307 as compared to FY 2004.

The City experienced increased sales taxes of \$ 53,211 over last fiscal year. This is the result of continued growth in the local economy and several new businesses locating in the community. Most other revenue categories were relatively flat from the previous year. The following graph highlights Governmental Revenues for FY 2004-2005:

FY 2005 Governmental Activities Revenue



The City's programs include General Government, Public Safety (Police, Fire), Public Works (Streets & Roads, Sanitation), and Community Services (Parks, Library, Planning and Codes enforcement). Expenses are also tracked for miscellaneous and long-term debt expense. Each Program's Net Cost is presented below:

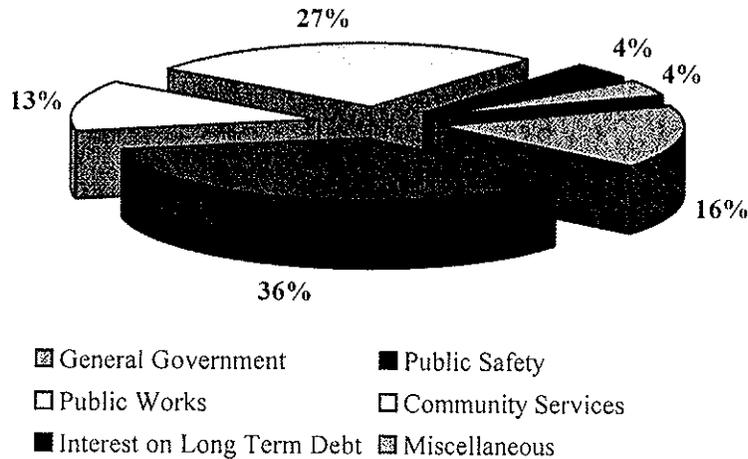
COST OF GOVERNMENTAL ACTIVITIES

	FY 2004-2005 <u>Net (Expense)</u>	FY 2003-2004 <u>Net (Expense)</u>
Governmental Activities:		
General Government	\$ (844,989)	\$ (780,626)
Public Safety	(1,889,369)	(1,846,741)
Public Works	(676,566)	(1,105,345)
Community Services	(1,388,973)	(1,041,948)
Interest on Long Term Debt	(214,075)	(134,787)
Miscellaneous	<u>(222,222)</u>	<u>(61,977)</u>
Total Government Activities	\$ (5,236,194)	\$ (4,971,424)

Spending increased somewhat in the current fiscal year. Both governmental and business type activities increased spending by approximately \$265,000 and \$186,000, respectively.

The following graph shows the breakdown of spending from Governmental Activities:

FY 2005 Governmental Program Expenses



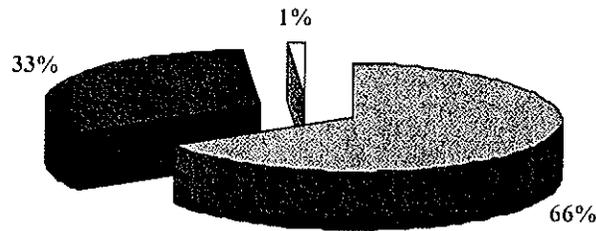
BUSINESS TYPE ACTIVITIES

The cost of all proprietary (Business Type) activities this year was \$ 1,667,583, an increase of \$ 185,802 over FYE 2004 or approximately 13%. As shown in the Statement of Activities, the amounts paid by users of the system were \$ 1,520,904, and capital grants and contributions were \$ 759,117. Other revenues contributed \$ 29,146 to operations.

Total resources available during the year to finance Proprietary Fund Activities were \$ 13,233,041; consisting of net assets at the beginning of the year of \$ 10,958,102 and program revenues of \$ 2,309,167. Total Proprietary Fund expenses and transfers were \$ 1,764,583, resulting in a gain to net assets of \$ 544,584. The total increase in net assets was approximately \$ 168,000 more than FYE 2004, as the City instituted a more aggressive maintenance and repair regime in the collection system.

The following graph highlights the Proprietary Fund Revenues for the 2005 Fiscal Year:

FY 2005 Business Type Activities Revenues



Charges for Services
 Capital Grants and Contributions
 Other Miscellaneous Revenues

THE CITY'S FUNDS

The following is an analysis of balances in the City's major individual funds. The Government throughout the fiscal year carefully tracks ending reserves, and adjustments to spending are made to ensure fund balances remain adequate to cover unexpected emergencies.

General Major Governmental Functions

The focus of the City of White House's governmental funds is to provide information on near term revenues, expenditures, and the balances of spendable resources. Such information is useful in assessing the City's financial requirements. Specifically, unreserved fund balance serves as a useful measure to assess the City's net resources available for spending at the end of the fiscal year, or to provide contingency or rainy day funds.

At the end of the 2004-2005 fiscal year, the City's governmental funds reported combined ending fund balances of \$ 3,718,352, an increase of \$ 307,732 over the prior year ending balance. Nearly eighty percent of this total is an unreserved fund balance, available for spending at the Government's discretion. However, the funds accumulated in the special parks sales tax fund of \$ 1,636,012 are reserved through ballot initiative for parks and recreational facilities, including the construction and operation of a community recreational center. The remainder of the governmental Fund balance is attributed to the General, Solid Waste, Debt Service and Other Governmental Funds (which are restricted for streets capital projects and other purposes) in the amounts of \$455,924, \$352,938, \$454,365 and \$819,113, respectively.

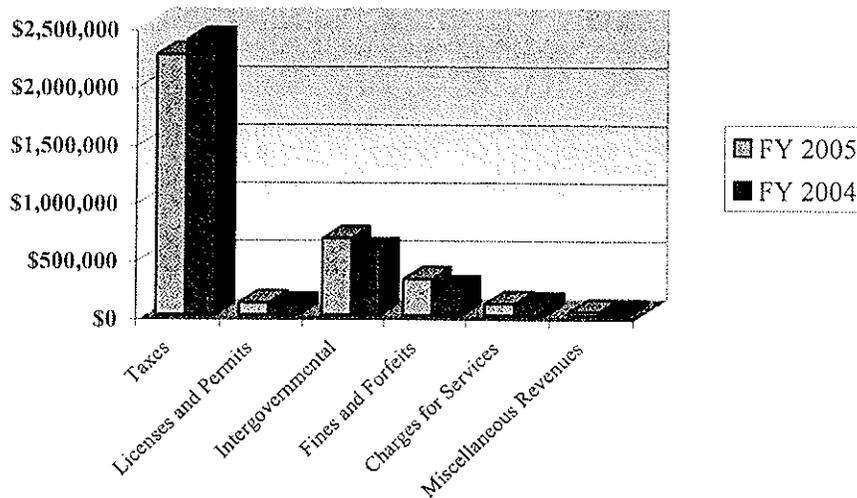
The General Fund is the chief operating fund for the City. It accounts for most City activities including Police, Fire, Parks, and Public Works. General tax levies such as property taxes and local option sales taxes fund these programs. One can measure a fund's liquidity by looking at the percentage of unreserved fund balance. The ending General Fund balance of \$ 455,924 represents approximately twelve and one-quarter percent of total expenditures. While the ending fund balance in the General Fund has stabilized the last two years, financial pressures continue to provide a challenge for the City to maintain a comfortable reserve.

The information below compares revenues of the General Fund for FY 2005 and FY 2004:

Revenues by Source	<u>FY 2005</u>	<u>FY 2004</u>
Taxes	\$ 2,252,470	\$2,381,207
Licenses and Permits	108,593	86,211
Intergovernmental	668,365	565,481
Fines and Forfeits	315,905	238,889
Charges for Services	103,059	91,189
Miscellaneous	<u>32,399</u>	<u>28,400</u>
Total Revenues	<u>\$ 3,480,791</u>	<u>\$3,391,377</u>

The following graph highlights the sources of General Fund Revenue:

General Fund Revenues by Source



The table below compares the distribution of expenditures within the General Fund.

Expenditure by Function	<u>FY 2005</u>	<u>FY 2004</u>
General Government	\$ 614,037	\$ 699,242
City Court	51,300	54,144
Public Safety	1,702,788	1,578,720
Streets and Roads	167,536	152,806
Planning & Codes	148,739	156,483
Parks and Recreation	458,665	441,053
Library	132,039	131,707
Government Buildings	69,245	81,547
Public Works	219,255	135,722
Senior Activities	38,871	40,398
Miscellaneous	<u>175,390</u>	<u>6,061</u>
Total Expenditures	\$ <u>3,777,865</u>	\$ <u>3,984,358</u>

**Capital Outlay included in Department expenditures*

General Fund revenues increased over the prior year due primarily to growth in local option sales taxes. The local option sales tax continued to grow during the year, increasing from \$890,466 in FY 2004 to \$927,190 in FY 2005.

Expenditures increased for Public Safety (Police and Fire) and Public Works in the past year. Some of the increase was a result of moving employee health insurance and other benefits into the individual departments rather than tracking it collectively in a miscellaneous account. Several major projects were undertaken in Public Works, which also increased spending over the prior year. Finally, spending in Parks and Recreation rose with the addition of several capital projects during the year, including the rebuilding of the outdoor basketball courts and construction of a new outdoor sand volleyball court. Costs were down in the City Court program, as the City dropped its exercise of General Sessions Court after several years of operation. Overall, General Fund expenses increased by approximately 9.6%.

Proprietary Fund

The City's only major Enterprise Fund, the Wastewater Fund, increased in net assets by \$544,584. This is the result of total revenues and capital grants exceeding expenses. Without the addition of capital grants, the Wastewater Fund's user charges were \$ 79,177 more than the cost of operation, adding cash to the system.

The table below demonstrates return on ending net assets:

RETURN ON NET ASSETS IN THE PROPRIETARY FUND

Total Net Assets	\$ 11,502,686
Change in Net Assets	544,584
Return on Ending Net Assets	(4.73%)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset Management

The capital assets of the City are those assets which are used in the performance of the City's functions, including infrastructure assets. At June 30, 2005, net capital assets of the governmental and business type activities totaled \$ 26,657,268 (net of accumulated depreciation). The City's investment in capital assets include land, buildings, machinery and equipment, park facilities, roads, bridges, sidewalks, and plant in service. The total increase in capital assets during the fiscal year was 4.7%, 0.7% in governmental activities and 4.0% in business-type (Proprietary Fund) activities.

The major additions to capital assets came with the completion of the new wastewater treatment plant and related facilities and the addition of new pumps, force mains, and appurtenances in the collection system. The City added several new pieces of equipment in governmental funds, including a new fire pumper truck, vehicles, and improvements to facilities.

The Board of Mayor and Aldermen have been concerned about the future viability of the City's core infrastructure, including the sanitary sewer collection system, streets, roads, sidewalks, curbs, bridges, and storm drains. As an outgrowth of this ongoing concern, the Board voted in last year's Action Plan to prioritize an accurate inventory and assessment of City infrastructure, and prepare a long range plan of replacements, upgrades, and improvements to core infrastructure. The inventory was completed during the past fiscal year, and City staff will now work with an engineer to provide an assessment of the condition of this infrastructure for long range capital planning. This is one of the single most significant future costs within the City government, as roads, bridges, drainage systems, and the sewer collection system must be maintained and in some cases improved in the next several years.

The following table lists the City of White House's Capital Assets at the end of the 2004-2005 Fiscal Year:

**City of White House's Capital Assets
Fiscal Year Ending June 30, 2005**

	Governmental Activities	Business - Type Activities	Total
Land	\$ 5,172,246	\$ 779,366	\$ 5,951,613
Buildings and utility plant	5,634,017	19,817,339	25,451,356
Equipment and furniture	3,400,053	456,324	3,856,377
Infrastructure	<u>415,494</u>	<u>-</u>	<u>415,494</u>
	14,621,810	21,053,029	35,674,840
Less accumulated depreciation	<u>3,827,157</u>	<u>5,190,415</u>	<u>9,017,572</u>
Net Capital Assets	\$ <u>10,794,653</u>	\$ <u>15,862,614</u>	\$ <u>26,657,268</u>

Debt Administration

Debt, considered a liability of government activities, decreased in the net amount of \$ 68,248 during the 2005 fiscal year. Total debt outstanding was \$ 13,849,792, or approximately \$ 1,624 per capita. Approximately 7.6 million of the total debt outstanding is backed by the full faith and credit of the City, while the remaining balance is backed by both specific revenue sources and the City's general taxing power.

City of White House's Outstanding Debt

	Governmental Activities	Business -type Activities	Total
General obligation bonds and capital outlay notes	\$ 7,607,000	-	7,607,000
Revenue and tax bonds	-	<u>6,242,792</u>	<u>6,242,792</u>
Total Outstanding Debt	\$ <u>7,607,000</u>	<u>6,242,792</u>	<u>13,849,792</u>

State Statutes in Tennessee impose no limit on the amount of debt that can be issued by the local government. However, all debt issuance, both short and long term, must first be approved in form by the State Auditor, Division of Municipal Audit.

Additional information on the City's Debt can be found within the notes to the financial report on pages 33 through 35.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adoption of the annual budget assures the most efficient, effective, and practical use of the City's resources and citizen's tax dollars. The budgetary process also assures that the Board of Mayor and Aldermen has ensured funding for the highest priority services and initiatives. With the adopted budget, the Board of Mayor and Aldermen allocates City resources within adopted goals and plans (the Action Plan).

Historical Trend

As the City enters fiscal year 2005-2006, we continue to carefully marshal our resources and prepare for new service demands as the result of new residential and commercial growth. Due to increases in local option sales taxes and the seven-cent property tax increase, the City's primary fund, the General Fund, ended the year with a fund balance of \$467,791. This was a decrease of \$108,814 from the prior year ending fund balance. Overall, total City reserves increased by \$319,599 during the year. This increase was the result of new commercial growth, continued growth in local option sales taxes. In fact, flat growth in all revenue categories coupled with strong growth in spending resulted in a successive draw down of fund balances in the early 2000's, as expenditures outpaced revenues. The following table shows local option sales tax collections since FY 2000:

<u>Fiscal Year</u>	<u>Amount Collected</u>
2000	\$ 676,574
2001	\$ 623,146
2002	\$ 603,287
2003	\$ 699,317
2004	\$ 890,466
2005	\$ 927,190

The City's Proprietary Fund, the Wastewater Fund, has stabilized with the passage of new rates and charges in FY 2001. The rate increases covered a two-year period and were set to fund the major upgrade to the treatment plant as well as fully fund depreciation necessary for replacements and repairs to the system. Spending has risen within the sewer collection activity over the previous year, as the City began an aggressive program of maintenance and repairs to the lift stations and collection lines.

The Budget

The adopted budget for the current fiscal year (FY 2005-2006) calls for total General Fund Expenditures of \$ 4,604,459, an increase of 19% over the prior fiscal year. Significant increases were anticipated in employee costs, pending a pay plan study and resulting adjustments to the city's compensation plan, increased rates on property, liability, and worker's compensation insurance, as well as capital outlay spending of \$671,700.

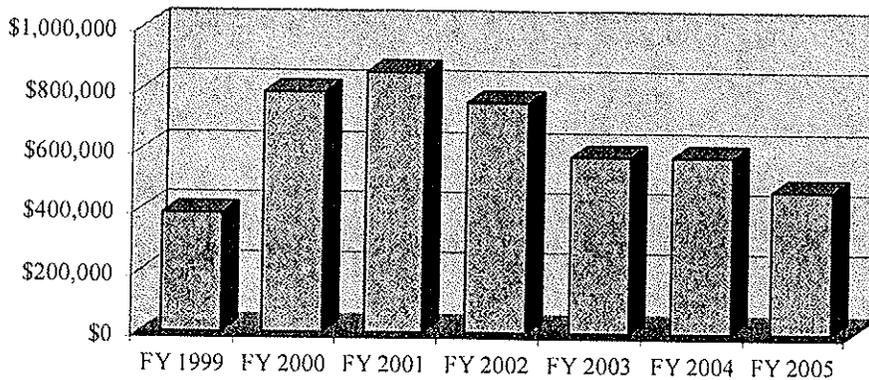
The FY 2005-2006 budget was adopted without an increase in property taxes, and the ending General Fund balance is anticipated to increase by approximately \$ 240,000. This is due to very deliberate management of controllable expenses. The Board of Mayor and Aldermen did adjust the proposed budget for immediate increases to two salaried positions which they felt could not wait for the results of the pay plan study and subsequent adjustment. There was one major capital improvement item that was dropped from the Capital Improvement Plan as a part of this year's budget process. It was decided that the construction of a new Public Works facility was not needed at this time. Pressure continues on most of the governmental funds of the City, as the cost to provide high quality services to residents continues to outpace revenue growth.

The Wastewater Fund operating budget increases in the new fiscal year, while the overall budget increases as the City plans some major capital improvements to the collection system. Revenues are anticipated to increase slightly, reflecting continued growth in residential and commercial buildings in the upcoming year.

Revenue/Surplus

As anticipated, the City's revenues in both governmental and business type activities have begun to pick up with the improvement in the overall economy. This growth in revenues, coupled with a general constriction in spending over the last two years, has produced stable fund balances in the General Fund and Wastewater Fund. Unfortunately, pressure continues on many of the smaller funds, particularly in Sanitation and State Street Aid. The following chart shows the history of the General Fund Balance over the last six years:

**General Fund Ending Fund Balance
FY 1999 to FY 2005**



Future Projections

White House remains poised for additional growth in the foreseeable future. The City's proximity to metropolitan Nashville and easy Interstate access should bode well for the local economy over the next several years. In fact, a new surge of growth has recently begun with the increase in residential building permits and the new activity in commercial development. However, with this growth comes major challenges, particularly in keeping up with demands for new and improved services from residents. As the local economy grows, and especially with the addition of new commercial businesses, the tax base will expand and provide the City better opportunities to meet those needs. Substantial growth in residential subdivisions over the past ten years, without corresponding increases in commercial businesses has placed the City government in a difficult position to meet service demands. Those demands have far outstripped the City's ability to add additional employees, equipment, and facilities. The City must constantly monitor its expenses, while keeping an eye on properly planning for the future.

The Board of Mayor and Aldermen have provided good stewardship over the last few years in adopting a City Action Plan laying out specific goals and objectives to meet the future needs of White House. The Action Plan details many initiatives from public safety to parks to wastewater over the next several years. The Board has also wisely adopted a set of financial and budgetary policies and procedures to set parameters for reserves, debt issuance, and taxing policies. Adjustments have been made to City expenses, and increased property taxes levied to ensure a sound financial picture.

In the next several years, the City will address problems with adequate compensation for employees, significant upgrades to the wastewater collection system, improvements to operating equipment and facilities, and balancing service demands to the existing revenue streams.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or the information provided, or need additional information, please contact the office of the Director of Finance at 105 College Street, White House, TN 37188, (615) 672-4350, or email at csoporowski@cityofwhitehouse.com.

Basic Financial Statements

CITY OF WHITE HOUSE, TENNESSEE

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Assets			
Cash and cash investments	\$ 3,199,538	414,529	3,614,067
Cash and cash equivalents - restricted:			
Bond reserve accounts	-	213,340	213,340
Construction account	-	1,029,679	1,029,679
Total Cash and Cash Equivalents	<u>3,199,538</u>	<u>1,657,548</u>	<u>4,857,086</u>
Receivables:			
Property tax	2,096,203	-	2,096,203
Customer	-	282,096	282,096
Other governments	379,458	-	379,458
Other	155,468	-	155,468
Total Receivables	<u>2,631,129</u>	<u>282,096</u>	<u>2,913,225</u>
Internal balances	99,921	(99,921)	-
Supply inventory, at cost	-	160,651	160,651
Depreciable capital assets, net of accumulated depreciation	5,622,406	15,083,248	20,705,654
Non depreciable capital assets	5,172,246	779,366	5,951,612
Other assets	81,172	7,533	88,705
Total Assets	<u>\$ 16,806,412</u>	<u>17,870,521</u>	<u>34,676,933</u>
Liabilities			
Liabilities:			
Accounts payable	\$ 31,508	2,948	34,456
Accrued liabilities	58,461	27,846	86,307
Customer deposits	-	55,800	55,800
Accrued interest payable	-	33,230	33,230
Contracts payable	-	5,219	5,219
Unearned revenue	1,970,571	-	1,970,571
Performance bonds payable	80,450	-	80,450
Long-term liabilities:			
Due within one year	515,000	560,488	1,075,488
Due in more than one year	7,315,426	5,682,304	12,997,730
Total Liabilities	<u>9,971,416</u>	<u>6,367,835</u>	<u>16,339,251</u>
Net Assets			
Investment in capital assets, net of related debt	3,187,652	10,649,501	13,837,153
Restricted for:			
Street maintenance and improvements	32,937	-	32,937
Capital projects	195,668	-	195,668
Other projects	7,602	-	7,602
Unrestricted	3,411,137	853,185	4,264,322
Total Net Assets	<u>\$ 6,834,996</u>	<u>11,502,686</u>	<u>18,337,682</u>

See accompanying notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2005

Functions/Programs: Primary Government:	Net (Expenses) Revenue and Changes in Net Assets				Total		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Changes in Net Assets	
						Governmental Activities	Primary Government Business-type Activities
General government	\$ 509,354	21,495	59,361	108,337	(319,961)	(319,961)	
City court	51,556	-	-	-	(51,556)	(51,556)	
Financial administration	284,079	-	-	-	(284,079)	(284,079)	
Police	1,346,609	346,542	35,592	-	(964,475)	(964,475)	
Fire	542,760	-	57,860	-	(484,900)	(484,900)	
Streets	407,358	-	209,887	-	(197,471)	(197,471)	
Planning and zoning	103,292	-	-	-	(103,292)	(103,292)	
Parks and recreation	568,662	103,059	-	-	(465,603)	(465,603)	
Codes and inspection	53,686	108,593	-	-	54,907	54,907	
Library	152,118	-	-	-	(152,118)	(152,118)	
Government buildings	71,143	-	-	-	(71,143)	(71,143)	
Public works	222,346	-	-	-	(222,346)	(222,346)	
Sanitation	401,201	-	-	-	(401,201)	(401,201)	
Senior citizen activities	38,871	-	-	-	(38,871)	(38,871)	
City garage	46,862	-	-	-	(46,862)	(46,862)	
Miscellaneous	222,222	-	-	-	(222,222)	(222,222)	
Interest expense on long-term debt	214,075	-	-	-	(214,075)	(214,075)	
Total Government Activities	5,236,194	579,689	362,900	108,337	(4,185,268)	(4,185,268)	
Business-type Activities							
Sewer	1,667,583	1,520,904	-	759,117	-	612,438	
Total Business-type Activities	1,667,583	1,520,904	-	759,117	-	612,438	
Total Primary Government	\$ 6,903,777	2,100,593	362,900	867,454	(4,185,268)	(3,572,830)	
General Revenues:							
Property taxes						\$ 1,882,786	
Sales taxes						1,343,437	
Other locally assessed taxes						345,186	
Other state shared taxes						544,913	
Impact fees						278,553	
Unrestricted investment earnings						28,672	
Miscellaneous						64,685	
Transfers						97,000	
Total general revenues and transfers						4,612,498	
Change in net assets						(67,854)	
Net assets - beginning of year, as previously reported						427,230	
Restatement						6,453,633	
Net assets - beginning of year, as restated						10,958,102	
Net assets - end of year						10,958,102	
						11,502,686	
						\$ 18,337,682	

See accompanying notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2005

<u>Assets</u>	<u>General Fund</u>	<u>Park Sales Tax Fund</u>	<u>Solid Waste Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 226,553	1,443,751	572,475	461,887	494,872	3,199,538
Accounts receivable:						
Property tax	1,414,060	-	310,787	389,444	-	2,114,291
Other governments	265,968	74,811	-	-	38,679	379,458
Other	155,468	-	-	-	-	155,468
Total Receivables	<u>1,835,496</u>	<u>74,811</u>	<u>310,787</u>	<u>389,444</u>	<u>38,679</u>	<u>2,649,217</u>
Due from other funds	246,487	129,061	5,414	97,299	394,934	873,195
 Total Assets	 <u>\$ 2,308,536</u>	 <u>1,647,623</u>	 <u>888,676</u>	 <u>948,630</u>	 <u>928,485</u>	 <u>6,721,950</u>
 <u>Liabilities</u>						
Accounts payable	\$ 29,157	-	-	-	2,349	31,506
Accrued costs	14,746	-	3,190	-	-	17,936
Due to other funds	319,418	11,611	226,081	109,141	107,023	773,274
Unearned revenue	1,408,841	-	306,467	385,124	-	2,100,432
Performance bonds payable	80,450	-	-	-	-	80,450
 Total Liabilities	 <u>1,852,612</u>	 <u>11,611</u>	 <u>535,738</u>	 <u>494,265</u>	 <u>109,372</u>	 <u>3,003,598</u>
 <u>Fund Equity</u>						
Fund Balance:						
Unreserved reported in:						
Special revenue funds	-	-	-	-	582,906	582,906
Reserved specific projects	-	-	-	-	236,207	236,207
Unreserved - undesignated	455,924	1,636,012	352,938	454,365	-	2,899,239
Total Fund Equity and Other Credits	<u>455,924</u>	<u>1,636,012</u>	<u>352,938</u>	<u>454,365</u>	<u>819,113</u>	<u>3,718,352</u>
 Total Liabilities and Fund Equity	 <u>\$ 2,308,536</u>	 <u>1,647,623</u>	 <u>888,676</u>	 <u>948,630</u>	 <u>928,485</u>	 <u>6,721,950</u>

See accompanying notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

**Reconciliation of the Balance Sheet to the Statement of Net Assets
of Governmental Activities**

June 30, 2005

Amounts reported for fund balance - total governmental funds		\$ 3,718,352
Amounts reported for governmental activities in the statement of net assets are different because:		
Restatement of prior years as a result of recording:		
Investment in capital assets, net of related debt		3,070,960
Property tax revenue		92,199
Accrued vacation and sick leave		(208,606)
Accrued interest on bonded debt		(42,107)
Bond costs		84,700
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		48,444
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds		
Property tax revenue		19,574
Liabilities not due and payable currently and not recorded in the governmental funds		
Compensated absences	(14,820)	
Accrued interest	1,582	(13,238)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not recorded in the funds		
Bonds payments	650,000	
Bonds issuance	(581,753)	
Bond issue costs	(3,529)	64,718
Net assets of governmental activities		\$ <u>6,834,996</u>

See accompanying notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balances**

All Governmental Fund Types

For the Year Ended June 30, 2005

	General Fund	Park Sales Tax Fund	Solid Waste Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 2,252,470	416,247	448,000	449,052	-	3,565,769
Licenses and permits	108,593	-	-	-	278,553	387,146
Intergovernmental	668,365	-	-	-	347,785	1,016,150
Fines and forfeits	315,905	-	-	-	30,637	346,542
Charges for services	103,059	-	-	-	-	103,059
Miscellaneous	32,399	16,373	14,191	2,641	62,780	128,384
Total Revenues	<u>3,480,791</u>	<u>432,620</u>	<u>462,191</u>	<u>451,693</u>	<u>719,755</u>	<u>5,547,050</u>
Expenditures:						
Current:						
General government	318,661	-	-	-	-	318,661
City court	51,300	-	-	-	-	51,300
Financial administration	293,363	-	-	-	-	293,363
Public safety	1,632,221	-	-	-	15,568	1,647,789
Streets	167,536	-	-	-	239,822	407,358
Sanitation	-	-	405,057	-	-	405,057
Planning and zoning	95,053	-	-	-	-	95,053
Parks and recreation	429,590	-	-	-	15,635	445,225
Codes and inspection	53,686	-	-	-	-	53,686
Library	129,975	-	-	-	-	129,975
Government buildings	69,245	-	-	-	-	69,245
Public works	144,567	-	-	-	-	144,567
Senior citizens activities	38,871	-	-	-	-	38,871
City garage	46,862	-	-	-	-	46,862
Miscellaneous (primarily employee benefits and insurance)	175,390	-	-	2,451	40,852	218,693
Debt service	-	122,071	-	621,601	121,985	865,657
Capital outlay	131,545	-	-	-	555,164	686,709
Total Expenditures	<u>3,777,865</u>	<u>122,071</u>	<u>405,057</u>	<u>624,052</u>	<u>989,026</u>	<u>5,918,071</u>
Excess (deficiency) of revenues over expenditures	<u>(297,074)</u>	<u>310,549</u>	<u>57,134</u>	<u>(172,359)</u>	<u>(269,271)</u>	<u>(371,021)</u>
Other Financing Sources (Uses)						
Bond issuance	79,393	-	262,607	239,753	-	581,753
Transfer from other funds	97,000	-	-	-	-	97,000
Total Other Financing Sources (Uses)	<u>176,393</u>	<u>-</u>	<u>262,607</u>	<u>239,753</u>	<u>-</u>	<u>678,753</u>
Net Change in Fund Balance	<u>(120,681)</u>	<u>310,549</u>	<u>319,741</u>	<u>67,394</u>	<u>(269,271)</u>	<u>307,732</u>
Fund Balance, July 1, 2004	576,605	1,325,464	33,197	386,971	1,088,383	3,410,620
Fund Balance, June 30, 2005	\$ <u>455,924</u>	<u>1,636,013</u>	<u>352,938</u>	<u>454,365</u>	<u>819,112</u>	<u>3,718,352</u>

See accompanying notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2005

Net change in fund balances-total governmental funds:	\$	307,732
 Amounts reported for governmental activities in the statement of net assets are different because:		
<p>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. Gross sale proceeds are recognized in the Governmental Funds, only net gain (loss) is shown in the Government - Wide statement of activities.</p>		
Acquisition of capital assets	578,225	
Loss on disposal of capital asset	(200)	
Depreciation expense	<u>(529,581)</u>	48,444
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Property tax		19,574
 The issuance of long-term debt provides current financial resources to governmental funds. While the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Debt payments	650,000	
Bond issuance	<u>(581,753)</u>	68,247
 Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Amortization of bond related costs	<u>(3,529)</u>	(3,529)
 Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds		
Compensated absences	(14,820)	
Interest	<u>1,582</u>	(13,238)
 Change in net assets of governmental activities	 \$	 <u>427,230</u>

See accompanying notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

Statement of Net Assets
Proprietary Fund

June 30, 2005

Assets

Assets

Current Assets:	
Cash and cash equivalents - unrestricted	\$ 414,529
Cash and cash equivalents - restricted:	
Bond reserve accounts	213,340
Construction accounts	1,029,679
Total Cash and Cash Equivalents	1,657,548
Customer accounts receivable, net of allowance for doubtful accounts of \$15,000	282,096
Due from other funds	-
Inventory	160,651
Total Current Assets	2,100,295
Property, Plant and Equipment:	
Utility plant in service	21,053,029
Less accumulated depreciation	(5,190,415)
Total Property, Plant and Equipment, Net	15,862,614
Other Assets - bond issue costs	7,533
Total Assets	\$ 17,970,442
 <u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$ 2,948
Contracts payable	5,219
Current maturities - long-term debt	560,488
Accrued expenses	27,846
Accrued interest payable	33,230
Customer deposits	55,800
Due to other funds	99,921
Total Current Liabilities	785,452
Long-Term Debt	
Long-Term Debt, net of current portion	5,682,304
Total Non current Liabilities	5,682,304
Total Liabilities	6,467,756
 Net Assets	
Invested in capital assets, net of related debt	10,649,501
Unrestricted	853,185
Total Net Assets	\$ 11,502,686

See accompanying notes to the financial statements.

CITY OF WHITE HOUSE, TENNESSEE

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

For the Year Ended June 30, 2005

Operating Revenues:	
Customer charges	\$ 1,493,754
Sewer inspection and service charges	27,150
Total Operating Revenues	<u>1,520,904</u>
Operating Expenses:	
Salaries	289,061
Employee benefits	72,787
Supplies	248,004
Contractual services	364,661
Fixed charges	43,642
Other operating costs	2,647
Depreciation and amortization	420,925
Total Operating Expenses	<u>1,441,727</u>
Operating Income	<u>79,177</u>
Nonoperating Revenues (Expenses):	
Interest income	28,672
Interest expense	(225,856)
Other	474
Nonoperating Revenues (Expenses), Net	<u>(196,710)</u>
Net Income Before Operating Transfers and Contributions	(117,533)
Transfers - in lieu of tax payments	(97,000)
Capital Contributions - Tap Fees	<u>759,117</u>
Change in net assets	544,584
Net Assets, July 1, 2004	<u>10,958,102</u>
Net Assets, June 30, 2005	<u>\$ 11,502,686</u>

See accompanying notes to the financial statements.

CITY OF WHITE HOUSE, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2005

Cash Flows from Operating Activities:

Cash received from customers	\$ 1,518,919
Cash paid to suppliers	(761,628)
Cash paid to employees	(289,061)
Other	474
Net Cash Provided by Operating Activities	468,704

Cash Flows from Capital and Related Financing Activities:

Acquisition of plant and equipment	(1,152,154)
Tap fees	759,117
Interest paid	(239,616)
Proceeds from issuance of debt	310,013
Repayment of debt principal	(550,760)
Net Cash Used by Capital and Related Financing Activities	(873,400)

Cash Flows from Non Capital and Related Financing Activities

Customer deposits	11,100
Operating transfers	(97,000)
Increase in due to other funds	71,376
Net Cash Used by Non Capital and Related Financing Activities	(14,524)

Cash Flows from Investing Activities:

Interest received	28,672
Net Cash Provided by Investing Activities	28,672
Net Increase in Cash and Cash Equivalents	(390,548)

Cash and Cash Equivalents, July 1, 2004	2,048,096
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Cash and Cash Equivalents, June 30, 2005	\$ 1,657,548
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Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 79,177
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation of property, plant and equipment	417,618
Amortization of bond issuance costs	3,307
Other	474
Change in assets (increase) decrease:	
Accounts receivable	(1,985)
Inventory	1,496
Change in liabilities increase (decrease):	
Accounts payable	(17,779)
Accrued expenses	(13,604)
Net Cash Provided by Operating Activities	\$ 468,704

Supplemental Schedule of Non-Cash Capital Financing Activities

During 2005, contracts payable for utility plant arising in 2004 were liquidated in the amount of \$147,048.

See accompanying notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Nature of Entity

The City of White House, Tennessee, was incorporated January 30, 1971, under Section 6-101 through 6-134, *Tennessee Code Annotated*. The City operates under a mayor-aldermen form of government exercising the City Administrator Plan, with currently two aldermen from each Ward of the City, and a mayor elected at large. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety (police and fire), sewerage, streets, sanitation, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of White House have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the government and its component unit. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation.

As of June 30, 2005, the City had no component units which were required to be included in these financial statements.

Accounting Pronouncements

The City has adopted GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis for the State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34*, Statement No. 38, *Certain Financial Statement Note Disclosures* and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major fund rather than by fund type and all nonmajor funds are presented in one column.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(1) **Summary of Significant Accounting Policies (Continued):**

Government-wide and Fund Financial Statements (Continued)

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 and fiduciary 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 judgements are recorded only when payment is due.

Property taxes, state shared revenues, 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 using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(1) Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

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

The Park Sales Tax Fund is used to account for the receipt of a special $\frac{1}{2}\%$ local option sales tax levied by City ordinance to finance the operation and development of park and recreation programs.

The Multi-purpose Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds. Capital projects are funded primarily by general obligation bonds, notes and grants.

The Debt Service Fund is used by the City to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

The government reports the following major proprietary fund:

The Sewer Fund accounts for waste water services provided to customers of the system

The City has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". Accordingly, the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The City, however, has elected not to apply FASB pronouncements issued subsequent to that date.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(1) Summary of Significant Accounting Policies (Continued)

Related Organizations

The White House Industrial Development Corporation - The City's Mayor and Board of Aldermen appoint the members of the Industrial Development Corporation. The Corporation may issue industrial development bonds for private enterprises after approval by the City Board. The bonds would not constitute debt of the City and would be secured solely by revenues received from the commercial organizations on whose behalf the bonds are issued. Presently, there are no outstanding bond issues. The Corporation's Board serves without compensation and the Corporation has no financial operations or activities and therefore does not issue financial statements.

Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposits, savings accounts, money market accounts and short-term certificates of deposit maturing within three months or less of initial maturity dates.

Supply Inventory

Inventory items are considered expenditures/expenses when used (consumption method). Inventories are valued as follows:

Governmental Funds - Inventory, principally materials and supplies, is valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Enterprise (Sewer) Fund - Inventory, principally materials, supplies and replacement parts, is valued at the lower of cost (first-in, first-out) or market.

Restricted Assets

Certain assets of the Enterprise (Sewer) Fund are classified as restricted assets because their use is limited by applicable debt or other agreement.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government systems-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

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

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure (roads, bridges)	40 years
Buildings	10-40 years
Distribution systems	15-50 years
Equipment	3-20 years
Furniture and fixtures	3-20 years

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(1) Summary of Significant Accounting Policies, (Continued)

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet and are eliminated on the government-wide statements. Other activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Employee Benefits

Compensated Absences:

General policy of the City permits the accumulation, within certain limitations, of unused sick leave with vesting of one-half of the unused amounts upon retirement. Employees are encouraged to take vacations annually, with carryover of unused vacation days limited to an equivalent of two weeks vacation.

Dental Plan:

The City provides reimbursement, on a pay-as-you-go basis, to employees for dental expenses incurred up to a maximum of \$560 per employee per year. The employee also has a lifetime limitation on orthodontic expenses of \$1,000 per family member.

Property Tax

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of assessed market value:

- Public Utility Property	55%
- Industrial and Commercial Property	
- Real	40%
- Personal	30%
- Farm and Residential Property	25%

Taxes were levied at a rate of \$1.34 per \$100 of assessed valuation for the fiscal year ended June 30, 2005.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$1,809,503 for the fiscal year ended June 30, 2005 were approximately 96 percent of the tax levy.

Taxes become delinquent in March of the year subsequent to the levy date; at that time delinquent taxes are turned over to the County Clerk and Master for collection proceedings.

At June 30, 2005 property taxes receivable amounted to \$2,096,202, of this amount, property taxes assessed January 1, 2005 and levied October 1, 2005 amounted to \$1,966,429. Property taxes are recognized as revenue if available, if not available, amounts are presented as deferred revenue in the governmental fund financial statements. Property tax receivable are presented net of an allowance for doubtful accounts of \$18,088 in the government - wide financial statements.

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 assets.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(1) Summary of Significant Accounting Policies, (Continued)

Long-term Obligations (Continued)

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are amortized over the term of the related debt and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity" requires that general purpose financial statements present the reporting entity which consists of the primary government and any "Component Unit" organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's general purpose financial statements to be misleading or incomplete.

As required by generally accepted accounting principals, the General Purpose Financial Statements present the reporting entity which consists of the City (the Primary Government); there were no Component Units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

Cash and Cash Equivalents

The City is authorized to invest in U.S. Treasury Bills and certificates of deposit in local banks as well as to participate in the State of Tennessee Local Government Investment Pool. The investment pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements backed by the U.S. Treasury securities. Highly-liquid financial instruments having a maturity of three months or less when purchased are considered to be cash equivalents for purposes of the statement of cash flows.

Cash and cash equivalents at June 30, 2005 consist primarily of demand deposits with financial institutions and amounts deposited with the State of Tennessee Local Government Investment Pool. Due to high liquidity, the City considers deposits in the investment pool to be cash equivalents. Deposits in the investment pool are carried at cost which approximates fair value.

(2) Deposits

The City is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During 2005, the City invested in short-term certificates of deposit, savings accounts, and the Tennessee Local Government Investment Pool.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (ii) that deposits placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% if the average daily balance of public deposits held. Investments with the Tennessee Local Government Investment Pool are not categorized as to custodial credit risk.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(2) **Deposits, (Continued)**

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy provides that to the extent practicable, investments are match with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily.

The following is a summary of the City's cash and cash equivalents at June 30, 2005:

	<u>Fair Value Carrying Amounts</u>
Primary Government:	
Demand deposits	\$ 3,420,918
Local government investment pool	<u>1,436,168</u>
Total Cash and cash equivalents	\$ <u>4,857,086</u>

(3) **Capital Assets**

Governmental Activities:

A summary of changes in capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:

	<u>Balance July 1, 2004*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<u>Capital Asset-Cost</u>				
Non depreciable:				
Land	\$ 3,529,711	1,642,535	-	5,172,246
Construction in progress*	<u>1,524,519</u>	<u>-</u>	<u>(1,524,519)</u>	<u>-</u>
	<u>5,054,230</u>	<u>1,642,535</u>	<u>(1,524,519)</u>	<u>5,172,246</u>
Depreciable:				
Buildings and improvements	5,362,106	271,911	-	5,634,017
Equipment	3,243,886	188,298	(32,131)	3,400,053
Infrastructure	<u>415,494</u>	<u>-</u>	<u>-</u>	<u>415,494</u>
	<u>9,021,486</u>	<u>460,209</u>	<u>(32,131)</u>	<u>9,449,564</u>
Total Cost	\$ <u>14,075,716</u>	<u>2,102,744</u>	<u>(1,556,650)</u>	<u>14,621,810</u>
<u>Accumulated Depreciation</u>				
Buildings and improvements	1,591,717	194,823	-	1,786,540
Equipment	1,698,391	324,371	(31,930)	1,990,832
Infrastructure	<u>39,399</u>	<u>10,387</u>	<u>-</u>	<u>49,786</u>
Total accumulated Depreciation	<u>3,329,507</u>	<u>529,581</u>	<u>(31,930)</u>	<u>3,827,158</u>
Depreciable capital assets - net	\$ <u>5,691,979</u>			<u>5,622,406</u>

* During 2005, the cost of capital assets of governmental activities were restated by decreasing prior year amounts for cost and accumulated depreciation in the amounts of \$363,268 and \$317,601, respectively. The restatement was necessary to bring detail capital asset records into agreement with amounts recorded in the financial records as of the beginning of 2005.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(3) Capital Assets (Continued):

Governmental Activities (Continued):

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

General Government	\$ 79,486
Police Department	113,353
Fire Department	100,736
Parks and Recreation	117,382
Planning and codes	4,676
Library	20,055
Public works	<u>93,893</u>
Total	<u>\$ 529,581</u>

Business - Type Activities:

A summary of changes in property, plant and equipment of the Enterprise (Sewer) Fund follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Non depreciable:				
Land	\$ 779,366	-		779,366
Construction in progress	<u>3,447,466</u>	<u>-</u>	<u>(3,447,466)</u>	<u>-</u>
	<u>4,226,832</u>	<u>-</u>	<u>(3,447,466)</u>	<u>779,366</u>
Depreciable:				
Utility plant in service	15,371,273	4,446,066	-	19,817,339
Machinery and equipment	<u>449,818</u>	<u>6,506</u>	<u>-</u>	<u>456,324</u>
	<u>15,821,091</u>	<u>4,452,572</u>	<u>-</u>	<u>20,273,663</u>
Total Cost	<u>20,047,923</u>	<u>4,452,572</u>	<u>(3,447,466)</u>	<u>21,053,029</u>
Less accumulated depreciation:				
Utility plant in service	4,447,748	360,985	-	4,808,733
Machinery and equipment	<u>354,119</u>	<u>27,563</u>	<u>-</u>	<u>381,682</u>
	<u>4,801,867</u>	<u>388,548</u>	<u>-</u>	<u>5,190,415</u>
Depreciable capital assets, net	<u>\$ 11,019,224</u>			<u>15,083,248</u>

Depreciation expense for 2005 amounted to \$388,548.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(5) Long-Term Debt and Other Obligations Payable

Governmental Activities:

The following schedule reflects the changes in long-term debt during the year:

<u>General Long-Term Debt</u>	<u>Interest</u>	<u>Balance</u>			<u>Balance</u>	<u>Due</u>
<u>Account Group</u>	<u>Rate %</u>	<u>7-1-04</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-05</u>	<u>Within</u>
						<u>One Year</u>
General Obligation Bonds:						
Refunding Series 1999	3.25-4.25	1,005,000	-	(95,000)	910,000	100,000
Refunding Series 2002	1.75-4.00	875,000	-	(95,000)	780,000	95,000
Capital outlay notes:						
Series 2004	3.8	650,000	-	(55,000)	595,000	57,000
Refunding Series 2002	1.75-3.45	760,000	-	(100,000)	660,000	105,000
Loans:						
Public Building Authority of Sevier County, TN:						
Series II-F-2	Varies	1,125,000	-	(65,000)	1,060,000	65,000
Series IV-E-5	Varies	3,260,248	239,752	(240,000)	3,260,000	-
Tennessee Municipal Bond Fund Capital Outlay Note						
Compensated absences		-	342,000	-	342,000	43,000
		<u>208,605</u>	<u>58,342</u>	<u>(43,521)</u>	<u>223,426</u>	<u>50,000</u>
Total		<u>\$7,883,853</u>	<u>640,094</u>	<u>(693,521)</u>	<u>7,830,426</u>	<u>515,000</u>

General obligation bonds and capital outlay notes are secured by the City, which is obligated to levy ad valorem taxes to the extent necessary to service this debt. The General Fund is responsible for paying compensated absence included above.

Loan - Public Building Authority of Sevier County, Tennessee:

The City has two loan agreements with the Public Building Authority of Sevier County at a variable rate of interest which is based upon the current market rate for municipal borrowing as determined weekly. The loans are secured by the City, which is obligated to levy taxes to the extent necessary to service this debt. The outstanding principal balances of the loans totaled \$4,320,000 at June 30, 2005 with an interest rate of approximately 2% per annum.

Business - Type Activities:

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Sewer) Fund during the fiscal year:

<u>Enterprise (Sewer) Fund</u>	<u>Interest</u>	<u>Balance</u>			<u>Balance</u>	<u>Due</u>
	<u>Rates %</u>	<u>7-1-04</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-05</u>	<u>Within</u>
						<u>One Year</u>
Revenue & Tax Bonds:						
Refunding Series 2002	2.00-4.00	2,335,000	-	(270,000)	2,065,000	275,000
Loans:						
Public Building Authority of Sevier County, TN -						
Series II-F-1	Varies	1,190,000	-	(155,000)	1,035,000	155,000
State of Tennessee	3.7	<u>3,139,047</u>	<u>310,013</u>	<u>(125,760)</u>	<u>3,323,300</u>	<u>130,488</u>
Total		6,664,047	<u>310,013</u>	<u>(550,760)</u>	6,423,300	<u>560,488</u>
Less deferred amount arising from refunding		<u>(209,578)</u>			<u>(180,508)</u>	
Net Total		<u>\$ 6,454,469</u>			<u>6,242,792</u>	

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(5) Long-Term Debt and Other Obligations Payable, (Continued)

Revenue and tax bonds and loans from the State of Tennessee were issued to finance the City's sewer facilities. Revenue and tax bonds and the State loan are secured by revenues of the sewer system and the taxing power of the City. The State loan is additionally secured by a sewer user fee.

The revenue and tax bonds are secured by revenues of the City sewer facilities and the taxing authority of the City. The bond agreements require sinking funds and reserve funds to be maintained and funded with required minimum amounts. As of June 30, 2005, such funds were adequately maintained.

Loan - Public Building Authority of Sevier County, Tennessee:

The loan is secured by the City, which is obligated to levy taxes to the extent necessary to service this debt and by the revenues of the City's sewer facilities. The outstanding principal balance of the loan totaled \$1,035,000 at June 30, 2005 with an interest rate of approximately 2% per annum.

Debt service requirements to maturity for Governmental Activities as of June 30, 2005, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 465,000	206,761
2007	484,000	193,571
2008	498,000	179,565
2009	512,000	163,233
2010	532,000	145,404
2011 - 2015	2,546,000	472,388
2016 - 2020	<u>2,570,000</u>	<u>172,000</u>
Total	<u>\$ 7,607,000</u>	<u>1,532,922</u>

Debt service requirements to maturity for Enterprise (Sewer) Fund debt, as of June 30, 2005, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 560,488	218,192
2007	565,396	201,946
2008	590,484	184,808
2009	490,764	166,178
2010	511,236	148,644
2011 - 2015	1,780,880	488,120
2016 - 2020	1,167,288	258,412
2021 - 2024	<u>874,804</u>	<u>61,952</u>
	6,541,340	<u>1,728,252</u>
Less amount not drawn down	<u>(118,040)</u>	
Net outstanding	<u>\$ 6,423,300</u>	

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(5) Long-Term Debt and Other Obligations Payable, (Continued)

Prior Year Advance Refunding:

The City, in prior years, defeased certain bonds by placing the proceeds of the new bonds in irrevocable Trusts to provide for all future debt service requirements of the refunded bonds. Accordingly, the Trust assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2005 outstanding bonds considered as defeased were as follows:

General Obligation Bond Issue-Series 1990	\$ 300,000
Sewer System Revenue Bonds-Series 1991	\$ 1,275,000
Sewer System Revenue Bonds-Series 1992 A&B	\$ 825,000

(6) Pension Plan

Plan Description

Employees of White House are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (five) years of service or at any age with 30 years of service. A reduced retirement benefits is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as White House participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

The City of White House requires employees to contribute 5.0 percent of earnable compensation.

The City of White House is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2005 was 5.20% of annual covered payroll. The contribution requirements of plan members are set by State statute. Contribution requirements for the City of White House are established and may be amended by the TCRS Board of Trustees.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(6) Pension Plan (Continued)

Annual Pension Cost

For the year ending June 30, 2005, the City of White House's annual pension cost of \$109,827 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.75% annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The City of White House's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2003 was 14 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 109,827	100%	-
6/30/04	\$ 82,865	100%	-
6/30/03	\$ 79,173	100%	-

Schedule of Funding Progress for the City of White House (dollar amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage Of Covered Payroll</u>
	<u>(A)</u>	<u>(B)</u>	<u>(B) - (A)</u>	<u>(A/B)</u>	<u>(C)</u>	<u>((B-A)/C)</u>
7/01/03	\$1,744	\$1,846	\$102	94.47%	\$2,067	4.93%
7/01/01	\$1,377	\$1,497	\$120	91.98%	\$1,477	8.12%
7/01/99	\$1,112	\$1,166	\$54	95.37%	\$1,334	4.05%

(7) Interfund Receivables, Payables and Transfers

Individual interfund receivable and payable balances are as follows at June 30, 2005:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 246,487	319,418
Park Sales Tax Fund	129,061	11,611
Drug Fund	2,562	-
State Street Aid Fund	35,590	99,900
Industrial Development Fund	99,900	-
Capital Project Fund	192,883	-
Solid Waste Fund	5,414	226,081
Cemetery Fund	-	573
Debt Service Fund	97,299	109,141
Impact Fund	63,999	6,550
Sewer Fund	-	99,921
Total	\$ <u>873,195</u>	<u>873,195</u>

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(7) Interfund Receivables, Payables and Transfers, (Continued)

Individual interfund transfers were as follows for the year ended June 30, 2005:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
General Fund	\$ 97,000	-
Sewer Fund	<u>-</u>	<u>97,000</u>
Total	\$ <u>97,000</u>	<u>97,000</u>

(8) Risk Management

The City of White House is exposed to various risks to general liability and property and casualty losses. The City has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City joined TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML risk pool for its general liability and property and casualty insurance coverage and worker's compensation. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. The City continues to carry commercial insurance for all other risks of loss, including employee health and accident and environmental. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Commitments and Contingencies

The City is defendant in various lawsuits. Although the ultimate outcome of these lawsuits is not presently determinable, the City's attorney is of the opinion that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, could become a liability of applicable funds.

(10) Restrictions of Fund Balance

The City records reserves to indicate that a portion of the fund balance is not available for appropriation or is legally segregated. The following list describes the reserves used by the City:

Restricted for Street Maintenance and Repair:

The fund balance of the State Street Aid Fund is restricted under State Law for use in the repair and maintenance of City streets.

Restricted for Capital Projects:

The fund balances of the Capital Projects Funds are restricted for amounts specifically identified for the acquisition or construction of capital facilities in future periods.

Restricted for Other Purposes:

The fund balances of the Drug Fund is restricted primarily for drug related activities.

CITY OF WHITE HOUSE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2005

(11) Restatement

During 2005, it was determined that capital assets of prior years required adjustment in order to adjust financial records to amounts of detail capital asset records. Accordingly, the costs and accumulated depreciation were decreased in the amounts of \$363,268 and 317,401, respectively at July 1, 2004 along with a corresponding decrease of \$45,867 to net assets.

(12) Budget Overages

As of June 30, 2005, the following budget overages were noted. Funding of any deficiencies is the ultimate responsibility of the City of White House, Tennessee.

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund: Library	\$ <u>130,685</u>	<u>132,039</u>	<u>1,354</u>
Drug Fund	\$ <u>68,168</u>	<u>68,843</u>	<u>674</u>
Park Sales Tax Fund	\$ <u>111,250</u>	<u>122,071</u>	<u>10,821</u>
Debt Service Fund	\$ <u>481,503</u>	<u>624,142</u>	<u>142,639</u>

Required Supplementary Information

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property and utility taxes	\$ 1,241,100	1,241,100	966,160	(274,940)
Local option sales tax	810,000	930,000	927,190	(2,810)
Wholesale beer tax	160,000	160,000	151,963	(8,037)
Business tax	90,000	90,000	7,737	(82,263)
Tax penalties and interest	8,000	8,000	13,934	5,934
Natural gas franchise tax	85,000	95,996	120,544	24,548
Cable TV franchise tax	44,000	44,000	64,867	20,867
Other assessments	-	-	75	75
Total Taxes	2,438,100	2,569,096	2,252,470	(316,626)
Licenses and Permits:				
Building permits	91,000	91,000	103,883	12,883
Sign permits	6,000	6,000	1,300	(4,700)
Other permits	1,450	1,450	3,410	1,960
Total Licenses and Permits	98,450	98,450	108,593	10,143
Intergovernmental:				
Income tax	18,000	18,000	7,926	(10,074)
Beer tax	2,500	2,500	3,578	1,078
Sales tax	456,000	456,000	450,669	(5,331)
Gasoline inspection fee	17,000	17,000	16,640	(360)
T.V.A. in lieu of taxes	48,100	48,100	51,677	3,577
Corporate excise tax	5,000	5,000	13,171	8,171
State telecommunications tax	-	-	1,252	1,252
Appropriation - Robertson County	30,000	30,000	30,000	-
Federal and State grants	88,585	88,585	93,452	4,867
Total Intergovernmental	665,185	665,185	668,365	3,180
Fines and Forfeits:				
Fines and costs	262,000	312,000	315,905	3,905
Charges for Services:				
Auditorium and community center charges	45,000	45,000	19,861	(25,139)
Stadium receipts	3,500	3,500	6,378	2,878
Park concessions	40,000	47,935	62,733	14,798
Rents	12,000	12,000	14,087	2,087
Total Charges for Services	100,500	108,435	103,059	(5,376)
Miscellaneous Revenues:				
Interest income	4,120	4,120	3,550	(570)
Police camera receipts	-	-	-	-
Insurance recoveries	-	-	21,495	21,495
Other miscellaneous revenue	26,000	26,000	7,354	(18,646)
Total Miscellaneous Revenue	30,120	30,120	32,399	2,279
Total Revenue	\$ 3,594,355	3,783,286	3,480,791	(302,495)

Continued next page.

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Current:				
Salaries and wages	\$ 101,180	133,545	130,345	3,200
Employee benefits	61,021	54,727	60,127	(5,400)
Alderman's expense	19,800	19,800	-	19,800
Contractual services	12,000	43,600	119,601	(76,001)
Supplies and materials	77,050	64,789	4,182	60,607
Fixed charges	-	-	(3,089)	3,089
Other	1,160	1,160	7,495	(6,335)
Capital outlay	-	35,000	-	35,000
Total General Government	272,211	352,621	318,661	33,960
City Court:				
Current:				
Salaries	34,050	35,650	32,639	3,011
Employee benefits	20,580	17,824	16,218	1,606
Contractual services	1,000	1,000	836	164
Supplies	1,100	1,100	372	728
Other	1,140	1,140	1,235	(95)
Capital outlay	-	-	-	-
Total City Court	57,870	56,714	51,300	5,414
Financial Administration				
Current:				
Salaries	163,690	171,466	143,614	27,852
Employee benefits	39,120	37,384	36,284	1,100
Contractual services	45,000	45,000	102,055	(57,055)
Supplies	57,800	57,800	11,410	46,390
Other	2,850	2,850	-	2,850
Capital outlay	-	-	2,013	(2,013)
Total Financial Administration	308,460	314,500	295,376	19,124
Public Safety:				
Police Department:				
Current:				
Salaries	838,210	841,473	828,881	12,592
Employee benefits	294,960	269,416	248,292	21,124
Contractual services	11,600	11,600	42,729	(31,129)
Supplies	95,580	98,580	74,665	23,915
Other	14,100	11,100	10,121	979
Capital outlay	15,000	4,000	5,170	(1,170)
Total Police Department	1,269,450	1,236,169	1,209,858	26,311

Continued next page.

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Fire Department:				
Current:				
Salaries	\$ 261,710	302,324	305,394	(3,070)
Employee benefits	91,610	87,956	82,763	5,193
Contractual services	12,100	12,332	16,943	(4,611)
Supplies	37,110	45,444	20,258	25,186
Other	4,250	4,250	2,175	2,075
Capital outlay	-	59,725	65,397	(5,672)
Total Fire Department	406,780	512,031	492,930	19,101
Total Public Safety	1,676,230	1,748,200	1,702,788	45,412
Streets:				
Current:				
Salaries	87,830	104,848	94,640	10,208
Employee benefits	32,030	28,985	28,112	873
Contractual services	28,720	28,720	19,432	9,288
Supplies	24,660	38,346	20,783	17,563
Other	2,100	2,100	4,569	(2,469)
Capital outlay	5,000	45,000	-	45,000
Total Streets	180,340	247,999	167,536	80,463
Planning and Zoning:				
Current:				
Salaries	61,200	61,200	61,251	(51)
Employee benefits	19,970	18,412	21,822	(3,410)
Contractual services	3,000	3,000	6,417	(3,417)
Supplies	4,870	4,870	4,666	204
Other	1,060	1,060	897	163
Capital outlay	7,000	7,000	-	7,000
Total Planning and Zoning	97,100	95,542	95,053	489
Parks and Recreation:				
Current:				
Salaries	198,550	221,699	189,068	32,631
Employee benefits	71,210	64,890	54,309	10,581
Contractual services	46,200	54,779	128,907	(74,128)
Supplies	125,580	144,350	49,556	94,794
Other	3,000	3,000	7,750	(4,750)
Capital outlay	32,000	46,000	29,075	16,925
Total Parks and Recreation	476,540	534,718	458,665	76,053
Codes and Inspection:				
Current:				
Salaries	51,320	51,320	35,933	15,387
Employee benefits	26,910	24,154	14,318	9,836
Contractual services	-	-	1,743	(1,743)
Supplies	9,850	9,850	1,640	8,210
Other	1,000	1,000	52	948
Capital outlay	-	-	-	-
Total Codes and Inspection	89,080	86,324	53,686	32,638

Continued next page.

CITY OF WHITE HOUSE, TENNESSEE
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Concluded
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures, Continued:				
Library:				
Current:				
Salaries	\$ 76,430	75,270	76,709	(1,439)
Employee benefits	26,250	24,867	24,413	454
Contractual services	4,000	4,000	20,827	(16,827)
Supplies	22,500	24,958	10,279	14,679
Other	1,590	1,590	(2,253)	3,843
Capital outlay	-	-	2,064	(2,064)
Total Library	<u>130,770</u>	<u>130,685</u>	<u>132,039</u>	<u>(1,354)</u>
Public Works:				
Current:				
Salaries	61,750	70,638	64,887	5,751
Employee benefits	16,580	21,881	20,406	1,475
Contractual services	3,040	3,040	40,841	(37,801)
Supplies	17,350	27,150	17,101	10,049
Other	1,050	1,050	1,332	(282)
Capital outlay	60,000	72,000	27,826	44,174
Total Public Works	<u>159,770</u>	<u>195,759</u>	<u>172,393</u>	<u>23,366</u>
Government Buildings:				
Current:				
Salaries	46,680	46,680	29,369	17,311
Employee benefits	14,470	13,252	6,730	6,522
Contractual services	2,000	2,000	12,277	(10,277)
Supplies	19,440	19,440	20,809	(1,369)
Other	1,060	1,060	60	1,000
Capital outlay	-	-	-	-
Total Government Buildings	<u>83,650</u>	<u>82,432</u>	<u>69,245</u>	<u>13,187</u>
Senior Citizen Activities:				
Current:				
Salaries	23,390	23,390	22,749	641
Employee benefits	12,280	10,904	10,843	61
Contractual services	4,000	4,000	1,570	2,430
Supplies	4,150	4,150	3,214	936
Other	760	760	495	265
Total Senior Citizen Activities	<u>44,580</u>	<u>43,204</u>	<u>38,871</u>	<u>4,333</u>
City Garage:				
Current:				
Salaries	24,020	30,705	30,012	693
Employee benefits	7,330	7,121	7,027	94
Contractual services	400	320	256	64
Supplies	9,530	9,516	9,567	(51)
Other	500	500	-	500
Capital outlay	-	-	-	-
Total City Garage	<u>41,780</u>	<u>48,162</u>	<u>46,862</u>	<u>1,300</u>
Miscellaneous:				
Current:				
Employee benefits	73,585	61,900	1,330	60,570
Supplies	-	-	-	-
Insurance	162,000	162,000	170,162	(8,162)
Other	-	-	3,898	(3,898)
Total Miscellaneous	<u>235,585</u>	<u>223,900</u>	<u>175,390</u>	<u>48,510</u>

Continued next page.

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Concluded

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Expenditures	3,853,966	4,160,760	3,777,865	382,895
Excess (deficiency) of revenues over expenditures	(259,611)	(377,474)	(297,074)	80,400
Other Financing Sources (Uses):				
Issuance of bonds		-	79,393	79,393
Transfer from (to) other Funds	97,000	97,000	97,000	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(162,611)	(280,474)	(120,681)	159,793
Fund Balance, July 1, 2004	537,907	537,907	576,605	38,698
Fund Balance, June 30, 2005	\$ 375,296	257,433	455,924	198,491

See accompanying notes to the required supplementary information.

CITY OF WHITE HOUSE, TENNESSEE

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

Park Sales Tax Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Special local option sales tax	\$ 350,000	365,000	416,247	51,247
Miscellaneous:				
Interest	3,500	10,000	16,373	6,373
Total Revenues	<u>353,500</u>	<u>375,000</u>	<u>432,620</u>	<u>57,620</u>
Expenditures:				
Current:				
Miscellaneous program costs	43,750	37,500	48,322	(10,822)
Capital outlay	-	-	-	-
Debt service	71,750	73,750	73,749	1
Total Expenditures	<u>115,500</u>	<u>111,250</u>	<u>122,071</u>	<u>(10,821)</u>
Excess (deficiency) of revenues over expenditures	238,000	263,750	310,549	46,799
Fund Balance, July 1, 2004	<u>1,325,463</u>	<u>1,325,463</u>	<u>1,325,463</u>	<u>-</u>
Fund Balance, June 30, 2005	\$ <u>1,563,463</u>	<u>1,589,213</u>	<u>1,636,012</u>	<u>46,799</u>

See accompanying notes to the required supplementary information.

CITY OF WHITE HOUSE, TENNESSEE

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

Solid Waste Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 324,800	392,497	448,000	55,503
Miscellaneous:				
Interest	300	300	631	331
Sale of bonds	120,000	120,000	262,607	142,607
Sale of equipment	-	35,000	-	(35,000)
Sale of materials	7,000	7,000	13,560	6,560
Total Revenues	<u>452,100</u>	<u>554,797</u>	<u>724,798</u>	<u>170,001</u>
Expenditures:				
Current:				
Sanitation:				
Salaries and wages	117,000	142,255	141,523	732
Employee benefits	47,710	43,690	35,225	8,465
Supplies	35,500	53,783	54,489	(706)
Contractual services	105,200	145,667	145,772	(105)
Fixed charges	17,000	17,000	26,369	(9,369)
Other	3,190	3,190	1,679	1,511
Capital outlay	120,000	185,000	-	185,000
Total Expenditures	<u>445,600</u>	<u>590,585</u>	<u>405,057</u>	<u>185,528</u>
Excess (deficiency) of revenues over expenditures	6,500	(35,788)	319,741	355,529
Fund Balance, July 1, 2004	<u>33,197</u>	<u>33,197</u>	<u>33,197</u>	<u>-</u>
Fund Balance, June 30, 2005	\$ <u>39,697</u>	<u>(2,591)</u>	<u>352,938</u>	<u>355,529</u>

See accompanying notes to the required supplementary information.

CITY OF WHITE HOUSE, TENNESSEE

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

Debt Service Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 310,190	311,013	449,052	138,039
Miscellaneous:				
Interest	500	500	2,641	2,141
Total Revenues	310,690	311,513	451,693	140,180
Expenditures:				
Current:				
Debt Service:				
Principal retirement and interest	470,680	478,680	621,601	(142,921)
Fiscal agent fees	2,000	2,823	2,451	372
Total Expenditures	472,680	481,503	624,052	(142,549)
Excess (deficiency) of revenues over expenditures	(161,990)	(169,990)	(172,359)	(2,369)
<u>Other Financing Sources (Uses)</u>				
Proceeds from debt issuance	-	350,000	239,753	110,247
Total Other Financing Sources (Uses)	-	350,000	239,753	110,247
Net Change in Fund Balance	-	180,010	67,394	107,878
Fund Balance, July 1, 2004	386,971	386,971	386,971	-
Fund Balance, June 30, 2005	\$ 386,971	566,981	454,365	107,878

See accompanying notes to the required supplementary information.

CITY OF WHITE HOUSE, TENNESSEE

Notes to the Required Supplementary Information

(1) Budgets and Budgetary Accounting

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

1. The City Administrator submits to the Board of Aldermen the proposed operating budget for the fiscal year. The operating budgets for the General, Special Revenue and Debt Service Funds include proposed expenditures and the means of financing them. All appropriations in the current operating budget lapse into fund balance of the respective funds at the end of the fiscal year.
2. The budgets passed on the first reading and each of the following readings, and was adopted by ordinance on the second reading. In no event shall total appropriations for any fund exceed the estimated revenues and fund balance.
3. The amounts in the adopted budgets for each fund constitute its total annual appropriation and no expenditure may be made which will result in the annual appropriation for the fund being exceeded, unless an additional appropriation is made.

The City Administrator may transfer appropriations within the same department, other changes in appropriations require board approval. Budgetary control is considered established at the department level.

4. Budgeted amounts shown are those originally adopted and amended by the Mayor and Board of Aldermen. During 2005, there were amendments increasing appropriations of the General, Solid Waste and Debt Service Funds by \$306,794, \$144,985 and \$8,823, respectively and a decrease in budgeted appropriations for the Park Sales Tax Fund of \$4,250. All balances of appropriations in the current operating budgets lapse into the fund balance of the fund from which appropriations were made at the end of the fiscal year.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

(2) Budget Overages

As of June 30, 2005, the following budget overages were noted. Funding of any deficiencies is the ultimate responsibility of the City of White House, Tennessee.

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
Library	\$ <u>130,685</u>	<u>132,039</u>	<u>1,354</u>
Park Sales Tax Fund	\$ <u>111,250</u>	<u>122,071</u>	<u>10,821</u>
Debt Service Fund	\$ <u>481,503</u>	<u>624,142</u>	<u>142,639</u>

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS AND SCHEDULES

Nonmajor Funds

State Street Aid Fund - To account for the receipt and usage of the City's share of State gasoline taxes. State law requires the gasoline taxes to be used to maintain streets.

Drug Fund - To account for drug fines received and usage of those monies for further drug investigations.

Industrial Development Fund - To account for the receipt of hotel/motel tax allocated from the Robertson County Industrial Board and related expenditures for industrial development.

Impact Fee Fund - To account for the receipt of impact fees collected and their usage which is restricted primarily to construction or public facilities and police and fire protection.

Cemetery Fund - To account for the maintenance and care of a local cemetery.

Parks Nutrition Fund - To account for the operations of a weekly meal program provided to senior citizens who are residents of the City.

Miscellaneous Capital Projects Fund - To account for major capital asset acquisitions and / or construction of the General Government other than those of the Sewer Fund.

CITY OF WHITE HOUSE, TENNESSEE

Combining Balance Sheet
Non Major Governmental Funds

June 30, 2005

	Special Revenue Funds							Total Nonmajor Government Funds
	State Street Aid Fund	Drug Fund	Industrial Development Fund	Impact Fee Fund	Cemetery Fund	Parks Nutrition Fund	Miscellaneous Capital Projects Fund	
Cash and cash investments	\$ 58,568	5,040	28,961	329,093	65,102	5,323	2,785	494,872
Accounts receivable:								
Property tax	-	-	-	-	-	-	-	-
Other governments	38,679	-	-	-	-	-	-	38,679
Due from other funds	35,590	2,562	99,900	63,999	-	-	192,883	394,934
Total Assets	\$ 132,837	7,602	128,861	393,092	65,102	5,323	195,668	928,485
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	-	-	-	-	2,350	-	-	2,350
Accrued expense	-	-	-	-	-	-	-	-
Due to other funds	99,900	-	-	6,550	573	-	-	107,023
Total Liabilities	99,900	-	-	6,550	2,923	-	-	109,373
Fund balance:								
Reserved for:								
Specific purposes	32,937	7,602	-	-	-	-	195,668	236,207
Unreserved:								
Designated for specific projects	-	-	128,861	386,542	62,179	5,323	-	582,905
Total Fund Balance	32,937	7,602	128,861	386,542	62,179	5,323	-	819,112
Total Liabilities and Fund Balance	\$ 132,837	7,602	128,861	393,092	65,102	5,323	195,668	928,485

CITY OF WHITE HOUSE, TENNESSEE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non Major Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds							Total Nonmajor Government Funds
	State Street Aid Fund	Drug Fund	Industrial Development Fund	Impact Fee Fund	Cemetery Fund	Parks Nutrition Fund	Miscellaneous Capital Projects Fund	
Revenues:								
Licenses and permits								
Impact fees	-	-	-	278,553	-	-	-	278,553
Intergovernmental:								
State gasoline tax	209,887	-	-	-	-	-	-	209,887
County allocation	-	-	29,561	-	-	-	-	29,561
Federal Grants	-	-	-	-	-	-	108,337	108,337
Fines and Forfeits:								
Drug related fines	-	30,637	-	-	-	-	-	30,637
Miscellaneous:								
Interest	605	14,593	87	2,872	-	14	638	18,809
Other	-	4	-	3,000	24,120	16,847	-	43,971
Sale of bonds	-	-	-	-	-	-	-	-
Total Revenues	<u>210,492</u>	<u>45,234</u>	<u>29,648</u>	<u>284,425</u>	<u>24,120</u>	<u>16,861</u>	<u>108,975</u>	<u>719,755</u>
Expenditures:								
Current:								
Public safety								
Streets	213,542	15,110	-	458	-	-	-	15,568
Sanitation	-	-	-	26,280	-	-	-	239,822
Parks and recreation	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	230	-	15,405	-	15,635
Debt service	-	-	27,804	-	13,048	-	-	40,852
Capital outlay								
Total Expenditures	<u>20,000</u>	<u>53,732</u>	<u>-</u>	<u>121,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,985</u>
Total Expenditures	<u>233,542</u>	<u>68,842</u>	<u>27,804</u>	<u>167,419</u>	<u>13,048</u>	<u>15,405</u>	<u>462,966</u>	<u>989,026</u>
Excess (deficiency) of revenues over expenditures	<u>(23,050)</u>	<u>(23,608)</u>	<u>1,844</u>	<u>117,006</u>	<u>11,072</u>	<u>1,456</u>	<u>(353,991)</u>	<u>(269,271)</u>
Fund Balance, July 1, 2004	55,987	31,210	127,017	269,536	51,107	3,867	549,659	1,088,383
Fund Balance, June 30, 2005	<u>\$ 32,937</u>	<u>7,602</u>	<u>128,861</u>	<u>386,542</u>	<u>62,179</u>	<u>5,323</u>	<u>195,668</u>	<u>819,112</u>

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual

State Street Aid Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
State gasoline tax	\$ 215,000	217,400	209,887	(7,513)
Miscellaneous:				
Interest	500	500	605	105
Total Revenues	215,500	217,900	210,492	(7,408)
Expenditures:				
Current:				
Streets:				
Maintenance	-	-	30,178	(30,178)
Lighting	202,500	202,500	160,459	42,041
Supplies	20,000	22,400	22,905	(505)
Capital outlay	20,000	20,000	20,000	-
Total Expenditures	242,500	244,900	233,542	11,358
Excess (deficiency) of revenues over expenditures	(27,000)	(27,000)	(23,050)	3,950
Fund Balance, July 1, 2004	55,987	55,987	55,987	-
Fund Balance, June 30, 2005	\$ 28,987	28,987	32,937	3,950

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual

Drug Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeits:				
Drug-related fines	\$ 38,000	38,000	30,637	(7,363)
Miscellaneous:				
Other	-	14,465	4	(14,461)
Interest	300	300	14,593	14,293
Total Revenues	<u>38,300</u>	<u>52,765</u>	<u>45,234</u>	<u>(7,531)</u>
Expenditures:				
Current:				
Public Safety:				
Drug enforcement	-	-	-	-
Contractual services	5,430	6,588	6,112	476
Supplies	2,000	3,053	4,426	(1,373)
Other	5,070	5,070	4,572	498
Capital Outlay	29,880	53,457	53,732	(275)
Total Expenditures	<u>42,380</u>	<u>68,168</u>	<u>68,842</u>	<u>(674)</u>
Excess (deficiency) of revenues over expenditures	(4,080)	(15,403)	(23,608)	(8,205)
Fund Balance, July 1, 2004	<u>31,210</u>	<u>31,210</u>	<u>31,210</u>	-
Fund Balance, June 30, 2005	<u>\$ 27,130</u>	<u>15,807</u>	<u>7,602</u>	<u>(8,205)</u>

CITY OF WHITE HOUSE, TENNESSEE

**Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

Industrial Development Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
County allocation	\$ 29,000	29,000	29,561	561
Miscellaneous:				
Interest and other	500	500	87	(413)
Total Revenues	29,500	29,500	29,648	148
Expenditures:				
Current:				
Miscellaneous:				
Contractual services	1,500	1,500	4,250	(2,750)
Grants and donations	23,500	23,500	23,500	-
Operating supplies	4,500	4,500	54	4,446
Total Expenditures	29,500	29,500	27,804	1,696
Excess (deficiency) of revenues over expenditures	-	-	1,844	1,844
Fund Balance, July 1, 2004	127,017	127,017	127,017	-
Fund Balance, June 30, 2005	\$ 127,017	127,017	128,861	1,844

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual

Cemetery Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous:				
Cemetery fees	\$ 15,500	15,500	24,120	8,620
Total Revenues	15,500	15,500	24,120	8,620
Expenditures:				
Current:				
Miscellaneous program costs	16,035	16,035	13,048	2,987
Capital outlay	-	-	-	-
Total Expenditures	16,035	16,035	13,048	2,987
Excess (deficiency) of revenues over expenditures	(535)	(535)	11,072	11,607
Fund Balance, July 1, 2004	51,107	51,107	51,107	-
Fund Balance, June 30, 2005	\$ 50,572	50,572	62,179	11,607

CITY OF WHITE HOUSE, TENNESSEE

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual

Parks Nutrition Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous:				
Meal charges	\$ 15,500	15,500	16,861	1,361
Total Revenues	15,500	15,500	16,861	1,361
Expenditures:				
Current:				
Miscellaneous program costs	15,500	15,500	15,405	95
Total Expenditures	15,500	15,500	15,405	95
Excess (deficiency) of revenues over expenditures	-	-	1,456	1,456
Fund Balance, July 1, 2004	3,867	3,867	3,867	-
Fund Balance, June 30, 2005	\$ 5,747	3,867	5,323	1,456

FINANCIAL SCHEDULES

CITY OF WHITE HOUSE, TENNESSEE
Capital Assets Used in the Operations of Governmental Funds
Schedule By Function and Activity
June 30, 2005

Function and Activity	Total	Land	Buildings	Machinery and Equipment	Infrastructure
General government	\$ 1,756,170	74,000	1,433,274	248,896	-
Police	2,152,145	116,831	1,223,361	811,953	-
Fire department	1,071,584	-	64,630	1,006,954	-
Parks and recreation	7,680,514	4,981,415	2,350,794	348,305	-
Public works	1,419,293	-	87,069	916,730	415,494
Library	502,538	-	474,889	27,649	-
Planning and codes	39,566	-	-	39,566	-
Total General Fixed Assets	\$ 14,621,810	5,172,246	5,634,017	3,400,053	415,494

CITY OF WHITE HOUSE, TENNESSEE

**Capital Assets Used in the Operations of Governmental Funds
Schedule of Changes By Function and Activity**

For the Year Ended June 30, 2005

Function and Activity	Cost / Estimated Cost			Balance June 30, 2005
	Balance June 30, 2004 *	Additions	Deletions	
General government	\$ 1,486,059	271,912	(1,800)	1,756,171
Police	2,092,826	59,319	-	2,152,145
Fire department	1,005,776	65,808	-	1,071,584
Parks and recreation	6,026,728	1,655,986	(2,200)	7,680,514
Public works	1,369,573	49,720	-	1,419,293
Library	530,668	-	(28,131)	502,537
Planning and codes	39,566	-	-	39,566
Construction in progress	1,524,519	-	(1,524,519)	-
Totals	\$ 14,075,715	2,102,745	(1,556,650)	14,621,810

Function and Activity	Accumulated Depreciation			Balance June 30, 2005
	Balance June 30, 2004	Additions	Deletions	
General government	\$ 635,916 *	79,486	(1,800)	713,602
Police	323,235	113,353	-	436,588
Fire department	562,848	100,736	-	663,584
Parks and recreation	877,265	117,382	(2,200)	992,447
Public works	574,195	93,893	-	668,088
Library	330,380	20,056	(27,931)	322,505
Planning and codes	25,668	4,675	-	30,343
Totals	\$ 3,329,507	529,581	(31,931)	3,827,157

* The beginning balances have been restated.

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2005

	Interest	Carrying Amount
General Fund:		
Petty cash	-	\$ 400
Demand deposits	Various	205,029
Local Government Investment Pool	Various	<u>21,124</u>
		<u>226,553</u>
Special Revenue Funds:		
Park Sales Tax Fund:		
Demand deposits	Various	781,319
Local Government Investment Pool	Various	<u>662,432</u>
		<u>1,443,751</u>
Solid Waste Fund		
Demand deposits	Various	<u>572,475</u>
		<u>572,475</u>
Other Special Revenue Funds:		
Demand deposits	Various	412,723
Local Government Investment Pool	Various	<u>79,364</u>
		<u>492,087</u>
Debt Service Fund:		
Demand deposits	Various	375,429
Local Government Investment Pool	Various	<u>86,458</u>
		<u>461,887</u>
Capital Projects Fund:		
Demand deposits	Various	(21,916)
Local Government Investment Pool	Various	<u>24,701</u>
		<u>2,785</u>
Enterprise (Sewer) Fund:		
Unrestricted:		
Petty cash	Various	125
Demand deposits	Various	<u>414,404</u>
Total Unrestricted		<u>414,529</u>
Restricted:		
Bond reserve:		
Demand deposits	Various	-
Local Government Investment Pool	Various	<u>213,340</u>
Construction funds:		
Demand deposits	Various	680,930
Local Government Investment Pool	Various	<u>348,749</u>
Total Restricted		<u>1,243,020</u>
Total Enterprise (Sewer) Fund		<u>1,657,548</u>
Cash and Cash Investments - All Funds		<u>\$ 4,857,086</u>

CITY OF WHITE HOUSE, TENNESSEE
Schedule of Changes in Property Taxes Receivable
For the Year Ended June 30, 2005

Tax Year	Balance 7-1-04	Levy	Collections	Balance 6-30-05
2004	-	1,884,111	(1,809,503)	74,608
2003	78,499	-	(38,274)	40,225
2002	25,014	-	(10,280)	14,734
2001	10,732	-	(3,265)	7,467
2000	7,988	-	(486)	7,502
1999	3,237	-	-	3,237
1998	25	-	-	25
1997	42	-	-	42
1996	21	-	-	21
<hr/>				
Total	<u>125,558</u>	<u>-</u>	<u>(52,305)</u>	147,861
Tax year 2005 unlevied taxes receivable				1,966,429
				<hr/>
Less allowance for doubtful accounts				2,114,290
Government - wide financial statements				<u>(18,088)</u>
				<u>2,096,202</u>

Note: All the above taxes are delinquent and were subject to collection proceedings by the City Recorder. Effective in 1997 (Ordinance 96.08) all real property taxes delinquent for two years as of April 1 will be turned over to the Clerk & Master of the County Chancery Court for collection.

CITY OF WHITE HOUSE, TENNESSEE
 Schedule of Debt Service Requirements -
 General Obligation Debt

June 30, 2005

Fiscal Year	General Obligation Refunding Bond:		Bonds:		General Obligation Capital Outlay Notes -		General Obligation Capital Outlay Notes -		Loan - Series II-F-2*		Loan - Series IV-E-5*		TN Municipal Bond Fund Capital Outlay Notes - 2005		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 95,000	26,050	100,000	35,200	105,000	20,565	57,000	22,610	19,900	-	65,200	43,000	12,436	465,000	201,961	
2007	100,000	23,818	110,000	31,100	100,000	18,098	59,000	20,444	18,600	-	65,200	45,000	11,512	484,000	188,771	
2008	105,000	20,868	105,000	28,369	110,000	15,148	61,000	18,202	17,200	-	65,200	47,000	9,779	498,000	174,765	
2009	110,000	17,770	105,000	23,906	110,000	11,903	63,000	15,884	15,800	-	65,200	49,000	7,970	512,000	138,433	
2010	110,000	14,085	110,000	19,338	115,000	8,108	66,000	13,490	14,300	-	65,200	51,000	6,083	532,000	140,604	
2011	50,000	10,400	120,000	14,556	120,000	4,140	68,000	10,982	12,700	-	65,200	52,000	4,120	495,000	122,098	
2012	50,000	8,400	125,000	9,456	-	-	71,000	8,398	11,000	150,000	65,200	55,000	2,118	541,000	104,572	
2013	55,000	6,400	135,000	3,931	-	-	74,000	5,700	9,200	150,000	62,200	-	-	509,000	87,431	
2014	50,000	4,200	-	-	-	-	76,000	2,888	7,300	300,000	59,200	-	-	526,000	73,588	
2015	55,000	2,200	-	-	-	-	-	-	5,300	315,000	53,200	-	-	475,000	60,700	
2016	-	-	-	-	-	-	-	-	3,200	395,000	46,900	-	-	505,000	30,100	
2017	-	-	-	-	-	-	-	-	1,000	415,000	39,000	-	-	530,000	40,000	
2018	-	-	-	-	-	-	-	-	-	560,000	30,700	-	-	560,000	30,700	
2019	-	-	-	-	-	-	-	-	-	590,000	19,500	-	-	590,000	19,500	
2020	-	-	-	-	-	-	-	-	-	385,000	7,700	-	-	385,000	7,700	
	\$ 780,000	134,190	910,000	165,856	660,000	77,960	595,000	118,598	135,500	3,260,000	774,800	342,000	54,018	7,607,000	1,460,922	

* Variable rate bonds, interest calculated using effective rate of 2% which approximated current year rate

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Debt Service Requirements -
Enterprise (Sewer) Fund

June 30, 2005

Fiscal Year	Bonds - Refunding Series 2002		Loan - State of Tennessee		Loan - Series II-F-1* Sevier Co. Building Authority		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	275,000	75,600	130,488	124,992	155,000	17,600	560,488	218,192
2007	275,000	67,350	135,396	120,096	155,000	14,500	565,396	201,946
2008	290,000	58,412	140,484	114,996	160,000	11,400	590,484	184,808
2009	295,000	48,262	145,764	109,716	50,000	8,200	490,764	166,178
2010	305,000	37,200	151,236	104,244	55,000	7,200	511,236	148,644
2011	305,000	25,000	156,924	98,556	55,000	6,100	516,924	129,656
2012	320,000	12,800	162,828	92,652	60,000	5,000	542,828	110,452
2013	-	-	168,948	86,532	60,000	3,800	228,948	90,332
2014	-	-	175,296	80,184	65,000	2,600	240,296	82,784
2015	-	-	181,884	73,596	70,000	1,300	251,884	74,896
2016	-	-	188,724	66,756	75,000	(100)	263,724	66,656
2017	-	-	195,816	59,664	75,000	(1,600)	270,816	58,064
2018	-	-	203,184	52,296	-	-	203,184	52,296
2019	-	-	210,816	44,664	-	-	210,816	44,664
2020	-	-	218,748	36,732	-	-	218,748	36,732
2021	-	-	226,968	28,512	-	-	226,968	28,512
2022	-	-	235,500	19,980	-	-	235,500	19,980
2023	-	-	244,356	11,124	-	-	244,356	11,124
2024	-	-	167,980	2,336	-	-	167,980	2,336
	<u>\$2,065,000</u>	<u>324,624</u>	<u>3,441,340</u>	<u>1,327,628</u>	<u>1,035,000</u>	<u>76,000</u>	<u>6,541,340</u>	<u>1,728,252</u>
Less: Unused loan proceeds at June 30, 2005			(118,040)				(118,040)	
General Long-Term Debt Principal at June 30, 20			<u>\$3,323,300</u>				<u>\$6,423,300</u>	

* Variable rate bonds, interest calculated using effective rate of 2% which approximated current year rate

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2005

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance June 30, 2004	Adjustments	Grant Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2005
Federal Programs:								
16.588	Z0009387700	STOP Violence Against Women	U.S. Department of Justice	\$ -	-	(23,202)	28,458	5,256
	EMW-2004-FG-00592	Assistance to Firefighters	U.S. Department of Homeland Security	-	-	(57,860)	57,860	-
		COPS	U.S. Department of Justice	-	10,133 (1)	(10,133)	-	-
20.205	HPP-8300(45)	Greenway Bicycle Path Corridor	U.S. Department of Transportation	414,090	-	(532,878)	118,788	-
Total Federal Programs				\$ 414,090	10,133	(624,073)	205,106	5,256

(1) Prior year costs reimbursed by Grantor Agency.

STATISTICAL SECTION

CITY OF WHITE HOUSE, TENNESSEE
Schedule of Governmental Fund Revenues, Expenditures,
and Other Financing Sources and Uses

Ten Year Summary

Fiscal Years Ended June 30,

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Revenues and Other Financing Sources:										
Taxes										
Licenses and permits	\$ 3,565,769	3,071,827	\$3,100,448	2,629,767	2,666,081	2,594,920	2,094,248	1,779,473	1,386,757	1,436,191
Intergovernmental revenues	387,146	236,385	352,443	283,888	350,876	405,639	533,304	360,428	366,070	206,688
Fines and forfeits	1,016,150	803,154	1,202,633	1,596,503	1,883,769	974,566	694,511	664,051	497,764	428,703
Charges for services	346,542	282,516	328,176	362,756	283,035	325,772	240,817	216,040	137,016	114,835
Miscellaneous	103,059	91,189	94,564	90,165	78,857	67,950	-	-	-	-
Total Revenues	128,384	100,133	241,404	124,156	430,663	200,268	235,477	201,297	149,938	136,813
	5,547,050	4,585,204	5,319,668	5,087,235	5,693,281	4,569,115	3,798,357	3,221,289	2,737,545	2,323,230
Other financing sources:										
Debt issuance	581,753	650,000	1,950,000	2,500,000	1,292,575	300,000	3,150,000	465,985 (1)	160,000	1,545,000
Lease purchase	-	-	-	65,000	125,311	159,828	-	-	-	-
Transfers in	-	-	1,950,000	2,565,600	1,417,886	459,828	3,150,000	465,985	160,000	1,545,000
Total Other Financing Sources	581,753	650,000	1,950,000	2,565,600	1,417,886	459,828	3,150,000	465,985	160,000	1,545,000
Total Revenues and Other Financing Sources	\$ 6,128,803	5,235,204	\$7,269,668	7,652,835	7,111,167	5,028,943	6,948,357	3,687,274	2,897,545	3,868,230
Expenditures and Other Financing Uses:										
General government	\$ 612,024	404,041	\$381,565	286,261	267,790	209,565	165,969	161,687	179,456	165,583
City court	51,300	54,144	114,217	98,520	63,909	53,003	33,003	28,810	32,609	25,123
Public safety	1,647,789	1,607,028	1,481,008	1,103,693	930,549	851,515	729,627	681,092	569,379	511,686
Streets	407,358	463,148	382,933	267,961	184,052	202,605	177,715	143,756	197,440	122,067
Sanitation	405,057	410,389	379,706	327,842	283,348	243,451	242,480	209,826	178,175	142,521
Planning, zoning and codes	148,739	93,389	167,557	119,076	106,021	112,246	105,002	94,407	86,437	73,509
Parks and recreation	445,225	455,544	377,798	294,447	236,055	266,281	213,681	197,141	166,664	180,582
Library	129,975	131,707	117,157	86,490	77,724	77,429	67,234	62,100	70,881	47,819
Government buildings	69,245	81,547	82,397	68,889	86,725	75,815	107,979	45,121	-	-
Public works	144,567	97,095	212,844	141,748	137,225	112,333	125,079	99,762	93,309	86,863
City garage	46,862	-	-	-	-	-	-	-	-	-
Senior citizens	38,871	40,398	35,056	17,959	23,786	-	-	-	-	-
Miscellaneous	218,693	58,448	424,149	749,303	644,443	582,119	613,712	634,030	540,484	377,999
Capital outlay	686,709	427,519	1,075,265	2,834,456	3,063,136	617,256	1,675,290	472,092	508,153	230,677
Debt service	865,657	517,571	659,558	547,457	729,364	617,976	479,924	332,375	389,105	590,420
Total Expenditures	5,918,071	4,841,968	5,891,210	6,944,102	6,834,127	4,021,594	4,736,695	3,162,199	3,012,052	2,554,849
Other financing uses:										
Debt refunded	(97,000)	(85,000)	1,858,241	-	-	-	-	-	-	652,407
Transfers out	-	-	-	-	125,311	159,828	-	-	-	-
Total Other Financing Uses	(97,000)	(85,000)	1,858,241	-	125,311	159,828	-	-	-	652,407
Total Expenditures and Other Financing Uses	\$ 5,821,071	4,756,968	\$7,749,451	6,944,102	6,959,438	4,181,422	4,736,695	3,162,199	3,012,052	3,207,256

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Property Tax Levies and Collections

Ten Year Summary

<u>Tax Year</u>	<u>Original Tax Levy</u>	<u>Amount Uncollected at Year-End</u>	<u>Percentage of Levy</u>
2004	\$1,884,111	74,608	3.96%
2003	1,794,975	78,499	4.37%
2002	1,624,325	58,711	3.61%
2001	1,516,863	75,617	4.99%
2000	1,446,944	88,986	6.15%
1999	1,295,362	89,874	6.94%
1998	1,112,496	101,656	9.14%
1997	944,472	100,702	10.66%
1996	898,487	101,350	11.28%
1995	830,882	101,330	12.20%

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Assessed and Appraised Value of Taxable Property

Ten Year Summary

Tax Year	Assessed Value				Appraised Value			
	Realty	Personal	Public Utilities	Total	Realty	Personal	Public Utilities	Total
2004	\$ 129,140,406	\$ 6,168,842	\$ 5,034,574	\$ 140,343,822	\$ 459,318,000	\$ 24,675,368	\$ 9,153,765	\$ 493,147,133
2003	123,202,028	5,576,474	4,818,278	133,596,780	438,823,100	22,305,895	8,760,505	469,889,500
2002	112,019,610	5,716,937	4,773,958	122,510,505	398,609,800	22,867,747	8,679,924	430,157,471
2001	97,467,827	6,037,080	4,359,936	107,864,843	350,276,400	24,148,319	7,927,156	382,351,875
2000	92,596,505	6,226,039	4,466,083	103,288,627	320,841,349	24,904,156	8,120,151	353,865,656
1999	84,844,015	5,803,110	4,546,762	95,193,887	291,025,960	23,212,439	8,266,840	322,505,239
1998	76,865,787	3,600,395	4,390,279	84,856,461	260,754,075	14,401,579	7,982,325	283,137,979
1997	66,693,657	2,701,190	3,477,400	72,872,247	224,560,269	10,804,771	6,935,431	242,300,471
1996	49,014,692	3,561,293	3,430,728	56,006,713	173,186,300	19,429,713	6,237,687	198,853,700
1995	45,596,066	4,272,539	3,412,784	53,281,389	155,322,100	17,090,154	6,205,062	178,617,316

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Property Tax Rates*

Ten Year Summary

<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Solid Waste Fund</u>	<u>Total Tax Rate</u>
2004 - Sumner & Robertson Counties	\$0.81	\$0.25	\$0.28	1.34
2003 - Sumner & Robertson Counties	\$0.81	\$0.25	\$0.28	1.34
2002 - Sumner & Robertson Counties	0.59	0.52	0.29	1.40
	0.53	0.46	0.26	1.25
2001 - Sumner & Robertson Counties	0.59	0.52	0.29	1.40
2000 - Sumner & Robertson Counties	0.59	0.52	0.29	1.40
1999 - Sumner & Robertson Counties	0.54	0.52	0.30	1.36
1998 - Sumner & Robertson Counties	0.43	0.62	0.26	1.31
1997 - Sumner County	0.45	0.63	0.26	1.34
- Robertson County	0.48	0.67	0.28	1.43
1996 - Sumner County	0.44	0.67	0.26	1.37
- Robertson County	0.53	0.82	0.32	1.67
1995 - Sumner County	0.44	0.67	0.26	1.37
- Robertson County	0.53	0.82	0.32	1.67

* Per \$100 of assessed value

CITY OF WHITE HOUSE, TENNESSEE

General Bonded Debt, Property Tax Rates and Tax Levies
Direct and Overlapping

Ten Year Summary

Fiscal Year	(In Thousands) General Bonded Debt			Tax Rates			(In Thousands) Tax Levies on Property		
	**	County*		City	County*		City	County*	
	City	Robertson	Sumner		Robertson	Sumner		Robertson	Sumner
1995-96	3,350	34,650	35,700	1.37 (S) 1.67 (R)	3.42	2.90	836	14,395	36,975
1998-97	3,350	34,250	33,800	1.43 (S) 1.34 (R)	3.42	2.90	898	13,136	38,280
1997-98	3,340	35,620	35,755	1.31 (S) 1.31 (R)	2.62	2.90	944	13,521	40,060
1998-99	4,558	41,305	68,400	1.36 (S) 1.36 (R)	2.63	2.42	1,112	15,684	40,954
1999-2000	4,665	39,700	61,700	1.40 (S) 1.40 (R)	2.63	2.54	1,295	18,693	45,659
2000-01	4,608	34,930	55,000	1.40 (S) 1.40 (R)	2.63	2.54	1,447	17,438	48,099
2001-02	7,725	45,989	79,000	1.40 (S) 1.25 (R)	3.02	2.54	1,517	19,632	48,674
2002-03	7,140	52,915	108,500	1.34 (S) 1.34 (R)	2.57	2.54	1,624	20,483	50,649
2003-04	7,675	46,881	126,500	1.34 (S) 1.34 (R)	2.66	2.59	1,795	23,167	63,947
2004-05	7,847	67,515	129,000	1.34 (S) 1.34 (R)	2.66	2.59	1,884	24,192	66,375

Tax levies are based upon applicable rates per \$100 assessed valuation.

Taxes are assessed as of January 1 and are due on October 1 for City and County.

Taxes are delinquent on February 28 for City and County.

* Source: County Tax Assessor - White House City limits lie within boundaries of Robertson and Sumner County, Tennessee

** Excludes compensated absences.

(R) Robertson County

(S) Sumner County

CITY OF WHITE HOUSE, TENNESSEE

Computation of Direct and Overlapping Debt

<u>Taxing Jurisdiction</u>	<u>General Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable to City*</u>	<u>Direct and Estimated Overlapping Bonded Debt</u>
City of White House	\$8,257,000	100.00%	\$8,257,000
Sumner County	129,000,000	6.33%	8,165,466
Robertson County	67,515,000	15.67%	10,580,033
Total Direct and Estimated Overlapping Bonded Debt			<u>\$27,002,499</u>

Based on 2005 Census:

City population	<u>8,530</u>
County population (including City):	
Sumner County	134,759
Robertson County	54,433
	<u>189,192</u>

CITY OF WHITE HOUSE, TENNESSEE

**Schedule of Ratios of Net General Bonded
Debt to Assessed Value and
Net Bonded Debt Per Capita**

Ten Year Summary

<u>Tax Year</u>	<u>Net General Bonded Debt *</u>	<u>Assessed Value</u>	<u>Population</u>	<u>Net General Bonded Debt To</u>	
				<u>Assessed Value</u>	<u>Per Capita</u>
2004	\$7,152,635	\$140,343,819	8,530 (1)	5.10%	\$838.53
2003	7,288,277	133,596,780	7,220 (2)	5.46%	1,009.46
2002	6,684,216	122,510,505	7,220 (2)	5.46%	925.79
2001	7,434,595	107,864,843	7,220 (2)	6.89%	1,029.72
2000	4,406,760	103,288,627	7,220 (2)	4.27%	610.35
1999	4,481,546	95,193,887	5,596 (3)	4.71%	800.85
1998	4,390,787	84,856,461	5,596 (3)	5.17%	784.63
1997	3,165,276	72,872,247	5,596 (3)	4.34%	565.63
1996	3,197,670	56,006,713	5,596 (3)	5.71%	571.42
1995	2,971,530	53,281,386	4,260 (4)	5.58%	697.54

* Net General Bonded Debt excludes compensated absences and is net of Debt Service Fund Balance

- (1) Per 2005 Special Census
- (2) Per 2000 Special Census
- (3) Per 1997 Special Census
- (4) Per 1994 Special Census

The City of White House has no legal debt limitation margin.

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Ratios of Annual Debt Service for
General Bonded Debt to Total Governmental Fund Expenditures

Ten Year Summary

Fiscal Year Ended <u>June 30,</u>	GOB Debt Service Requirements *	Governmental Fund Expenditures	Percentage of Debt Service Requirements to Governmental Fund Expenditures
2005	\$382,160	5,918,071	6.46%
2004	428,173	4,841,968	8.84%
2003	461,065	5,891,210	7.83%
2002	309,963	6,944,102	4.46%
2001	323,047	6,834,127	4.73%
2000	314,335	4,021,594	7.82%
1999	320,029	4,736,695	6.76%
1998	357,490	3,162,199	11.31%
1997	352,863	3,012,052	11.72%
1996	293,905	2,554,849	11.50%

* Includes only general obligation bonds

CITY OF WHITE HOUSE, TENNESSEE

Revenue Bond Coverage

Sewer Bonds

Ten Year Summary

Fiscal Year	Gross Revenues**	Direct Operating Expenses***	Net Revenue Available for Debt Service	Debt Service Requirements****		Coverage
				Principal	Interest	
2005	\$1,550,050	\$1,020,802	\$529,248	\$85,425	\$355,425	148.91%
2004	1,493,270	856,319	636,951	86,675	341,675	186.42%
2003	1,397,228	689,201	708,027	140,322	365,322	193.81%
2002	1,350,118	647,423	702,695	146,776	366,776	191.59%
2001	1,248,015	594,871	653,144	156,023	366,023	178.44%
2000	1,295,915	567,237	728,678	167,745	372,745	195.49%
1999	1,164,826	433,241	731,585	159,720	349,720	209.19%
1998	1,018,201	486,271	531,930	180,087	365,087	145.70%
1997	903,124	369,456	533,668	245,480	455,480	117.17%
1996	899,776	422,269	477,507	325,151	505,151	94.53%
1995	812,047	353,154	458,893	351,646	506,646	90.57%

** Includes nonoperating revenues and excludes tap fees

*** Net of depreciation and amortization

**** Does not include loans

(1) Includes capitalized construction period interest of \$182,580

(2) Includes capitalized construction period interest of \$216,683

CITY OF WHITE HOUSE, TENNESSEE

Principal Taxpayers*

June 30, 2005

	Assessed Value*	Ratio of Assessed Value to Appraised Value	Percentage of	
			Total	Total Levy
White House Partners, LP	3,704,680	40%	18.58%	2.60%
Osh Kosh	3,273,234	40%	16.41%	2.30%
Kroger Limited	1,842,065	40%	9.24%	1.29%
CEMC	1,808,736	55%	9.07%	1.27%
Piedmont Natural Gas Co.	1,677,416	55%	8.41%	1.18%
BellSouth Telecommunications	1,279,058	55%	6.41%	0.90%
Kyle Properties	1,209,160	40%	6.06%	0.85%
James M. Balthrop Trustee	815,175	30%	4.09%	0.57%
Farmers Bank	785,651	40%	3.94%	0.55%
Alfred Carman	780,840	40%	3.92%	0.55%
Mt. Vernon Apartments	721,800	40%	3.62%	0.51%
Goodall, Inc.	713,925	30%	3.58%	0.50%
Tate	673,885	30%	3.38%	0.47%
Washington Square, LP	656,886	40%	3.29%	0.46%
TOTALS	<u>19,942,511</u>		<u>100.00%</u>	<u>13.99%</u>
TOTAL LEVY ASSESSED VALUE	<u>142,524,306</u>			

* Source - 2004 City Tax Roll

CITY OF WHITE HOUSE, TENNESSEE

Property Values and Construction

Ten Year Summary

Fiscal Year	Property Values*	Construction**
2005	\$510,417,145	16,957,815
2004	459,318,000	13,245,544
2003	430,157,471	15,963,873
2002	382,351,875	16,592,929
2001	353,865,656	25,523,548
2000	322,505,239	21,782,269
1999	283,137,979	23,172,003
1998	242,300,471	39,420,862
1997	198,853,700	36,488,407
1996	178,617,316	27,276,574

* Appraised value of property on the City tax roll.

** Estimated value of construction as set forth on building permits issued by the City.

CITY OF WHITE HOUSE, TENNESSEE
Principal Officials Salaries and Surety Bonds
For the Year Ended June 30, 2005

<u>Official</u>	<u>Salary</u>	<u>Bond</u>
Susna Johnson/Municipal Judge	\$6,000	(1)
Charlote Soporowski/Finance Director	\$53,664	(1)
Anne Love/City Recorder	\$30,597	(1)

Note (1) - Covered under public official liability.

CITY OF WHITE HOUSE, TENNESSEE

Insurance Coverage

June 30, 2005

Company/Coverage	Policy Number	Effective Date		Coverage Amount	Premium
		From	To		
TML Risk Management Pool: Real property, contents, miscellaneous buildings and equipment	TMP-4316-07	4-5-2005	4-5-2006	\$16,056,288	\$41,647
Workmen's Compensation	TWC-0016-08	4-5-2005	4-5-2006	Statutory	128,293
Bodily injury, property damage, personal injury, automobile	TML-0016-07	4-5-2005	4-5-2006	Varies -up to 1,000,000	73,290
Public official - State tort limits	TMP-4316-07	4-5-2005	4-5-2006	100,000	(Included in above)
Employee dishonesty	TML-0016-07	4-5-2005	4-5-2006	600,000	(Included in above)

CITY OF WHITE HOUSE, TENNESSEE

Miscellaneous Statistical and Demographic Data

June 30, 2005

Date of Incorporation:		1971
Form of Government:		Mayor-Alderman
Miles of Streets - Paved:		60 Miles
Population:	Current Population (2005 Special Census)	8,530
Police and Fire Protection:	Number of Employees	28 Police Personnel 8 Fire Fighters
	Number of Fire Stations	1 Station
	Number of Vehicular Patrol Units	17 Patrol Cars 1 Motorcycle
Recreation and Culture:	Parks/Number of Acres	5 Parks / 156 Acres
	Number of Playgrounds	2 Playgrounds
	Miles of Greenway	3.5 miles
	Number of Other Recreation Facilities	1 Auditorium 1 Senior Citizen Facility 1 Stadium (football) 3 Tennis Courts 1 Basketball Court 6 Ball Diamonds Picnic areas Nature trails 7 Soccer fields 1 Gym 2 Volleyball Court
Education:	Number of Schools/Type	2 Elementary Schools 1 Middle School 1 Middle / High School 1 High School 2 Private
Water Utility (Public Utility District):	Number of Users	28,000 (Approximately)

CITY OF WHITE HOUSE, TENNESSEE

Utility Statistical Data

For the Year Ended June 30, 2005

<u>Service</u>	<u>Consumers</u>	<u>Fees</u>
Sewer	3,282	\$1,493,754

Sewer Rates

Residential:

Minimum bill	\$8.00
1,000-3,000 gallons	\$25.00
3,000-10,000 gallons	\$5.40 per 1,000 gallons
10,000 and thereafter	\$5.25 per 1,000 gallons

Commercial:

Minimum bill	\$9.00
1,000-3,000 gallons	\$30.00
3,000-10,000 gallons	\$5.60 per 1,000 gallons
10,000 and thereafter	\$5.40 per 1,000 gallons

Commercial / Food Prep:

Minimum bill	\$25.00
1,000-3,000 gallons	\$60.00
3,000-10,000 gallons	\$5.65 per 1,000 gallons
10,000-50,000 gallons	\$5.45 per 1,000 gallons
Over 50,000	\$5.20 per 1,000 gallons

Industrial:

Minimum bill	\$50.00
1,000-3,000 gallons	\$75.00
3,000-10,000 gallons	\$5.70 per 1,000 gallons
10,000-50,000 gallons	\$5.50 per 1,000 gallons
Over 50,000	\$5.25 per 1,000 gallons

Rates for customers outside city limits shall be 10% higher than the rates presented above.

Sewer Tapping Fees

Residential	\$2,725 (cost) or actual cost if higher
Commercial	Varies, depending upon cost of equipment

<u>Sewer Expansion Fee</u>	\$1,000
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OTHER REPORTS SECTION

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
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**

Mayor and Board of Aldermen of the
City of White House
White House, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of White House, Tennessee (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued a report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

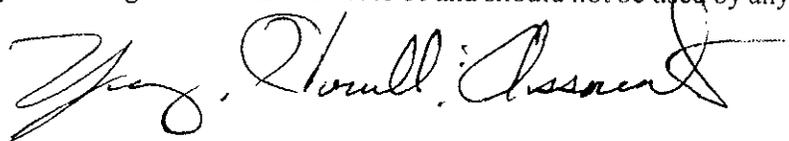
In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as the following items: R-05-01 to R-05-06.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

This report is intended for the information of the audit committee, management, the State Comptroller's office and Federal and State awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



October 14, 2005

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Findings

For the Year Ended June 30, 2005

Reportable Conditions - Current Year:

Finding (05-01)

Receipts

During 2005 testing it was noted that the police department does not use prenumbered receipts.

Recommendation

We recommend that consideration be given to using prenumbered receipts for all collection of cash.

Management Response

Management acknowledges and agrees with the recommendation. The City discussed with the Police Department and prenumbered receipts will be purchased.

Finding (05-02)

Bonds

During 2005 it was noted that refundable bonds are being held in an interest bearing account. These bonds will not be refunded with interest.

Recommendation

We recommend that these bonds be refunded with interest or the bonds be held in a non-interest bearing account.

Management Response

The current interest rate is so low that the interest computation on these bonds yields a negligible amount, and it would not be prudent for the City to continue the efforts of calculation and refunding for these immaterial amounts. We have instituted a process to review the interest rate at the beginning of each fiscal year to determine if a change in rate would warrant a change to this policy. I spoke to Ralph Cross at MTAS, as well as finance directors from surrounding cities, in the process of making this change, and discovered that we were one of the few cities that had continued to refund interest until this policy change in July. In addition to not refunding interest, several surrounding cities charge an administration fee for processing these bonds.

Finding (05-03)

Christmas Bonuses

During 2005 it was noted that the board approved a \$200 Christmas bonus. However, the City Administrator gave select employees a \$300 bonus without board approval.

Recommendation

We recommend that all bonuses be approved by the board.

Management Response

The detail of this discussion was not included in the minutes for the board meeting, due to the fact that the Christmas bonus was intended to be a "surprise" for employees, especially those receiving the additional \$100. There was a memo included in the board's agenda packet that detailed the structure of this plan and the additional monies for those that received \$300 was included and discussed, this was not a surprise for the board and no opposition was expressed during their discussion, even though this disbursement did not require board approval. It was paid out of an existing budgeted amount, and even had it not been, the City Administrator has the authority to make moves within the budget up to \$10,000 per Ordinance 05-15.

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Findings, Continued

For the year ended June 30, 2005

Finding (05-04)

Interfund Financial Activity:

During 2005 we noted that there were a considerable amount of lending and borrowing between the various Funds.

Recommendation

Each fund is established for a specific purpose, generally that purpose does not encompass the lending of funds to other funds of the City. We recommend that there be no interfund borrowing.

Management Response

Acknowledge and agree that interfund borrowing should be kept to a minimum. The borrowing that occurred in this year was only between three funds that are funded by property taxes. If the process involving tax anticipation notes is what you are alluding to in this comment, then we will certainly proceed in that manner for any future borrowings, if it is in fact necessary.

Finding (05-05)

Bank Reconciliation:

We noted that various cash accounts could not actually reconciled to the City General Ledger balance at June 30, 2005 with transfers between funds which actually occurring after June 30 being included in the reconciliations.

Recommendation

We recommend that all cash accounts be reconciled to the general ledger balance each month.

Management Response

Acknowledge the intent of this comment, however I would question materiality when considering the value of smoothing that results in the monthly financial statements, as well as materiality of those items in question.

Finding (05-06)

Labor Costs

During 2005 we noted that a new sewer line was added but no labor costs were capitalized, further we noted a considerable increase in supply and repair and maintenance costs, some of which may have also been associated with the sewer line.

Recommendation

As the City becomes more involved with the actual construction of capital assets, we strongly encourage that formal means be developed for the accumulation of information concerning personnel time required for the construction of the project and actual details records of materials and costs associated with the project. This is absolutely necessary to enable the proper recording of the aggregate capital asset rather than erroneously recording these costs as operating expenses of the system.

Management Response

Acknowledge that in order to record the highest possible value of infrastructure that we would need to capitalize labor costs, will do so on future projects.

CITY OF WHITE HOUSE, TENNESSEE

Schedule of Findings, Continued

For the year ended June 30, 2005

Reportable Conditions - Prior Year:

Finding (02-01)

Sewer Customer Accounts Receivable Reconciliation:

The City operates under an agreement with the White House Utility District (WHUD) for the District to perform the complete processing of the billing function for sewer user charges at no charge to the City. The City utilizes and abides by the billing policies of WHUD as they relate to cutoffs, bad debts, and collections. The District has changed billing software several times over the past few years and as a result, the type of information provided by the District to the City to allow the City to monitor billing activity and integrity has been incomplete and/or insufficient. The District currently provides monthly information to the City as it relates to the current billing cycle bills, cash collections, assessed penalties and related collections.

The City does not receive a monthly accounts receivable report along with the other information to use as a control measure. We were unable to reconcile accounts receivable per detail listing of amounts with control accounts per the City general ledger, resulting in a significant adjust at year end to adjust the general ledger to detail listings of accounts receivable as submitted by the WHUD. Further, WHUD performs the write-off and collection functions for the City, however the City is not routinely provided a listing of bad debts.

Recommendation

We again recommend the City request WHUD to provide necessary information to enable the City to monitor the activity and integrity of the City's billing functions including bad debts. The City should also reconcile to the monthly accounts receivable report.

Current Year Status

Situation continued to exist.