W&G

CITY OF WHITE HOUSE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

(With Independent Auditor's Report Thereon)

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
DIRECTORY OF OFFICIALS (UNAUDITED)	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	2 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4 - 11
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net assets	12
Statement of activities	13
Statement of changes in net assets	14
Fund financial statements	
Balance sheet – governmental funds	15 - 16
Statement of revenues, expenditures and changes in fund balances – governmental funds	17 - 18
Statement of net assets – proprietary fund	19
Statement of revenues, expenses and changes in net assets – proprietary fund	20
Statement of cash flows – proprietary fund	21 - 22
Notes to financial statements	23 - 40
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule - general fund (unaudited)	41 - 42
Budgetary comparison schedule – park sales tax fund (unaudited)	43
COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS AND SCHEDULES	
Schedule of expenditures of federal awards and state financial assistance	44
Schedule of revenues – major governmental funds	45
Schedule of expenditures – major governmental funds	46 - 47
Combining balance sheet – nonmajor governmental funds	48
Combining statement of revenues, expenditures and changes in fund balances – non-major governmental funds	49 - 50
Budgetary comparison schedule – cemetery fund (unaudited)	51
Budgetary comparison schedule – debt service fund (unaudited)	52
Budgetary comparison schedule – drug fund (unaudited)	53
Budgetary comparison schedule – impact fee fund (unaudited)	54
Budgetary comparison schedule – industrial development fund (unaudited)	55
Budgetary comparison schedule – parks nutrition fund (unaudited)	56
Budgetary comparison schedule – solid waste fund (unaudited)	57 - 58
Budgetary comparison schedule – state street aid fund (unaudited)	59
Schedule of changes in property taxes receivable	60
Schedules of long-term debt	61 - 62
STATISTICAL TABLES	
Schedule of tax rates and assessments (unaudited)	63
Schedule of wastewater rates and number of customers (unaudited)	64
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	65 – 70

INTRODUCTORY SECTION

CITY OF WHITE HOUSE, TENNESSEE

DIRECTORY OF OFFICIALS
(UNAUDITED)

Mayor	John Decker
Alderman	Mike Arnold
Alderman	Farris H. Bibb, Jr.
Alderman	Darrell Leftwich
Alderman	Lisa Stickel
City Administrator	Angie Carrier
City Attorney	David Amonette
City Judge	Susan Johnson
City Recorder	Anne Love
Chief of Fire Department	Joe Palmer
Chief of Police Department	Stan H. Hilgadiack
Director of Finance	Charlotte Soporowski
Director of Library	Judy Speight
Director of Parks and Recreation	Ashley Smith
Director of Planning and Codes	Addam McCormick
Director of Public Works	Ron Harrell
Director of Wastewater	Bill Crusenberry

FINANCIAL SECTION

WORK & GREER, PC

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

209 SIXTH AVENUE NORTH, NASHVILLE, TENNESSEE 37219

(615) 259-7600 • FAX (615) 259-7603 • WWW.WORKGREER.COM

INDEPENDENT AUDITOR'S REPORT

HONORABLE MAYOR AND BOARD OF ALDERMEN
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 as of and for the year ended June 30, 2006, 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 of White House, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of White House, Tennessee as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2006, on our consideration of the City of White House, Tennessee'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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11 and budgetary comparison information on pages 41 through 43 are not a required part of the basic 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 express no 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, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules, except for those marked "unaudited," on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables 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.

Work & Gray, PC

December 12, 2006

CITY OF WHITE HOUSE, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of White House, Tennessee's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

The City of White House's governmental activity total assets decreased by $20,000 in 2006 or 0.1%, while business-type activity total assets increased by $58,000 or 0.3%, resulting in an increase in total primary government assets of $38,000 or about 0.1%. Governmental activity total revenues for the City of White House increased by $925,000 or 16.6%, while business-type total revenues increased by $337,000 or 21.7%, resulting in an increase in total primary government revenues of $1,262,000, or 17.7%. The City's governmental activity total program costs for 2006 decreased $331,000 or 6.3%, while business-activity total program costs increased by $15,000 or 0.9%, resulting in a decrease in total primary government program costs of $316,000 or 4.6%. With respect to the City of White House's governmental activities, while total revenues increased, total program expenses decreased, resulting in an increase in net assets of $1,693,000. On a budgetary basis of accounting for the General Fund, there was a net excess of revenues and other income sources over expenditures and other uses of $417,000. The City of White House General Fund Balance at fiscal year end was approximately $1,002,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of White House, Tennessee as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

For an analysis of the City of White House's financial operation as a whole, we must examine the statement of net assets and the statement of activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most companies in the private sector. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The primary question we must ask in reviewing these financial statements, "is the City of White House as a whole financially better or worse as a result of this year's activities".

One way to answer this question of the City's financial position and stability is to review the City's statements of net assets, (the difference between assets and liabilities) and the changes in these net assets over time. Tables 1and 2 of this discussion and analysis offer this information in a comparative format which provides an excellent opportunity to evaluate the City of White House's financial health. In reviewing these statements you will also need to consider other non-financial factors, such as, changes in the City's property and sales tax base and the condition of the City's infrastructure facilities and equipment.

As illustrated in Table 1, total assets of the City of White House's governmental activities were $17,800,000 in 2006 versus $17,820,000 in 2005, representing a decrease of $20,000 or 0.1%. Table 1 also shows that total assets of the City of White House's business-type activities were $17,962,000 in 2006 versus $17,904,000 in 2005, representing an increase of $58,000 or 0.3%.

REPORTING THE CITY AS A WHOLE, continued

Table 1
Net Assets
(in Thousands)

	Governmental Activities			Business-type Activities			Total Primary Government		
	2006	(as restated) 2005	Change	2006	(as restated) 2005	Change	2006	(as restated) 2005	Change
Current and other assets	$ 5,509	$ 6,155	$ (646)	$ 2,043	$ 2,041	$ 2	$ 7,552	$ 8,196	$ (644)
Capital assets	12,291	11,665	626	15,919	15,863	56	28,210	27,528	682
Total assets	$ 17,800	$ 17,820	$ (20)	$ 17,962	$ 17,904	$ 58	$ 35,762	$ 35,724	$ 38
Long-term liabilities	$ 5,893	$ 7,830	$ (1,937)	$ 5,716	$ 6,243	$ (527)	$ 11,609	$ 14,073	$ (2,464)
Other liabilities	2,365	2,141	224	116	125	(9)	2,481	2,266	215
Total liabilities	8,258	9,971	(1,713)	5,832	6,368	(536)	14,090	16,339	(2,249)
Net assets:									
Invested in capital assets, net of related debt	6,652	4,059	2,593	10,202	10,650	(448)	16,854	14,709	2,145
Restricted	1,379	236	1,143	-	-	-	1,379	236	1,143
Unrestricted	1,511	3,554	(2,043)	1,928	886	1,042	3,439	4,440	(1,001)
Total net assets	9,542	7,849	1,693	12,130	11,536	594	21,672	19,385	2,287
Total liabilities and net assets	$ 17,800	$ 17,820	$ (20)	$ 17,962	$ 17,904	$ 58	$ 35,762	$ 35,724	$ 38

The significant elements and causes for the changes in the City of White House's governmental activities total assets in 2006 were: (1) Current and other assets decreased by $646,000. (2) Capital assets, net including infrastructure additions, increased by $626,000. This amount included an increase in land and construction in progress, buildings, machinery and equipment, infrastructure, and other capital assets of $1,021,000 net of retirements and depreciation expense of $395,000 net of retirements for the year.

The significant aspect of the increase in the City of White House's business-type activities total assets in 2006 was an increase in current and other assets of $2,000 and an increase in capital assets of $56,000. The increase is due to an increase in Utility plant in service by $388,000 and a decrease of $13,000 in machinery of equipment net of retirements. The increase in these capital improvements, and depreciation expense of $319,000 net of retirements accounted for the entire increase in capital assets.

As discussed in Note L to the financial statements net assets for 2005 government-wide statements have been restated to correct for infrastructure assets donated to the city that had not been recorded. Additionally, the government-wide, governmental funds, and the proprietary fund financial statements have been restated to correct for prepaid assets relating to prepaid insurance premiums that had not previously been recorded.

As shown in Table 1, total liabilities of the City of White House's governmental activities decreased by $1,713,000 or 17.2% to $8,258,000 in 2006 from $9,971,000 in 2005. Table 1 also shows total liabilities of the City of White House's business-type activities decreased by $536,000 or 8.4% to $5,832,000 in 2006 from $6,368,000 in 2005.

The significant elements and causes for the changes in the City of White House's governmental activities total liabilities in 2006 were: (1) Other liabilities increased by $224,000, primarily due to an increase in accounts payable and (2) Long-term liabilities decreased by $1,937,000. This was comprised of a decrease in accruals for compensated absences of $35,000, and a decrease due to debt payments of $2,336,000. The debt payments included a partial prepayment of $1,695,000 on the Loans Payable to the Public Building Authority of Sevier County, Tennessee.

The most significant aspect of the decrease in the City of White House's business-type activities total liabilities in 2006 was the decrease in long-term debt primarily due to debt principal payments.

REPORTING THE CITY AS A WHOLE, continued

Therefore, total net assets of the City of White House's governmental activities increased to $9,542,000 in 2006 from $7,849,000 in 2005 representing an increase of $1,693,000 or 21.6%, and total net assets of the City of White House's business-type activities increased to $12,130,000 from $11,536,000, representing an increase of $594,000 or 5.1%.

The significant elements and causes for the increase in the City of White House's governmental activities net assets are: (1) Net assets invested in capital assets, net of related debt, increased by $2,593,000. (2) Restricted net assets increased by $1,143,000 and unrestricted net assets decreased by $2,043,000. The increase in the City of White House's business-type activities net assets of $594,000 was due to income of $238,000, contributions of $463,000 and transfers to other governmental funds of $107,000.

Table 2 illustrates the changes in net assets. As stated earlier, the changes in net assets over time provide an excellent opportunity to evaluate the financial health of the City of White House. Total revenues for the City of White House's governmental activities increased to $6,491,000 in 2006 from $5,566,000 in 2005, representing an increase of $925,000 or 16.6%. Total revenues for the City of White House's business-type activities increased to $1,887,000 in 2006 from $1,550,000 in 2005, representing an increase of $337,000 or approximately 21.7%.

Table 2
Changes in Net Assets
(in Thousands)

	Governmental Activities			Business-type Activities			Total Primary Government		
	2006	(as restated) 2005	Change	2006	(as restated) 2005	Change	2006	(as restated) 2005	Change
Revenues									
Program revenues:									
Charges for services	$ 834	$ 580	$ 254	$ 1,773	$ 1,521	$ 252	$ 2,607	$ 2,101	$ 506
Grants and contributions:									
For operations	321	363	(42)	-	-	-	321	363	(42)
For capital projects	356	108	248	-	-	-	356	108	248
General revenues:									
Property taxes	1,983	1,883	100	-	-	-	1,983	1,883	100
Park sales tax	460	416	44	-	-	-	460	416	44
Impact fees	483	279	204	-	-	-	483	279	204
Intergovernmental revenues	1,966	1,816	150	-	-	-	1,966	1,816	150
Other revenues	88	121	(33)	114	29	85	202	150	52
Total revenues	6,491	5,566	925	1,887	1,550	337	8,378	7,116	1,262
Program expenses:									
General government	844	864	(20)	-	-	-	844	864	(20)
City court	56	52	4	-	-	-	56	52	4
Public safety	1,870	1,890	(20)	-	-	-	1,870	1,890	(20)
Streets	479	629	(150)	-	-	-	479	629	(150)
Sanitation	373	401	(28)	-	-	-	373	401	(28)
Cemetery and maintenance	15	13	2	-	-	-	15	13	2
Library and museum	163	152	11	-	-	-	163	152	11
Parks and recreation	557	569	(12)	-	-	-	557	569	(12)
Planning and zoning	151	157	(6)	-	-	-	151	157	(6)
Senior citizens activities	40	39	1	-	-	-	40	39	1
City garage	53	47	6	-		-	53	47	6
Miscellaneous	53	209	(156)	-	-	-	53	209	(156)
Interest on long-term debt	251	214	37	-	-	-	251	214	37
Wastewater department	-		-	1,649	1,634	15	1,649	1,634	15
Total expenses	4,905	5,236	(331)	1,649	1,634	15	6,554	6,870	(316)
Excess before transfers	1,586	330	1,256	238	(84)	322	1,824	246	1,578
Contributions	-	-	-	463	759	(296)	463	759	(296)
Transfers	107	97	10	(107)	(97)	(10)	-	-	-
Increase (decrease) in net assets	1,693	427	1,266	594	578	16	2,287	1,005	1,282
NET ASSETS, beginning as restated	7,849	7,422	427	11,536	10,958	578	19,385	18,380	1,005
NET ASSETS, ending	$ 9,542	$ 7,849	$ 1,693	$ 12,130	$ 11,536	$ 594	$ 21,672	$ 19,385	$ 2,287

REPORTING THE CITY AS A WHOLE, continued

The increase in total revenues of the City of White House's governmental activities for 2006 as compared to 2005 was primarily due to: (1) Charges for services increased by $254,000 due to increased fees through court and public safety departments. (2) Revenues for capital projects increased by $248,000. (3) Impact fees increased by $204,000 due to continued development throughout the city.

The increase in total revenues of the City of White House's business-type activities was primarily due to an increase in the charges for services. Charges for services for the Wastewater Department are generated primarily by user fees. User fees are charged based on consumption of water in gallons per billing cycle. While the average consumption per customer remained steady, the Wastewater Department did see an increase of 216 customers over last fiscal year.

Table 2 shows that total program expenses for the City of White House's governmental activities decreased to $4,905,000 in 2006 from $5,236,000 in 2005, representing a decrease of $331,000 or 6.3%. Total program expenses for the City of White House's business-type activities increased to $1,649,000 in 2006 from $1,634,000 in 2005, representing an increase of $15,000 or 0.9%.

The decrease in total program expenses for the City of White House's governmental activities was primarily due to: (1) Miscellaneous expenses decreased by $156,000, (2) Street department expenses also decreased by $150,000 primarily due to decreases in salary and benefits and contractual expenses, (3) Sanitation department expenses decreased by $28,000 primarily due to capital outlay expenses.

The increase in total program expenses for the City of White House's business-type activities was primarily due to an increase in supplies expense. Total expenses increased $15,000 or 0.9%. Supplies expense increased by approximately $37,000, but was offset by a decrease in other operating expenses.

The increase in the net assets of the City of White House's governmental activities in 2006 was $1,693,000 as compared to an increase in net assets in 2005 of $427,000. This $1,256,000 increase is due to an increase in program revenues over expenses, and an increase of $10,000 in transfers to the Wastewater Department.

Governmental Activities

The City's fiscal operating year is the twelve-month period beginning each July 1. An annual operating budget is submitted to the Board of Mayor and Aldermen prior to the commencement of the related fiscal year, and a budget ordinance for the year is subsequently adopted. Any revisions or amendments require Board action. All annual appropriations not expended lapse at fiscal year-end. The budgetary appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the Board of Mayor and Aldermen. The final budget for 2006 was amended by the Board of Mayor and Aldermen to allocate funds from the City's reserve account into revenues to balance the 2006 budget.

BUDGETARY HIGHLIGHTS

Table 3 illustrates the significant components of the City of White House's budget for the general fund for the year ended June 30, 2006. The original budget revenue estimates total $4,372,000, not including revenue from other financing sources of $474,000 for a total of $4,846,000. Final budget revenues for the period amounted to $4,474,000 and revenue from other financing sources of $474,000 for a total of $4,948,000. Final actual revenues for the period amounted to $4,227,000. The City's original budget estimated expenditures for the 2006 year-end were $4,604,000. Final budget expenditures for the period amounted to $4,599,000. Final actual expenditures for the period amounted to $4,067,000. Therefore, the City realized an actual budget excess of $417,000. The primary reason for this excess is attributed to a decrease in projected expenditures that was even greater than the actual decrease of anticipated revenues. At the end of this period the City of White House's actual fund balance was $1,002,000.

Table 3
General Fund Budget Comparison
(in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Over/(Under)
Revenues				
Taxes	$ 1,435	$ 1,435	$ 1,393	$ (42)
Intergovernmental revenues	2,122	2,144	2,019	(125)
Other revenues	815	895	815	(80)
Total revenues	4,372	4,474	4,227	(247)
Expenditures				
General government	1,051	1,051	746	(305)
Public safety	1,752	1,752	1,697	(55)
Streets	269	302	262	(40)
Capital outlay	575	536	486	(50)
Other activity expenditures	957	958	876	(82)
Total expenditures	4,604	4,599	4,067	(532)
Excess revenues over (under) expenditures	(232)	(125)	160	285
Other financing sources (uses):	474	474	257	(217)
Net revenues and other sources over expenditures and other uses	242	349	417	68
Fund Balance, June 30, 2005, as restated	227	227	585	358
Fund Balance, June 30, 2006	$ 469	$ 576	$ 1,002	$ 426

Note: This budgetary comparison is presented on a budgetary basis of accounting. This presentation excludes most revenue and expense accruals, fixed asset capitalization, and capital asset depreciation.

Business-type Activities

The Wastewater Department adopts an Operating Budget to assist in planning and forecasting for the fiscal year. The Budget is approved and is in effect for the entire fiscal year. Management uses the budget as a planning tool for the coming year.

BUDGETARY HIGHLIGHTS, continued

CAPITAL ASSETS

Table 4 provides a comparative view of the capital assets of the City of White House's governmental and business-type activities in four major categories: land and construction in progress; buildings; machinery and equipment; and infrastructure. Also noted are the amounts of accumulated depreciation applicable to these capital assets.

Table 4
Capital Assets at Year-End
(in Thousands)

	Governmental Activities			Business-type Activities			Total		
	2006	(as restated) 2005	Change	2006	2005	Change	2006	(as restated) 2005	Change
Land and construction in progress	$ 6,284	$ 5,830	$ 454	$ 791	$ 791	$ -	$ 7,075	$ 6,621	$ 454
Buildings and building improvements	5,634	5,634	-	-	-	-	7,973	7,756	217
Land improvements	39	-	39	-	-	-			-
Machinery and equipment	3,803	3,400	403	443	456	(13)	18,153	17,647	506
Utility plant in service	-	-	-	20,194	19,806	388			
Infrastructure	768	643	125	-	-	-	89,786	87,339	2,447
Total capital assets	16,528	15,507	1,021	21,428	21,053	375	122,987	119,363	3,624
Accumulated depreciation	(4,237)	(3,842)	(395)	(5,509)	(5,190)	(319)	(9,746)	(9,032)	(714)
Net capital assets	$ 12,291	$ 11,665	$ 626	$ 15,919	$ 15,863	$ 56	$113,241	$ 110,331	$ 2,910

Governmental Activities

In June 2005, the City of White House's governmental activities had $11,665,000 (net of accumulated depreciation) invested in a broad range of capital assets, including police and fire equipment, municipal buildings, park facilities, roads, and various other capital assets. In June 2006 capital assets were $12,291,000 (net of accumulated depreciation), representing an increase of 626,000 or 5.4%. The net increase in capital assets was comprised of two significant components: Land and construction in progress of $454,000; less depreciation expense of $396,000 (net of retirements). Capital asset additions in 2006 consisted primarily of land acquisition for the construction of a new fire hall, as well as street acceptances.

Business-type Activities

In June 2005, the City of White House's business-type activities, consisting of the Wastewater Department, had $15,863,000 (net of accumulated depreciation) invested in land, machinery and equipment, and Utility plant in service which is by far the most significant component of the Wastewater Department's capital assets. In June 2006 capital assets were $15,919,000 (net of accumulated depreciation), representing an increase of $56,000 or 0.4% over 2005. The net increase in capital assets included an increase in the Utility plant in service of $388,000 and a decrease in Machinery and equipment of approximately $13,000.

DEBT ADMINISTRATION

Table 5 provides a comparative view of the various types of long-term debt utilized by the City of White House's governmental and business-type activities in 2006 and 2005.

DEBT ADMINISTRATION, continued

Table 5
Outstanding Debt at Year-End
(in Thousands)

	Governmental Activities			Business-type Activities			Total		
	2006	2005	Change	2006	2005	Change	2006	2005	Change
Revenue bonds	$ 1,495	$ 1,690	$ (195)	$ 5,867	$ 6,423	$ (556)	$ 7,362	$ 8,113	$ (751)
Capital outlay notes	1,585	1,597	(12)	-	-	-	1,585	1,597	(12)
Loan payable	2,625	4,320	(1,695)	-	-	-	2,625	4,320	(1,695)
Total notes and bonds	5,705	7,607	(1,902)	5,867	6,423	(556)	11,572	14,030	(2,458)
Compensated absences	188	223	(35)	-	-	-	188	223	(35)
Loss on defeasance	-	-	-	(151)	(180)	29	(151)	(180)	29
Total long-term liabilities	$ 5,893	$ 7,830	$ (1,937)	$ 5,716	$ 6,243	$ (527)	$ 11,609	$ 14,073	$ (2,464)

Governmental Activities

At the end of the current fiscal year the City of White House's governmental activities had outstanding long-term debt of $5,893,000 including accrued compensated absences. The prior year total of long-term liabilities amounted to $7,830,000; consequently long-term liabilities decreased during the year by $1,937,000.

A new capital outlay note for $150,000 was added in 2006 to fund the purchase of land for construction of the City's new fire hall. This loan matures between February 1, 2007 and 2018, at a fixed interest rate of 5.45%, with interest payable semiannually on February 1 and August 1 and principal payable annually on February 1 of each year.

The accrual for compensated absences decreased by $35,000 in 2006. This accrual is required for sick pay and vacation pay that will be paid to employees upon termination and/or retirement.

Business-type Activities

At the end of the current fiscal year the City of White House's business-type activities, comprised of the Wastewater Department, had outstanding long-term debt of $5,716,000. The prior year total of long-term liabilities amounted to $6,243,000; consequently long-term liabilities decreased during the year by $527,000 or 8.4%.

The Wastewater Department has an outstanding Note Payable to the State of Tennessee, Revolving Loan Fund due in monthly installments through 2024. Also outstanding is a Loan Payable to the Public Building Authority of Sevier County, Tennessee, Series II-F-I due quarterly through 2017. Remaining is a Sewer Revenue and Tax Refunding Bond, Series 2002, due annually through 2012. These are all direct obligations of the City and are backed by the full faith and credit of the City and secured by a lien upon and pledge of the net revenues of the Wastewater system. Also, the City has pledged to levy and collect additional taxes, to the extent necessary, to meet the debt service obligations under these agreements. In addition, the City has pledged to assign its state-shared taxes to the State of Tennessee to secure the payment of the City's obligations to the State Revolving Loan Fund. As reflected in the statement of net assets for the proprietary fund, current liabilities at year's end were $688,000. Included in current liabilities is the current portion of long term debt for $532,000.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The Annual Budget assures the efficient, effective and economic use of the City's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the Board of Mayor and Alderman sets the direction of the City, allocates its resources and establishes its priorities.

In terms of the future, while we are in good financial shape at this time, with revenue streams limited and the large amount of growth the City is facing, we need to be alert to the public benefit versus the costs of the services we provide. In short, as the budget better reflects actual revenues, and as we move into the future, we need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues.

The City is continuing to grow exponentially. To that end, it is important that the Board update its comprehensive plan and goals and maintain its communication efforts through the budgeting process. New subdivision developments along with continued new business locations have added to the City's property and sales tax base. With annexations and higher density, the City is facing many challenges in maintaining a necessary level of infrastructure. As it relates to the White House Wastewater Department, an important goal is to bring the billing function back into our control and to also to complete a rate study in the coming year. The Wastewater Department plans for normal growth in its number of customers to be about 6.9% annually. External factors such as annexation, development of new subdivisions and condominiums, and economic factors will have a significant effect on growth and rates.

The most significant changes in the budget revenues for the City of White House this year are the continued return in State shared taxes and growth of the City's sales tax revenue. The city has been able to maintain services without a tax increase for the past few years which will continue to be a major challenge with continued growth.

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 of White House's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact the Director of Finance at the City of White House, 105 College Street, White House, Tennessee 37188, (615) 672-4350 or csoporowski@cityofwhitehouse.com.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,382,140	$ 1,585,837	$ 2,967,977
Net receivables	2,732,609	349,179	3,081,788
Internal balances	39,851	(39,851)	-
Materials and supplies	-	111,730	111,730
Other current assets	136,080	31,920	168,000
Restricted cash and cash equivalents	1,150,824	-	1,150,824
Capital assets:			
Land and construction in progress	6,283,809	791,260	7,075,069
Other capital assets, net of depreciation	6,007,430	15,127,656	21,135,086
Unamortized debt issuance costs	67,054	4,226	71,280
	$ 17,799,797	$ 17,961,957	$ 35,761,754
LIABILITIES			
Accounts payable	$ 129,903	$ 38,650	$ 168,553
Accrued liabilities	105,200	20,693	125,893
Accrued interest	50,134	31,729	81,863
Deferred revenues	1,995,000	25,200	2,020,200
Performance bonds payable	84,050	-	84,050
Noncurrent liabilities			
Due within one year	647,999	531,682	1,179,681
Due in more than one year	5,245,238	5,184,168	10,429,406
	8,257,524	5,832,122	14,089,646
NET ASSETS			
Invested in capital assets, net of related debt	6,652,293	10,202,073	16,854,366
Restricted for:			
Capital projects	660,598	-	660,598
Parks and recreation	348,584	-	348,584
Street maintenance and improvements	148,678	-	148,678
Industrial development and tourism	134,636	-	134,636
Public safety	53,302	-	53,302
Cemetery	33,387	-	33,387
Unrestricted	1,510,795	1,927,762	3,438,557
Total net assets	9,542,273	12,129,835	21,672,108
	$ 17,799,797	$ 17,961,957	$ 35,761,754

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) / Revenue
GOVERNMENTAL ACTIVITIES:					
General government	$ 843,484	$ 207,395	$ 65,088	$ -	$ (571,001)
City court	55,923	238,304	-	-	182,381
Public safety	1,870,025	76,814	5,598	-	(1,787,613)
Streets	479,253	-	240,161	355,913	116,821
Sanitation	373,295	14,677	-	-	(358,618)
Cemetery and maintenance	14,702	36,820	-	-	22,118
Library and museum	163,404	-	1,951	-	(161,453)
Parks and recreation	557,288	109,688	-	-	(447,600)
Planning and zoning	151,174	150,438	-	-	(736)
Senior citizen activities	40,350	-	8,500	-	(31,850)
City garage	52,791	-	-	-	(52,791)
Miscellaneous	52,828	-	-	-	(52,828)
Interest on long-term debt	250,600	-	-	-	(250,600)
	4,905,117	834,136	321,298	355,913	(3,393,770)
BUSINESS-TYPE ACTIVITIES					
Wastewater department	1,648,588	1,772,422	-	463,237	587,071
TOTAL GOVERNMENT	$ 6,553,705	$ 2,606,558	$ 321,298	$ 819,150	$ (2,806,699)

	Governmental Activities	Business-Type Activities	Total
NET (EXPENSE) / REVENUE	$ (3,393,770)	$ 587,071	$ (2,806,699)
GENERAL REVENUES			
Property taxes	1,983,473	-	1,983,473
Park sales tax	459,816	-	459,816
Impact fees	482,534	-	482,534
Intergovernmental revenues	1,966,269	-	1,966,269
Interest and investment earnings	45,520	21,998	67,518
Other revenue	59,045	45,711	104,756
Gain (loss) on disposition of capital assets	(16,664)	45,783	29,119
Total general revenues	4,979,993	113,492	5,093,485
TRANSFERS	107,000	(107,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS	5,086,993	6,492	5,093,485
CHANGE IN NET ASSETS	$ 1,693,223	$ 593,563	$ 2,286,786

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
NET ASSETS, June 30, 2005, as previously reported	$ 6,834,996	$ 11,502,686	$ 18,337,682
PRIOR PERIOD ADJUSTMENTS, as discussed in Note L	1,014,054	33,586	1,047,640
NET ASSETS, June 30, 2005, as restated	7,849,050	11,536,272	19,385,322
CHANGE IN NET ASSETS	1,693,223	593,563	2,286,786
NET ASSETS, June 30, 2006	$ 9,542,273	$ 12,129,835	$ 21,672,108

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Park Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 754,842	$ 183,128	$ 1,535,250	$ 2,473,220
Net receivables	1,891,452	86,914	767,228	2,745,594
Due from other funds	38,202	78,542	72,099	188,843
Other current assets	122,640	-	13,440	136,080
Restricted cash and cash equivalents	26,357	-	33,387	59,744
	$ 2,833,493	$ 348,584	$ 2,421,404	$ 5,603,481
LIABILITIES				
Accounts payable	$ 108,656	$ -	$ 21,247	$ 129,903
Accrued liabilities	96,401	-	8,799	105,200
Due to other funds	142,037	-	6,955	148,992
Deferred revenues	1,400,623	-	722,928	2,123,551
Performance bonds payable	84,050	-	-	84,050
	1,831,767	-	759,929	2,591,696
FUND BALANCES				
Reserved for:				
Cemetery	-	-	33,387	33,387
Public safety	-	-	53,302	53,302
Capital projects	-	-	660,598	660,598
Industrial development and tourism	-	-	134,636	134,636
Street maintenance and improvements	-	-	148,678	148,678
Parks and recreations	-	348,584	-	348,584
Unreserved:				
General fund	1,001,726	-	-	1,001,726
Capital projects fund	-	-	197,100	197,100
Special revenue fund	-	-	51,374	51,374
Debt service fund	-	-	382,400	382,400
Total fund balances	1,001,726	348,584	1,661,475	3,011,785
	$ 2,833,493	$ 348,584	$ 2,421,404	$ 5,603,481

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS - CONTINUED

JUNE 30, 2006

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

Total governmental fund balances above	$ 3,011,785
Capital assets not reported above	12,291,239
Accrued interest not reported above	(50,134)
Unamortized debt issuance costs not reported above	67,054
Note payables not reported above	(5,705,000)
Compensated absence accrual not reported above	(188,237)
Deferred revenues, from property and intergovernmental taxes reported above, reported as revenues in the government-wide statement of net assets	115,566
Net assets of governmental activities in the statement of net assets	$ 9,542,273

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR END JUNE 30, 2006

	General Fund	Park Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$1,392,986	$ 459,816	$ 594,489	$ 2,447,291
Intergovernmental revenues	2,018,771	-	284,091	2,302,862
Charges for services	100,841	-	60,344	161,185
Licenses and permits	357,833	-	482,534	840,367
Fines and forfeitures	238,304	-	76,814	315,118
Interest revenue	3,331	27,919	14,270	45,520
Miscellaneous	114,725	-	13,883	128,608
Total revenues	4,226,791	487,735	1,526,425	6,240,951
EXPENDITURES				
Current operations:				
General government	745,932	-	-	745,932
City Court	56,414	-	-	56,414
Public safety	1,697,215	-	16,291	1,713,506
Streets	261,895	-	146,762	408,657
Sanitation	-	-	350,207	350,207
Cemetery and maintenance	-	-	14,702	14,702
Library and museum	145,474	-	-	145,474
Parks and recreation	431,057	-	19,958	451,015
Planning and zoning	149,787	-	-	149,787
Senior citizens activities	40,731	-	-	40,731
City garage	52,791	-	-	52,791
Miscellaneous	-	290	31,025	31,315
Capital outlay	485,734	-	386,932	872,666
Debt service	-	1,774,874	539,630	2,314,504
Total expenditures	4,067,030	1,775,164	1,505,507	7,347,701
REVENUES OVER (UNDER) EXPENDITURES	159,761	(1,287,429)	20,918	(1,106,750)
OTHER FINANCING SOURCES:				
Bond issuance	150,000	-	-	150,000
Transfer from other funds	107,000	-	-	107,000
	257,000	-	-	257,000
NET CHANGE IN FUND BALANCE	416,761	(1,287,429)	20,918	(849,750)
FUND BALANCE, June 30, 2005, as previously reported	455,923	1,636,013	1,626,415	3,718,351
PRIOR PERIOD ADJUSTMENT, as discussed in Note L	129,042	-	14,142	143,184
FUND BALANCE, June 30, 2005, as restated	584,965	1,636,013	1,640,557	3,861,535
FUND BALANCE, June 30, 2006	$1,001,726	$ 348,584	$ 1,661,475	$ 3,011,785

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

Net change in fund balances as reported in the governmental funds statements	$ (849,750)
Property contributions not recorded in the governmental funds statements but recognized as revenue in the government-wide statements	332,823
Increase in deferred revenues for property taxes including allowance for doubtful accounts, in the governmental funds not recognized in the government-wide statements	3,793
Bond loan fund proceeds recorded as revenue in the governmental funds statements but reflected as long-term debt in the government-wide statements	(150,000)
Proceeds from capital asset dispositions recorded as revenue in the governmental funds statements but recorded as a component of gain on disposition of capital assets in the government-wide statements	(69,563)
Amounts reported as expenditures in the governmental funds statements not included as expenses in the government-wide statements:	
Capital outlays	872,666
Payments on long-term debt	2,063,904
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(493,545)
Amortization of debt issuance costs	(14,117)
Decrease in accrued compensated absences	35,189
Administrative charges related to bond issuance	(21,513)
Loss on disposal of capital assets	(16,664)
Change in net assets of governmental activities	$ 1,693,223

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF NET ASSETS

PROPRIETARY FUND

JUNE 30, 2006

	Wastewater Department
ASSETS	
Current assets	
Cash and cash equivalents	$ 1,585,837
Net receivables	349,179
Materials and supplies	111,730
Other current assets	31,920
Total current assets	2,078,666
Noncurrent assets	
Net capital assets	15,918,916
Unamortized debt issuance costs	4,226
Total noncurrent assets	15,923,142
Total assets	$ 18,001,808
LIABILITIES	
Current liabilities	
Accounts payable	$ 38,650
Accrued liabilities	20,693
Accrued interest	31,729
Due to other funds	39,851
Deferred revenues	25,200
Current maturities of long-term debt	531,682
Total current liabilities	687,805
Long-term debt	5,184,168
Total liabilities	5,871,973
NET ASSETS	
Invested in capital assets, net of related debt	10,202,073
Unrestricted	1,927,762
Total net assets	12,129,835
Total liabilities and net assets	$ 18,001,808

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2006

	Wastewater Department
OPERATING REVENUES	
Charges for services	$ 1,772,422
Other operating revenues	45,711
	1,818,133
OPERATING EXPENSES	
Salaries and payroll taxes	285,434
Employee benefits	71,616
Supplies	285,042
Utilities	121,221
Other operating expenses	180,524
Depreciation and amortization	450,918
Total operating expenses	1,394,755
OPERATING INCOME	423,378
NONOPERATING INCOME (EXPENSE)	
Interest income	21,998
Interest expense	(253,833)
Gain on disposition of capital assets	45,783
Total nonoperating income (expense)	(186,052)
Income before contributions and transfers	237,326
CAPITAL CONTRIBUTIONS	463,237
TRANSFERS TO OTHER FUNDS	(107,000)
CHANGES IN NET ASSETS	593,563
NET ASSETS, June 30, 2005, as previously reported	11,502,686
PRIOR PERIOD ADJUSTMENT, as discussed in Note L	33,586
NET ASSETS, June 30, 2005, as restated	11,536,272
NET ASSETS, June 30, 2006	$ 12,129,835

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2006

	Wastewater Department
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,720,450
Payments to suppliers	(516,733)
Payments to or on behalf of employees	(353,187)
Net cash provided by operating activities	850,530
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers to other funds	(107,000)
Decrease in due to other funds	(60,070)
Net cash used by noncapital and related financing activities	(167,070)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of utility plant	(452,785)
Proceeds from disposal of utility plant	45,783
Contributions received in aid of construction	412,109
Payments on long-term debt	(526,942)
Interest paid	(255,334)
Net cash used by capital and related financing activities	(777,169)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	21,998
Net cash provided by investing activities	21,998
NET DECREASE IN CASH	(71,711)
CASH AND CASH EQUIVALENTS, June 30, 2005	1,657,548
CASH AND CASH EQUIVALENTS, June 30, 2006	$ 1,585,837

See notes to financial statements.

W&G

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF CASH FLOWS - CONTINUED

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2006

	Wastewater Department
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 423,378
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	450,918
Changes in operating assets and liabilities	
Accounts receivable	(67,083)
Materials and supplies	48,921
Other current assets	1,666
Accounts payable	30,483
Accrued liabilities	(7,153)
Deferred revenues	(30,600)
Total adjustments	427,152
Net cash provided by operating activities	$ 850,530

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Utility plant contributed to the City by developers	$ 51,128

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of White House, Tennessee ("City") was incorporated January 30, 1971, under Section 6-101 through 6-134, *Tennessee Code Annotated.* The City provides public safety, public works, sanitation, recreation, planning and zoning, and wastewater services to residents and businesses of the City. The City is governed by a mayor and four aldermen.

The accounting and reporting policies of the City in its basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards,* the City has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

1. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of White House, Tennessee has no component units.

2. Basic Financial Statements

Government-wide financial statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, parks, sanitation, recreation and general administrative services are classified as governmental activities. Services provided by the City's Wastewater Department are classified as business-type activities.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basic Financial Statements - continued

In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three categories – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Also, the City does not allocate indirect costs to functions.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues such as property taxes and intergovernmental revenues. The statement of activities reflects gross expenses (including depreciation) reduced by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The City uses the following fund types:

Governmental funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basic Financial Statements - continued

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds of the City consist of the Debt Service Fund, Park Sales Tax Fund, Solid Waste Fund, Capital Projects Fund, Cemetery Fund, Drug Fund, Impact Fee Fund, Industrial Development Fund, Parks Nutrition Fund and State Street Aid Fund.

Proprietary funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The only proprietary fund of the City is an enterprise fund which is used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City's only enterprise fund consists of the Wastewater Department Fund, which accounts for the operation of the City's wastewater service.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City's major governmental funds consist of the General Fund and the Park Sales Tax Fund, and the City's major proprietary fund is the Wastewater Department Fund. The City's nonmajor governmental funds are the Capital Projects Fund, Cemetery Fund, Debt Service Fund Drug Fund, Impact Fee Fund, Industrial Development Fund, Parks Nutrition Fund, Solid Waste Fund and State Street Aid Fund.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The governmental funds financial statements are presented on the modified accrual basis of accounting.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Accounting - continued

Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days after the end of the year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Principal and interest on general obligation long-term debt, if any, is recognized when due.

Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of the activity such as charges to customers for the purchase of goods and services. Operating expenses are those that are incurred to provide those goods and services. Non-operating revenues and expenses are items related to financing and investing activities.

4. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments purchased with maturities of ninety days or less from the date of acquisition.

5. Restricted Assets, Reservations of Fund Balances, and Designated Unreserved Fund Balances

Restricted assets include cash and cash equivalents of the General Fund (governmental fund) for unadjudicated funds and cash and cash equivalents in the Special Revenue Funds (governmental funds) to be used for capital projects, parks and recreation, industrial development, public safety, cemetery maintenance, and street maintenance and improvements.

Reservations of fund balances consist of governmental fund balances that are legally segregated for specific usage or commitments to outside third parties.

Unreserved fund balances of governmental funds designated for capital projects totals $197,100, cemetery maintenance totals $41,014, debt service totals $382,400, and senior citizens totals $6,132.

6. Inventories

Inventories in the proprietary fund consist of materials and supplies used in the provision of wastewater services. Materials and supplies are stated at cost determined by the first-in, first-out (FIFO) method.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Internal Balances

Any residual receivable or payable balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

8. Receivables

In the government-wide financial statements receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes ($2,112,383), intergovernmental revenues ($467,726), and other receivables ($152,500). Major receivable balances for the business-type activities consist of billed charges to wastewater customers. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts at June 30, 2006 totals $12,985 for the governmental activities and $15,000 for the business-type activities.

In the governmental funds financial statements non-exchange transactions, such as assessed property taxes that are collectible but not available, are recorded as deferred revenues in accordance with the modified accrual basis of accounting.

The Wastewater Fund receivables consist of billed charges to customers and unbilled charges net of an allowance for doubtful accounts. Unbilled revenues represent the estimated receivable amount for services that have not been billed to customers at the balance sheet date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period).

9. Capital Assets and Depreciation

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, capital assets used in governmental activities with a total cost greater than $1,000 are capitalized at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, infrastructure assets were not recorded.

Capital assets in the proprietary fund (Wastewater Department) over $1,000 are capitalized at the original cost of construction, which includes the cost of contracted services, direct labor, materials and overhead items. Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance or other expense accounts.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets and Depreciation - continued

Depreciation of capital assets is computed and recorded in the statement of activities with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

	Depreciable Life
Governmental activities:	
Buildings and building improvements	5 – 40 years
Infrastructure assets	15 – 50 years
Land improvements	15 years
Machinery and equipment	5 – 20 years
Business-type activities:	
Machinery and equipment	5 – 20 years
Wastewater plant	7 – 50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in the proprietary fund operations are accounted for the same as in the government-wide statements.

10. Unpaid Compensated Absences

The City's policies permit employees to accumulate earned but unused vacation leave up to a maximum of 200 hours. Employees are paid their unused vacation hours upon termination provided the employees provide a two-week notice. Also, regular employees may accumulate sick leave up to a maximum of 1,040 hours and fire department employees may accumulate up to a maximum of 1,400 hours. At retirement, employees are paid for one-half of their unused sick leave up to a maximum of 520 hours. The liability for these compensated absences is recorded as long-term debt in the government-wide statements for government activities and accrued liabilities for business-type activities. The current portion of the compensated absences is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

11. Bond Discounts, Premiums and Issuance Costs

Bond discounts and premiums are capitalized and amortized using the straight-line method over the term of the debt issues which does not differ significantly from the interest method. Also, debt issuance costs are capitalized and amortized using the straight-line method over the term of the debt issues.

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

12. Budgetary Control

The City's fiscal operating year is the twelve-month period beginning each July 1. An annual operating budget is submitted to the Mayor and Aldermen prior to the commencement of the related fiscal year, and a budget resolution for the year is subsequently adopted. Any revisions or amendments require Aldermen action. All annual appropriations not expended lapse at fiscal year-end. The budgetary appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the Mayor and Aldermen.

13. Inter-fund Transactions

Inter-fund transactions for 2006 consisted of the following:

Purpose	Receivable Fund	Payable Fund	Amount
State street aid revenues not yet transferred	State Street Aid Fund	General Fund	$ 41,225
Park sales tax revenues not yet transferred	Park Sales Tax	General Fund	78,542
Allocated payroll expenditures	General Fund	Sewer Fund	31,247
Allocated property tax revenues	Debt Service Fund	General Fund	9,025
Allocated property tax revenues	Solid Waste Fund	General Fund	9,337
Capital expenditures	Industrial Development Fund	Sewer Fund	8,604
Allocated payroll expenditures	General Fund	Solid Waste Fund	6,693
Drug fine revenues	Drug Fund	General Fund	3,908
Mowing expenditures	General Fund	Cemetery Fund	262
			$ 188,843

C. DEPOSITS AND INVESTMENTS

The City is authorized by state statute to invest idle funds in obligations of the U.S. Government and nonconvertible debt securities of the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation and other obligations that are guaranteed as to principal and interest by the U.S. Government or any of its agencies, providing that such securities are rated in the highest category by at least two nationally recognized rating services. The City is also authorized to invest in secured certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations if those deposits are insured or otherwise collateralized. The City also may invest in obligations of the U.S. Government or its agencies under a repurchase agreement, if the state director of local finance approves repurchase agreements as an authorized investment. Finally, the City may invest in the local government investment pool established by title 9, chapter 4, part 7 of *Tennessee Code Annotated.*

State statutes require the City's investments to have a final maturity date not to exceed forty-eight months, unless the state director of local finance approves an investment maturity in excess of forty-eight

C. DEPOSITS AND INVESTMENTS - CONTINUED

months. The City has no formal policies that further restrict credit risk and interest rate risk beyond the requirements of state statutes. Also, the City has no formal policy regarding the management of custodial risk and no formal policy to limit the amount the City may invest in any one issuer.

At June 30, 2006, the City's only investment consists of the Tennessee Local Government Investment Pool (a cash equivalent), an unrated external investment pool that operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. Investments held by the Tennessee Local Government Investment Pool have a weighted average maturity of less than 90 days. The City's investment in the Tennessee Local Government Investment Pool totaled $842,707 at June 30, 2006.

D. PROPERTY TAX

Property taxes include amounts levied against all real property and tangible personal property used in businesses located in the City. Property taxes are levied as of January 1 and become due and payable from October 1 through the end of February of each year. Taxes not paid by March 1 of the following year are considered delinquent. The lien for taxes levied each year attaches on the first day of January and continues until such taxes and any penalties, interest or other charges accruing thereon are paid. Assessed values are established by the State of Tennessee at the following rates of appraised value:

Real property:	
Public utility property	55%
Industrial and commercial property	40%
Residential property	25%
Farming and agricultural property	25%
Personal property:	
Public utility property	55%
Industrial and commercial property	30%

A revaluation of all property is required to be completed every six years for Sumner County, Tennessee and every five years for Robertson County, Tennessee. The last revaluation was completed in 2003 for Sumner County and 2002 for Robertson County. The City's tax rate applicable to 2006 was $1.28 for Robertson County and $1.13 for Sumner County on each $100 of tax valuation.

E. RELATED ORGANIZATION

The City's Mayor and Board of Aldermen are responsible for appointing the members of the White House Industrial Development Corporation Board of White House, Tennessee. The Corporation provides industrial development bonds for private enterprises after approval by the City Board. The bonds do not constitute debt of the City and are secured solely by revenues received from the commercial organizations on whose behalf the bonds are issued. The City's accountability for this organization does not extend beyond making the appointments.

F. RISK MANAGEMENT

The City (including the wastewater department) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool ("the Pool"). The Pool operates as a common risk-sharing pool by which governments pool risks and funds and share in the costs of losses. The City pays annual premiums to the Pool for its general liability insurance coverage, law enforcement liability, errors and omissions liability, auto liability, workers' compensation and property coverage. The City's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate costs of the experience of the City. Claims arising are paid by the Pool. The Pool has the right to assess participants for loss experience in excess of premiums collected. The City's (including the wastewater department) settled claims have not exceeded insurance coverage in any of the past three fiscal years.

G. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for governmental activities for the year ended June 30, 2006 was as follows:

	June 30, 2005	Additions	Retirements	June 30, 2006
Governmental activities				
Capital assets not being depreciated:				
Land	$ 5,830,246	$ 453,563	$ -	$ 6,283,809
Construction in progress	-	-	-	-
Subtotal	5,830,246	453,563	-	6,283,809
Other capital assets:				
Land improvements	-	38,984	-	38,984
Buildings and improvements	5,634,017	-	-	5,634,017
Machinery and equipment	3,400,053	587,145	(184,297)	3,802,901
Infrastructure assets	642,793	125,797	-	768,590
Subtotal	9,676,863	751,926	(184,297)	10,244,492
Total capital assets	15,507,109	1,205,489	(184,297)	16,528,301
Less accumulated depreciation:				
Land improvements, buildings, and machinery and equipment	(3,777,372)	(471,797)	98,070	(4,151,099)
Infrastructure assets	(64,215)	(21,748)	-	(85,963)
Subtotal	(3,841,587)	(493,545)	98,070	(4,237,062)
Net capital assets	$ 11,665,522	$ 711,944	$ (86,227)	$ 12,291,239

G. CAPITAL ASSETS AND DEPRECIATION - CONTINUED

Capital asset activity for business-type activities for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Business-type activities				
Capital assets not being depreciated:				
Land	$ 791,260	$ -	$ -	$ 791,260
Construction in progress	-	-	-	-
Subtotal	791,260	-	-	791,260
Other capital assets:				
Wastewater plant	19,805,445	388,663	-	20,194,108
Machinery and equipment	456,324	115,250	(128,941)	442,633
Subtotal	20,261,769	503,913	(128,941)	20,636,741
Total capital assets	21,053,029	503,913	(128,941)	21,428,001
Less accumulated depreciation:				
Wastewater plant	(4,808,733)	(422,202)	-	(5,230,935)
Machinery and equipment	(381,682)	(25,409)	128,941	(278,150)
Subtotal	(5,190,415)	(447,611)	128,941	(5,509,085)
Net capital assets	$ 15,862,614	$ 56,302	$ -	$ 15,918,916

Depreciation was charged to governmental activities as follows:

Public safety	$ 177,396
Parks and recreation	109,824
General government	88,094
Public works	72,376
Sanitation	23,088
Library	19,373
Planning and zoning	3,394
	$ 493,545

H. LONG-TERM DEBT

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

H. LONG-TERM DEBT - CONTINUED

Governmental Activities

The following table summarizes the City's governmental long-term debt at June 30, 2006:

General Obligation Refunding Bonds, Series 1999, maturing between April 1, 1999 and 2013, at fixed interest rates ranging from 3.25% to 4.25%, with principal and interest payable semiannually on April 1 and October 1 of each year.	$ 810,000
General Obligation Refunding Bonds, Series 2002, maturing between February 1, 2003 and 2015, at fixed interest rates ranging from 1.75% to 4.00%, with interest payable semiannually on February 1 and August 1 and principal payable annually on February 1 of each year.	685,000
General Obligation Refunding Capital Outlay Notes, Series 2002, maturing between February 1, 2003 and 2011, at fixed interest rates ranging from 1.75% to 3.45%, with interest payable semiannually on February 1 and August 1 and principal payable annually on February 1 of each year.	555,000
General Obligation Capital Outlay Note, Series 2004, maturing between April 1, 2005 and 2014, at a fixed interest rate of 3.80%, with interest payable semiannually on October 1 and April 1 and principal payable annually on April 1 of each year.	538,000
General Obligation Capital Outlay Note, Series 2005, maturing between April 1, 2006 and 2012, at a fixed interest rate of 3.85%, with interest payable semiannually on October 1 and April 1 and principal payable annually on April 1 of each year.	342,000
Capital Outlay Notes, Series 2006, maturing between February 1, 2007 and 2018, at a fixed interest rate of 5.45%, with interest payable semiannually on February 1 and August 1 and principal payable annually on February 1 of each year.	150,000
Loan Payable to the Public Building Authority of Sevier County, Tennessee, Series II-F-2, maturing between May 25, 1998 and 2017, at a variable weekly interest rate, with interest payable quarterly on March 1, June 1, September 1 and December 1 and principal payable annually on May 25 of each year.	995,000
Loan Payable to the Public Building Authority of Sevier County, Tennessee, Series IV-E-5, maturing between May 25, 2013 and 2020, at a variable weekly interest rate, with interest payable quarterly on March 1, June 1, September 1 and December 1 and principal payable annually on May 25 of each year.	1,630,000
Accrued compensated absences	188,237
Total governmental activity debt	5,893,237
Less amounts due within one year	(647,999)
Long-term governmental activity debt	$ 5,245,238

H. LONG-TERM DEBT - CONTINUED

In September 1997, the City entered into a loan agreement with The Public Building Authority of Sevier County, Tennessee (Authority). The loan agreement provides for the Authority to issue variable rate bonds of $1,500,000 Series II-F-2 and loan the proceeds to the City. The loan agreement requires the City to pay interest at a variable weekly interest rate in March, June, September and December (3.99% at June 30, 2006). The City has the option to convert the loan to a fixed interest rate and prepay the loan in whole or in part under certain conditions stipulated in the loan agreement. The note principal and related interest is a direct obligation of the City and is backed by the full faith and credit of the City. Also, City pledges to levy and collect additional taxes, to the extent necessary, to meet the debt service obligations under this agreement. The payment of principal and interest on the loan is guaranteed by a municipal bond insurance policy issued by Ambac Assurance Corporation.

In October 2000, the City entered into an additional loan agreement with The Public Building Authority of Sevier County, Tennessee (Authority). The loan agreement provides for the Authority to issue variable rate bonds of $3,500,000 Series IV-E-5 and loan the proceeds to the City. The loan agreement requires the City to pay interest at a variable weekly interest rate in March, June, September and December (3.94% at June 30, 2006). The City has the option to prepay the loan in whole or in part under certain conditions stipulated in the loan agreement. The note principal and related interest is a direct obligation of the City and is backed by the full faith and credit of the City. Also, the City pledges to levy and collect additional taxes, to the extent necessary, to meet the debt service obligations under this agreement.

The principal and related interest on the Capital Outlay Notes (Series 2004, Series 2005 and Series 2006), the General Obligation Refunding Bonds, Series 1999 and Series 2002, and the General Obligation Refunding Capital Outlay Notes, Series 2002 are direct obligations of the City and are backed by the full faith and credit of the City. Also, the City pledges to levy and collect additional taxes, to the extent necessary, to meet the debt service obligations as they become due. The payment of principal and interest on the General Obligation Refunding Bonds, Series 1999 and Series 2002, and the General Obligation Refunding Capital Outlay Notes, Series 2002 are guaranteed by a municipal bond insurance policy issued by Financial Security Assurance, Inc.

H. LONG-TERM DEBT - CONTINUED

Business-Type Activities

The following table summarizes the City's business-type activity long-term debt at June 30, 2006:

Note Payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in monthly installments of $20,560, including interest at 3.70%, through February 2024.	$ 3,197,288
Loan Payable to the Public Building Authority of Sevier County, Tennessee, Series II-F-1, maturing between May 25, 1998 and 2017 at a variable weekly interest rate with interest payable quarterly on March 1, June 1, September 1 and December 1 and principal payable annually on May 25 of each year.	880,000
Sewer Revenue and Tax Refunding Bonds, Series 2002, maturing between February 1, 2003 and 2012, at fixed interest rates ranging from of 2.00% to 4.00% payable semiannually on February 1 and August 1, and principal payable annually on February 1 of each year.	1,790,000
	5,867,288
Less deferred loss on defeasance	(151,438)
Total business activity debt	5,715,850
Less amounts due within one year, net of current portion of deferred loss on defeasance	(531,682)
Long-term business-activity debt	$ 5,184,168

In September 1997, the City entered into a loan agreement with The Public Building Authority of Sevier County, Tennessee (Authority). The loan agreement provides for the Authority to issue variable rate bonds of $2,100,000 Series II-F-1 and loan the proceeds to the City. The loan agreement requires the City to pay interest at a variable weekly interest rate in March, June, September and December (3.99% at June 30, 2006). The City has the option to convert to a fixed interest rate and prepay the loan in whole or in part under certain conditions stipulated in the loan agreement.

The note payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund, the loan payable to The Public Building Authority of Sevier County, Tennessee, and the Sewer Revenues and Tax Refunding Bonds, Series 2002 are direct obligations of the City and are backed by the full faith and credit of the City and secured by a lien upon and pledge of the net revenues of the Wastewater system. Also, the City pledges to levy and collect additional taxes, to the extent necessary, to meet the debt service obligations under these agreements. In addition, the City also pledges and assigns its state-shared taxes to the State of Tennessee to secure the payment of the City's obligations to the Wastewater Facility Revolving Loan Fund.

H. LONG-TERM DEBT - CONTINUED

The payment of principal and interest on the loan payable to The Public Building Authority of Sevier County, Tennessee is guaranteed by a municipal bond insurance policy issued by Ambac Assurance Corporation. Also, the payment of principal and interest on the Sewer Revenues and Tax Refunding Bonds, Series 2002 is guaranteed by a municipal bond insurance policy issued by Financial Security Assurance, Inc.

Following is a summary of changes in governmental activity long-term debt (including current portions) for the year ended June 30, 2006:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Amounts Due Within One Year
Governmental Activities					
General Obligation Refunding Bonds	$ 1,690,000	$ -	$ (195,000)	$ 1,495,000	$ 210,000
Capital Outlay Notes	1,597,000	150,000	(162,000)	1,585,000	215,000
Loans Payable to the Public Building Authority of Sevier County, Tennessee	4,320,000	-	(1,695,000)	2,625,000	70,000
Accrued compensated absences	223,426	249,084	(284,273)	188,237	152,999
	$ 7,830,426	$ 399,084	$ (2,336,273)	$ 5,893,237	$ 647,999

H. LONG-TERM DEBT - CONTINUED

Following is a summary of changes in business-type activity long-term debt (including current portions) for the year ended June 30, 2006:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Amounts Due Within One Year
Business-Type Activities					
Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund	$ 3,323,300	$ -	$ (126,012)	$ 3,197,288	$ 130,752
Loan Payable to the Public Building Authority of Sevier County, Tennessee, Series II-F-1	1,035,000	-	(155,000)	880,000	155,000
Sewer Revenue and Tax Refunding Bonds, Series 2002	2,065,000	-	(275,000)	1,790,000	275,000
	6,423,300	-	(556,012)	5,867,288	560,752
Less deferred loss on defeasance	(180,508)	-	29,070	(151,438)	(29,070)
	$ 6,242,792	$ -	$ (526,942)	$ 5,715,850	$ 531,682

The annual debt service requirements to maturity, including principal and interest, for long-term debt (excluding accrued compensated absences) as of June 30, 2006, are as follows:

Year Ending	Governmental Activities			Business-Type Activities		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2007	$ 495,000	$ 215,936	$ 710,936	$ 560,752	$ 218,430	$ 779,182
2008	509,000	200,963	709,963	585,660	198,401	784,061
2009	523,000	182,528	705,528	485,760	176,766	662,526
2010	543,000	162,500	705,500	506,052	158,417	664,469
2011	507,000	141,692	648,692	511,548	138,526	650,074
2012 - 2016	1,889,000	454,522	2,343,522	1,497,572	454,865	1,952,437
2017 - 2021	1,239,000	121,402	1,360,402	1,094,328	217,253	1,311,581
2022 - 2024	-	-	-	625,616	33,432	659,048
	$ 5,705,000	$ 1,479,543	$ 7,184,543	$ 5,867,288	$ 1,596,090	$ 7,463,378

I. PENSION PLAN

Plan Description

Employees of the City 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 five years of service or at any age with 30 years of service. A reduced retirement benefit 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 a 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 five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statutes 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 City of White House, Tennessee 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. Copies of footnotes in PDF format can be accessed at http://www.treasury.state.tn.us/tcrs/PS/.

Funding Policy

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

The City is required to contribute ay an actuarially determined rate; the rate for the fiscal year ended June 30, 2006 was 5.20% of annual covered payroll. The contribution requirements of plan members are set by state statute. The contribution requirements for the City are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, the City's annual pension cost of $105,859 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of seven and one-half percent per year compounded annually, (b) projected salary increases of four and three-fourths percent (graded) annual rate (no explicit assumption is made regarding the portion

I. PENSION PLAN - CONTINUED

attributable to the effects of inflation on salaries), (c) projected three and one-half percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 12 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	$ 105,859	100.0%	$ -
2005	109,827	100.0%	-
2004	82,865	100.0%	-
2003	79,173	100.0%	-

Required Supplementary Information

The following is a schedule of funding progress for the City:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2005	$ 2,180,000	$ 2,273,000	$ 93,000	95.91%	$ 2,114,000	4.40%
July 1, 2003	1,744,000	1,846,000	102,000	94.47%	2,067,000	4.93%
June 30, 2001	1,377,000	1,497,000	120,000	91.98%	1,477,000	8.12%
June 30, 1999	1,112,000	1,166,000	54,000	95.37%	1,334,000	4.05%

J. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary to future years subject to maximum deferral limitations provided in the plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust for the exclusive benefit of participating employees under the Small Business Job Protection Act of 1996. Also, the City has little administrative involvement and does not perform the investing function for the plan. As a result, the assets and liabilities associated with the plan are excluded from the City's balance sheets. The City does not contribute to the plan.

K. SUBSEQUENT EVENTS

Subsequent to June 30, 2006, the City obtained a $415,000 grant under the HOME Investment Partnership Program through the U.S. Department of Housing and Urban Development for the rehabilitation of six units of owner-occupied housing in the City of White House, Tennessee. The grant period is effective from July 1, 2006 through June 30, 2009.

In September 2006, the City entered into an annexation agreement with Burrus Ridge Golf Community, LLC. The agreement requires the City to annex certain property into the City limits and provide wastewater services and other municipal services to the annexed property. The estimated cost to extend an eight-inch wastewater main line to the development is $220,000. The City and the developer agreed to share the cost of this main line equally, but the City is responsible for the construction of the extension line.

L. PRIOR PERIOD ADJUSTMENTS

The government-wide financial statements of the City for the year ended June 30, 2005 have been restated to correct for infrastructure assets donated to the City from developers for the period from July 1, 2002 through June 30, 2005 that had not previously been recorded. The effect of the restatement increased net assets invested in capital assets, net of related debt of the governmental activities by $870,870 at June 30, 2005 and increased the previously reported change in net assets of the governmental activities for the year ended June 30, 2005 by $436,440.

The government-wide financial statements, the governmental funds financial statements, and the proprietary fund financial statements of the City for the year ended June 30, 2005 have been restated to correct for prepaid assets relating to prepaid insurance premiums that had not previously been recorded. The effect of the restatement increased unrestricted net assets of the governmental activities by $143,184, fund balance of the general fund by $129,042, and fund balance of the nonmajor governmental funds by $14,142 at June 30, 2005. The effect of the restatement also increased net assets of the business activities and net assets of the proprietary fund by $33,586 at June 30, 2005. The effects of these restatements on the changes in net assets of the governmental activities and business activities, the changes in fund balances of the general fund and the nonmajor governmental funds, and the change in net assets of the proprietary fund for the year ended June 30, 2005 are not significant.

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	$ 1,435,325	$ 1,435,325	$ 1,399,486	$ (6,500)	$ 1,392,986
Intergovernmental revenues	2,122,532	2,144,251	1,960,876	57,895	2,018,771
Charges for services	105,000	105,000	100,841	-	100,841
Licenses and permits	290,650	290,650	345,054	12,779	357,833
Fines and forfeitures	385,500	385,500	238,304	-	238,304
Interest revenue	3,790	3,790	3,331	-	3,331
Miscellaneous	29,600	109,593	114,725	-	114,725
Total revenues	4,372,397	4,474,109	4,162,617	64,174	4,226,791
EXPENDITURES					
Current operations:					
General government	1,050,841	1,050,841	563,949	181,983	745,932
City Court	59,790	59,790	57,017	(603)	56,414
Public safety	1,751,926	1,751,926	1,704,701	(7,486)	1,697,215
Streets	268,951	302,461	262,721	(826)	261,895
Library and museum	146,148	146,148	146,143	(669)	145,474
Parks and recreation	494,673	494,673	431,658	(601)	431,057
Planning and zoning	162,918	162,918	150,718	(931)	149,787
Senior citizens activities	39,597	39,597	40,908	(177)	40,731
City garage	55,014	55,014	52,791	-	52,791
Capital outlay	574,600	535,802	485,269	465	485,734
Total expenditures	4,604,458	4,599,170	3,895,875	171,155	4,067,030
REVENUES OVER (UNDER) EXPENDITURES	(232,061)	(125,061)	266,742	(106,981)	159,761
OTHER FINANCING SOURCES:					
Bond issuance	367,000	367,000	150,000	-	150,000
Transfer from other funds	107,000	107,000	107,000	-	107,000
	474,000	474,000	257,000	-	257,000
NET CHANGE IN FUND BALANCE	241,939	348,939	523,742	(106,981)	416,761
NET BORROWINGS FROM OTHER FUNDS	-	-	30,904	(30,904)	-
	241,939	348,939	554,646	(137,885)	416,761
FUND BALANCE, June 30, 2005, as previously reported	226,553	226,553	226,553	229,370	455,923
PRIOR PERIOD ADJUSTMENT, as discussed in Note L	-	-	-	129,042	129,042
FUND BALANCE, June 30, 2005, as restated	226,553	226,553	226,553	358,412	584,965
FUND BALANCE, June 30, 2006	$ 468,492	$ 575,492	$ 781,199	$ 220,527	$ 1,001,726

See independent auditor's report and notes to budgetary comparison schedule.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE - CONTINUED
GENERAL FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

Explanation of differences between the Budgetary Comparison Schedule for the General Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House, Tennessee prepares its budget on the cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Change in property tax receivable, net of deferred revenues	$ (6,500)
Change in other receivables, primarily intergovernmental revenues	70,674
Changes in other assets and liabilities	(171,155)
Change in due to and due from other funds	(30,904)
	$ (137,885)

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
PARK SALES TAX FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	$ 396,000	$ 396,000	$ 486,332	$ (26,516)	$ 459,816
Interest revenue	11,000	11,000	27,919	-	27,919
Total revenues	407,000	407,000	514,251	(26,516)	487,735
EXPENDITURES					
Miscellaneous	-	-	290	-	290
Debt service	140,539	1,801,748	1,774,874	-	1,774,874
Total expenditures	140,539	1,801,748	1,775,164	-	1,775,164
NET CHANGE IN FUND BALANCE	266,461	(1,394,748)	(1,260,913)	(26,516)	(1,287,429)
NET BORROWINGS FROM OTHER FUNDS	-	-	290	(290)	-
	266,461	(1,394,748)	(1,260,623)	(26,806)	(1,287,429)
FUND BALANCE, June 30, 2005	1,443,751	1,443,751	1,443,751	192,262	1,636,013
FUND BALANCE, June 30, 2006	$ 1,710,212	$ 49,003	$ 183,128	$ 165,456	$ 348,584

Explanation of differences between the Budgetary Comparison Schedule for the Park Sales Tax Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Change in park sales tax receivable	$ 12,103
Change in due to other funds	(38,909)
	$ (26,806)

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

[3] The amount reported as "revenues over (under) expenditures" on the actual budgetary basis of accounting reported a deficit of $1,260,913. The funding of this deficit is the responsbility of the City and was funded by using the prior year's fund balance.

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS AND SCHEDULES

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2006

GRANTOR	CFDA NO.	PASS THROUGH ENTITY	STATE CONTRACT NUMBER	FEDERAL / STATE	BALANCE JUNE 30, 2005	CASH RECEIPTS	EXPENDITURES	BALANCE JUNE 30, 2006
U.S. Department of Transportation	20.205	The State of Tennessee Dept. of Transportation	50046	Federal	$ -	$ 21,719	$ 21,719	$ -
		The State of Tennessee Secretary of State		State	-	1,951	1,951	-
U.S. Department of Agriculture Division of Forestry	10.664	The State of Tennessee Dept. of Agriculture Division of Forestry	Z06002506	Federal	-	1,371	1,371	-
U.S. Department of Justice	16.588	The State of Tennessee Office of Criminal Justice Programs	Z0009387700	Federal	5,256	5,256	-	-
					$ 5,256	$ 30,297	$ 25,041	$ -

See independent auditor's report.

W&G

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	General Fund	Parks Sales Tax Fund	Total Major Governmental Funds
REVENUES			
Taxes			
Property taxes	$ 1,392,986	$ -	$ 1,392,986
Park sales tax receipts	-	459,816	459,816
Intergovernmental revenues			
Local sales tax	1,024,528	-	1,024,528
Wholesale and state beer tax	172,559	-	172,559
Business taxes	75,783	-	75,783
Payments in lieu of taxes	62,010	-	62,010
State sales and income tax	589,637	-	589,637
Other taxes	33,957	-	33,957
Federal, state and county grants	60,297	-	60,297
Charges for services			
Park facility and concession charges	100,841	-	100,841
Licenses and permits			
Building permits	132,135	-	132,135
Franchise fees	203,770		203,770
Other permits	21,928	-	21,928
Fines and forfeitures			
Court fines and costs	238,304	-	238,304
Interest revenue	3,331	27,919	31,250
Miscellaneous			
Insurance recoveries	52,217	-	52,217
Sale of equipment	25,454	-	25,454
Other revenues	37,054	-	37,054
	$ 4,226,791	$ 487,735	$ 4,714,526

See independent auditor's report.

W&G

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	General Fund	Parks Sales Tax Fund	Total Major Governmental Funds
EXPENDITURES			
General government			
Payroll and payroll taxes	$ 293,166	$ -	$ 293,166
Employee benefits	91,803	-	91,803
Supplies	31,191	-	31,191
Utilities	30,782	-	30,782
Insurance premium	143,510		143,510
Other operating expenses	155,480	-	155,480
Capital outlay	30,543	-	30,543
City Court			
Payroll and payroll taxes	36,172	-	36,172
Employee benefits	17,396	-	17,396
Supplies	2,007	-	2,007
Other operating expenses	839	-	839
Public Safety			
Payroll and payroll taxes	1,189,254	-	1,189,254
Employee benefits	315,220	-	315,220
Supplies	98,567	-	98,567
Utilities	25,853	-	25,853
Other operating expenses	68,321	-	68,321
Capital outlay	177,329	-	177,329
Streets			
Payroll and payroll taxes	138,976	-	138,976
Employee benefits	35,050	-	35,050
Supplies	42,549	-	42,549
Utilities	8,744	-	8,744
Other operating expenses	36,576	-	36,576
Capital outlay	149,771	-	149,771
Library and museum			
Payroll and payroll taxes	84,018	-	84,018
Employee benefits	25,900	-	25,900
Supplies	3,312	-	3,312
Utilities	6,943	-	6,943
Other operating expenses	25,301	-	25,301

W&G

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF EXPENDITURES - CONTINUED

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	General Fund	Parks Sales Tax Fund	Total Major Governmental Funds
EXPENDITURES - CONTINUED			
Parks and recreation			
Payroll and payroll taxes	$ 189,629	$ -	$ 189,629
Employee benefits	55,940	-	55,940
Supplies	48,149	-	48,149
Utilities	59,767	-	59,767
Other operating expenses	77,572	-	77,572
Capital outlay	93,079	-	93,079
Planning and zoning			
Payroll and payroll taxes	102,711	-	102,711
Employee benefits	33,902	-	33,902
Supplies	4,458	-	4,458
Other operating expenses	8,716	-	8,716
Capital outlay	35,012	-	35,012
Senior citizen activities			
Payroll and payroll taxes	23,474	-	23,474
Employee benefits	10,624	-	10,624
Supplies	5,177	-	5,177
Other operating expenses	1,456	-	1,456
City garage			
Payroll and payroll taxes	35,645	-	35,645
Employee benefits	9,584	-	9,584
Supplies	5,900	-	5,900
Other operating expenses	1,662	-	1,662
Miscellaneous			
Other operating expenses	-	290	290
Debt Service	-	1,774,874	1,774,874
	$ 4,067,030	$ 1,775,164	$ 5,842,194

See independent auditor's report.

W&G

CITY OF WHITE HOUSE, TENNESSEE

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	Capital Projects Fund	Cemetery Fund	Debt Service Fund	Drug Fund	Impact Fee Fund
ASSETS					
Cash and cash equivalents	$ 197,100	$ 45,844	$ 371,629	$ 49,666	$ 664,663
Net receivables	-	-	382,684	-	-
Due from other funds	-	-	9,025	3,908	-
Other current assets	-	-	-	-	-
Restricted cash	-	33,387	-	-	-
Total assets	$ 197,100	$ 79,231	$ 763,338	$ 53,574	$ 664,663
LIABILITIES					
Accounts payable	$ -	$ 218	$ -	$ 272	$ 4,065
Accrued liabilities	-	4,350	-	-	-
Due to other funds	-	262	-	-	-
Deferred revenues	-	-	380,938	-	-
Total liabilities	-	4,830	380,938	272	4,065
FUND BALANCES					
Reserved	-	33,387	-	53,302	660,598
Unreserved	197,100	41,014	382,400	-	-
Total fund balances	197,100	74,401	382,400	53,302	660,598
Total liabilities an fund balances	$ 197,100	$ 79,231	$ 763,338	$ 53,574	$ 664,663

See independent auditor's report.

Industrial Development Fund	Parks Nutrition Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
$ 127,372	$ 6,893	$ 5,832	$ 66,251	$ 1,535,250
-	-	343,342	41,202	767,228
8,604	-	9,337	41,225	72,099
-	-	13,440	-	13,440
-	-	-	-	33,387
$ 135,976	$ 6,893	$ 371,951	$ 148,678	$ 2,421,404
$ 1,340	$ 761	$ 14,591	$ -	$ 21,247
-	-	4,449	-	8,799
-	-	6,693	-	6,955
-	-	341,990	-	722,928
1,340	761	367,723	-	759,929
134,636			148,678	1,030,601
-	6,132	4,228	-	630,874
134,636	6,132	4,228	148,678	1,661,475
$ 135,976	$ 6,893	$ 371,951	$ 148,678	$ 2,421,404

W&G

CITY OF WHITE HOUSE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	Capital Projects Fund	Cemetery Fund	Debt Service Fund	Drug Fund	Impact Fee Fund
REVENUES					
Taxes					
Property taxes	$ -	$ -	$ 335,025	$ -	$ -
Intergovernmental revenues					-
Federal, state and county grants	-	-	-	342	-
Charges for services					
Cemetery and maintenance	-	36,820	-	-	-
Trash pick-up	-	-	-	-	-
Other charges	-	-	-	-	-
Licenses and permits					
Impact fees	-	-	-	-	482,534
Fines and forfeitures					
Drug related fines and forfeitures	-	-	-	76,814	-
Interest revenue	1,432	646	4,256	136	5,837
Miscellaneous					
Insurance recoveries	-	-	-	-	-
Sale of equipment	-	-	-	-	-
Other revenues	-	-	-	1,500	-
Total revenues	1,432	37,466	339,281	78,792	488,371
EXPENDITURES					
Current operations:					
Public Safety					
Supplies	-	-	-	7,418	-
Other operating expenses	-	-	-	8,873	-
Capital outlay	-	-	-	16,801	73,775
Streets					
Supplies	-	-	-	-	-
Utilities	-	-	-	-	-
Other operating expenses	-	-	-	-	16,748
Sanitation					
Payroll and payroll taxes	-	-	-	-	-

See independent auditor's report.

Industrial Development Fund	Parks Nutrition Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
$ -	$ -	$ 259,464	$ -	$ 594,489
35,088	8,500	-	240,161	284,091
-	-	-	-	36,820
-	-	14,677	-	14,677
-	8,847	-	-	8,847
-	-	-	-	482,534
-	-	-	-	76,814
511	23	1,177	252	14,270
-	-	2,022	4,961	6,983
-	-	500	-	500
-	-	4,520	380	6,400
35,599	17,370	282,360	245,754	1,526,425
-	-	-	-	7,418
-	-	-	-	8,873
-	-	-	-	90,576
-	-	-	32,053	32,053
-	-	-	91,416	91,416
-	-	-	6,545	23,293
-	-	121,498	-	121,498

CITY OF WHITE HOUSE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	Capital Projects Fund	Cemetery Fund	Debt Service Fund	Drug Fund	Impact Fee Fund
EXPENDITURES - CONTINUED					
Employee benefits	-	-	-	-	-
Supplies	-	-	-	-	-
Other operating expenses	-	-	-	-	-
Capital outlay	-	-	-	-	-
Cemetery and maintenance					
Payroll and payroll taxes	-	2,094	-	-	-
Employee benefits	-	275	-	-	-
Supplies	-	795	-	-	-
Utilities	-	484	-	-	-
Other operating expenses	-	11,054	-	-	-
Capital outlay	-	10,540	-	-	-
Parks and recreation					
Other operating expenses	-	-	-	-	3,396
Miscellaneous					
Supplies	-	-	-	-	-
Other operating expenses	-	-	1,201	-	-
Debt Service	-	-	410,045	-	120,396
Total Expenditures	-	25,242	411,246	33,092	214,315
NET CHANGE IN FUND BALANCE	1,432	12,224	(71,965)	45,700	274,056
FUND BALANCE, June 30, 2005, as previously reported	195,668	62,177	454,365	7,602	386,542
PRIOR PERIOD ADJUSTMENT, as discussed in Note L	-	-	-	-	-
FUND BALANCE, June 30, 2005, as restated	195,668	62,177	454,365	7,602	386,542
FUND BALANCE, June 30, 2006	$ 197,100	$ 74,401	$ 382,400	$ 53,302	$ 660,598

See independent auditor's report.

Industrial Development Fund	Parks Nutrition Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
-	-	28,791	-	28,791
-	-	49,356	-	49,356
-	-	150,562	-	150,562
-	-	285,816	-	285,816
-	-	-	-	2,094
-	-	-	-	275
-	-	-	-	795
-	-	-	-	484
-	-	-	-	11,054
-	-	-	-	10,540
-	16,562	-	-	19,958
85	-	-	-	85
29,739	-	-	-	30,940
-	-	9,189	-	539,630
29,824	16,562	645,212	130,014	1,505,507
5,775	808	(362,852)	115,740	20,918
128,861	5,324	352,938	32,938	1,626,415
-	-	14,142	-	14,142
128,861	5,324	367,080	32,938	1,640,557
$ 134,636	$ 6,132	$ 4,228	$ 148,678	$ 1,661,475

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
CEMETERY FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Charges for services	$ 19,500	$ 19,500	$ 36,820	$ -	$ 36,820
Interest revenue	-	-	646	-	646
Total revenues	19,500	19,500	37,466	-	37,466
EXPENDITURES					
Cemetery and maintenance	14,217	14,217	12,486	2,216	14,702
Capital outlay	8,000	10,540	10,540	-	10,540
Total expenditures	22,217	24,757	23,026	2,216	25,242
REVENUES OVER (UNDER) EXPENDITURES	(2,717)	(5,257)	14,440	(2,216)	12,224
NET PAYMENTS TO OTHER FUNDS	-	-	(311)	311	-
	(2,717)	(5,257)	14,129	(1,905)	12,224
FUND BALANCE, June 30, 2005	65,102	65,102	65,102	(2,925)	62,177
FUND BALANCE, June 30, 2006	$ 62,385	$ 59,845	$ 79,231	$ (4,830)	$ 74,401

Explanation of differences between the Budgetary Comparison Schedule for the Cemetary Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Change in other assets and libilities	$ (2,216)
Change in due to other funds	311
	$ (1,905)

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	$ 352,038	$ 352,038	$ 337,599	$ (2,574)	$ 335,025
Interest revenue	1,200	1,200	4,256	-	4,256
Total revenues	353,238	353,238	341,855	(2,574)	339,281
EXPENDITURES					
Miscellaneous	2,800	2,800	1,201	-	1,201
Debt service	477,637	477,637	410,045	-	410,045
Total expenditures	480,437	480,437	411,246	-	411,246
REVENUES OVER (UNDER) EXPENDITURES	(127,199)	(127,199)	(69,391)	(2,574)	(71,965)
NET PAYMENTS TO OTHER FUNDS	-	-	(20,867)	20,867	-
	(127,199)	(127,199)	(90,258)	18,293	(71,965)
FUND BALANCE, June 30, 2005	461,887	461,887	461,887	(7,522)	454,365
FUND BALANCE, June 30, 2006	$ 334,688	$ 334,688	$ 371,629	$ 10,771	$ 382,400

Explanation of differences between the Budgetary Comparison Schedule for the Debt Service Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Changes in property tax receivable, net of deferred revenues	$ (2,574)
Change in due to and due from other funds	20,867
	$ 18,293

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

[3] The amount reported as "revenues over (under) expenditures" on the actual budgetary basis of accounting reported a deficit of $69,391. The funding of this deficit is the responsbility of the City and was funded by using the prior year's fund balance.

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
DRUG FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	$ -	$ -	$ 342	$ -	$ 342
Charges for services	2,813	2,813	-	-	-
Fines and forfeitures	99,670	99,670	76,814	-	76,814
Interest revenue	260	260	136	-	136
Miscellaneous	-	-	1,500	-	1,500
Total revenues	102,743	102,743	78,792	-	78,792
EXPENDITURES					
Public safety	40,980	40,980	16,019	272	16,291
Capital outlay	72,900	72,900	16,801	-	16,801
Total expenditures	113,880	113,880	32,820	272	33,092
REVENUES OVER (UNDER) EXPENDITURES	(11,137)	(11,137)	45,972	(272)	45,700
NET PAYMENTS TO OTHER FUNDS	-	-	(1,346)	1,346	-
	(11,137)	(11,137)	44,626	1,074	45,700
FUND BALANCE, June 30, 2005	5,040	5,040	5,040	2,562	7,602
FUND BALANCE, June 30, 2006	$ (6,097)	$ (6,097)	$ 49,666	$ 3,636	$ 53,302

Explanation of differences between the Budgetary Comparison Schedule for the Drug Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Change in other assets and libilities	$ (272)
Change in due from other funds	1,346
	$ 1,074

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
IMPACT FEE FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Licenses and permits	$ 189,000	$ 198,400	$ 482,534	$ -	$ 482,534
Interest revenue	1,400	1,400	5,837	-	5,837
Total revenues	190,400	199,800	488,371	-	488,371
EXPENDITURES					
Streets	15,000	16,200	19,233	(2,485)	16,748
Parks and recreation	-	9,400	3,396	-	3,396
Capital outlay	29,250	103,250	73,775	-	73,775
Debt service	147,270	147,270	120,396	-	120,396
Total expenditures	191,520	276,120	216,800	(2,485)	214,315
REVENUES OVER (UNDER) EXPENDITURES	(1,120)	(76,320)	271,571	2,485	274,056
NET BORROWINGS FROM OTHER FUNDS	-	-	63,999	(63,999)	-
	(1,120)	(76,320)	335,570	(61,514)	274,056
FUND BALANCE, June 30, 2005	329,093	329,093	329,093	57,449	386,542
FUND BALANCE, June 30, 2006	$ 327,973	$ 252,773	$ 664,663	$ (4,065)	$ 660,598

Explanation of differences between the Budgetary Comparison Schedule for the Impact Fee Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified accrual basis. The items that follow detail the differences between these methods:

Change in other assets and libilities	$ 2,485
Changes in due from other funds	(63,999)
	$ (61,514)

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL DEVELOPMENT FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	$ 30,000	$ 30,000	$ 35,088	$ -	$ 35,088
Interest revenue	300	300	511	-	511
Total revenues	30,300	30,300	35,599	-	35,599
EXPENDITURES					
Miscellaneous	28,600	28,600	28,484	1,340	29,824
Capital outlay	-	100,000	-	-	-
Total expenditures	28,600	128,600	28,484	1,340	29,824
REVENUES OVER (UNDER) EXPENDITURES	1,700	(98,300)	7,115	(1,340)	5,775
NET BORROWINGS FROM OTHER FUNDS	-	-	91,296	(91,296)	-
	1,700	(98,300)	98,411	(92,636)	5,775
FUND BALANCE, June 30, 2005	28,961	28,961	28,961	99,900	128,861
FUND BALANCE, June 30, 2006	$ 30,661	$ (69,339)	$ 127,372	$ 7,264	$ 134,636

Explanation of differences between the Budgetary Comparison Schedule for the Industrial Development Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Change in other assets and libilities	$ (1,340)
Changes in due from other funds	(91,296)
	$ (92,636)

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
PARKS NUTRITION FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	$ 8,500	$ 8,500	$ 8,500	$ -	$ 8,500
Charges for services	7,000	7,000	8,847	-	8,847
Interest revenue	5	5	23	-	23
Total revenues	15,505	15,505	17,370	-	17,370
EXPENDITURES					
Parks and recreation	14,645	14,645	15,801	761	16,562
Total expenditures	14,645	14,645	15,801	761	16,562
REVENUES OVER (UNDER) EXPENDITURES	860	860	1,569	761	808
FUND BALANCE, June 30, 2005	5,324	5,324	5,324	-	5,324
FUND BALANCE, June 30, 2006	$ 6,184	$ 6,184	$ 6,893	$ 761	$ 6,132

Explanation of differences between the Budgetary Comparison Schedule for the Parks Nutrition Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Change in accounts payable	$ 761

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	$ 269,478	$ 269,478	$ 262,432	$ (2,968)	$ 259,464
Charges for services	14,000	14,000	14,677	-	14,677
Interest revenue	200	200	1,177	-	1,177
Miscellaneous	-	2,525	7,042	-	7,042
Total revenues	283,678	286,203	285,328	(2,968)	282,360
EXPENDITURES					
Sanitation	366,523	369,048	333,655	16,552	350,207
Capital outlay	-	112,570	285,816	-	285,816
Debt service	41,577	41,577	9,189	-	9,189
Total expenditures	408,100	523,195	628,660	16,552	645,212
REVENUES OVER (UNDER) EXPENDITURES	(124,422)	(236,992)	(343,332)	(19,520)	(362,852)
NET PAYMENTS TO OTHER FUNDS	-	-	(223,311)	223,311	-
	(124,422)	(236,992)	(566,643)	203,791	(362,852)
FUND BALANCE, June 30, 2005, as previously reported	572,475	572,475	572,475	(219,537)	352,938
PRIOR PERIOD ADJUSTMENT, as discussed in Note L	-	-	-	14,142	14,142
FUND BALANCE, June 30, 2005, as restated	572,475	572,475	572,475	(205,395)	367,080
FUND BALANCE, June 30, 2006	$ 448,053	$ 335,483	$ 5,832	$ (1,604)	$ 4,228

See independent auditor's report.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE - CONTINUED
SOLID WASTE FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

Explanation of differences between the Budgetary Comparison Schedule for the Solid Waste Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Changes in property tax receivable, net of deferred revenues	$ (2,968)
Changes in other assets and libilities	(16,552)
Changes in due to and due from other funds	223,311
	$ 203,791

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

[3] The amount reported as "revenues over (under) expenditures" on the actual budgetary basis of accounting reported a deficit of $566,643. The funding of this deficit is the responsbility of the City and was funded by using the prior year's fund balance.

W&G

CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
STATE STREET AID FUND
(UNAUDITED)

YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	$ 253,000	$ 253,000	$ 237,639	$ 2,522	$ 240,161
Interest revenue	600	600	252	-	252
Miscellaneous	-	5,341	5,341	-	5,341
Total revenues	253,600	258,941	243,232	2,522	245,754
EXPENDITURES					
Streets	198,600	203,941	130,014	-	130,014
Total expenditures	198,600	203,941	130,014	-	130,014
REVENUES OVER (UNDER) EXPENDITURES	55,000	55,000	113,218	2,522	115,740
NET PAYMENTS TO OTHER FUNDS	-	-	(105,535)	105,535	-
	55,000	55,000	7,683	108,057	115,740
FUND BALANCE, June 30, 2005	58,568	58,568	58,568	(25,630)	32,938
FUND BALANCE, June 30, 2006	$ 113,568	$ 113,568	$ 66,251	$ 82,427	$ 148,678

Explanation of differences between the Budgetary Comparison Schedule for the State Street Aid Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances prepared on the basis of generally accepted accounting principles (GAAP):

[1] The City of White House prepares its budget on a cash basis; whereas GAAP reporting of fund activities is on the modified-accrual basis. The items that follow detail the differences between these methods:

Change in other tax receivable	$ 2,522
Changes in due to and due from other funds	105,535
	$ 108,057

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the City's budget. See the footnotes to the financial statements for additional information concerning the City's budget.

W&G

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

YEAR ENDED JUNE 30, 2006

Tax Year	Balance June 30, 2005	Tax Levy	Collections	Exemptions and Abatements	Balance June 30, 2006
2005	$ -	$ 1,981,894	$ 1,917,604	$ -	$ 64,290
2004	74,608	-	47,178	-	27,430
2003	40,225	-	13,791	-	26,434
2002	14,734	-	9,184	-	5,550
2001	7,467	-	4,062	-	3,405
2000	7,502	-	4,794	-	2,708
1999	3,237	-	2,702	-	535
1998	25	-	9	-	16
1997	42	-	42	-	-
1996	21	-	21	-	-
	$ 147,861	$ 1,981,894	$ 1,999,387	$ -	130,368
Deferred property tax revenues for 2006 accrued					1,995,000
					2,125,368
Less estimated uncollectible accounts					(12,985)
					$ 2,112,383

Property taxes become delinquent in March 1 of the year subsequent to the levy date. To insure collection of delinquent property taxes the City will file a lien on property as soon as taxes become delinquent.

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULES OF LONG-TERM DEBT

JUNE 30, 2006

	Governmental Activities Long-Term Debt									
Year Ending	General Obligation Refunding Bonds, Series 1999		General Obligation Refunding Bonds, Series 2002		General Obligation Refunding Capital Outlay Notes, Series 2002		General Obligation Capital Outlay Note, Series 2004		General Obligation Capital Outlay Note, Series 2005	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 110,000	$ 32,963	$ 100,000	$ 23,818	$ 100,000	$ 18,098	$ 59,000	$ 20,444	$ 43,000	$ 11,512
2008	105,000	28,369	105,000	20,868	110,000	15,147	61,000	18,202	45,000	9,780
2009	105,000	23,906	110,000	17,770	110,000	11,903	63,000	15,884	47,000	7,970
2010	110,000	19,338	110,000	14,086	115,000	8,108	66,000	13,490	49,000	6,084
2011	120,000	14,556	50,000	10,400	120,000	4,140	68,000	10,982	51,000	4,120
2012	125,000	9,456	50,000	8,400	-	-	71,000	8,398	52,000	2,118
2013	135,000	3,931	55,000	6,400	-	-	74,000	5,700	55,000	-
2014	-	-	50,000	4,200	-	-	76,000	2,888	-	-
2015	-	-	55,000	2,200	-	-	-	-	-	-
	$ 810,000	$ 132,519	$ 685,000	$ 108,142	$ 555,000	$ 57,396	$ 538,000	$ 95,988	$ 342,000	$ 41,584

	Capital Outlay Notes, Series 2006		Public Building Authority, Series II-F-2		Public Building Authority, Series IV-E-5		Total	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2007	$ 13,000	$ 5,178	$ 70,000	$ 39,701	$ -	$ 64,222	$ 495,000	$ 215,936	$ 710,936
2008	13,000	7,467	70,000	36,908	-	64,222	509,000	200,963	709,963
2009	13,000	6,758	75,000	34,115	-	64,222	523,000	182,528	705,528
2010	13,000	6,050	80,000	31,122	-	64,222	543,000	162,500	705,500
2011	13,000	5,342	85,000	27,930	-	64,222	507,000	141,692	648,692
2012	13,000	4,633	90,000	24,539	-	64,222	401,000	121,766	522,766
2013	12,000	3,924	95,000	20,948	30,000	64,222	456,000	105,125	561,125
2014	12,000	3,270	100,000	17,157	150,000	63,040	388,000	90,555	478,555
2015	12,000	2,616	105,000	13,167	155,000	57,130	327,000	75,113	402,113
2016	12,000	1,962	110,000	8,978	195,000	51,023	317,000	61,963	378,963
2017	12,000	1,308	115,000	4,589	210,000	43,340	337,000	49,237	386,237
2018	12,000	654	-	-	280,000	35,066	292,000	35,720	327,720
2019	-	-	-	-	295,000	24,034	295,000	24,034	319,034
2020	-	-	-	-	315,000	12,411	315,000	12,411	327,411
	$ 150,000	$ 49,162	$ 995,000	$ 259,154	$ 1,630,000	$ 735,598	$ 5,705,000	$ 1,479,543	$ 7,184,543

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULES OF LONG-TERM DEBT - CONTINUED

JUNE 30, 2006

	Business-Type Activities Long-Term Debt								
	Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan		Loan Payable to the Public Building Authority, Series II-F-1		Sewer Revenue and Tax Refunding Bonds, Series 2002				
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total
2007	$ 130,752	$ 115,968	$ 155,000	$ 35,112	$ 275,000	$ 67,350	$ 560,752	$ 218,430	$ 779,182
2008	135,660	111,060	160,000	28,928	290,000	58,413	585,660	198,401	784,061
2009	140,760	105,960	50,000	22,544	295,000	48,262	485,760	176,766	662,526
2010	146,052	100,668	55,000	20,549	305,000	37,200	506,052	158,417	664,469
2011	151,548	95,172	55,000	18,354	305,000	25,000	511,548	138,526	650,074
2012	157,236	89,472	60,000	16,160	320,000	12,800	537,236	118,432	655,668
2013	163,152	83,568	60,000	13,766	-	-	223,152	97,334	320,486
2014	169,284	77,436	65,000	11,372	-	-	234,284	88,808	323,092
2015	175,644	71,064	70,000	8,778	-	-	245,644	79,842	325,486
2016	182,256	64,464	75,000	5,985	-	-	257,256	70,449	327,705
2017	189,108	57,612	75,000	2,993	-	-	264,108	60,605	324,713
2018	196,212	50,508	-	-	-	-	196,212	50,508	246,720
2019	203,592	43,128	-	-	-	-	203,592	43,128	246,720
2020	211,236	35,472	-	-	-	-	211,236	35,472	246,708
2021	219,180	27,540	-	-	-	-	219,180	27,540	246,720
2022	227,424	19,296	-	-	-	-	227,424	19,296	246,720
2023	235,968	10,752	-	-	-	-	235,968	10,752	246,720
2024	162,224	3,384	-	-	-	-	162,224	3,384	165,608
	$ 3,197,288	$ 1,162,524	$ 880,000	$ 184,541	$ 1,790,000	$ 249,025	$ 5,867,288	$ 1,596,090	$ 7,463,378

See independent auditor's report.

STATISTICAL TABLES

W&G

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS
(UNAUDITED)

JUNE 30, 2006

Year of Levy	County	General Fund	Debt Service Fund	Solid Waste Fund	Total Tax Rate	Appraised Value of Property	Amount of Tax Assessed
2005	Sumner and Robertson Counties	$ 0.91	$ 0.24	$ 0.19	$ 1.34	$ 519,664,045	$ 147,610,101
2004	Sumner and Robertson Counties	0.81	0.25	0.28	1.34	493,147,133	140,343,822
2003	Sumner and Robertson Counties	0.81	0.25	0.28	1.34	469,889,500	133,596,780
2002	Sumner County	0.59	0.52	0.29	1.40	430,157,471	122,510,505
	Robertson County	0.53	0.46	0.26	1.25		
2001	Sumner and Robertson Counties	0.59	0.52	0.29	1.40	382,351,875	107,864,843
2000	Sumner and Robertson Counties	0.59	0.52	0.29	1.40	353,865,656	103,288,627
1999	Sumner and Robertson Counties	0.54	0.52	0.30	1.36	322,505,239	95,193,887
1998	Sumner and Robertson Counties	0.43	0.62	0.26	1.31	283,137,979	84,856,461
1997	Sumner County	0.45	0.63	0.26	1.34	242,300,471	72,872,247
	Robertson County	0.48	0.67	0.28	1.43		
1996	Sumner County	0.44	0.67	0.26	1.37	198,853,700	56,006,713
	Robertson County	0.53	0.82	0.32	1.67		

See independent auditor's report.

W&G

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF WASTEWATER RATES AND NUMBER OF CUSTOMERS
(UNAUDITED)

JUNE 30, 2006

CUSTOMER RATES		
Residential:		
Minimum bill	$ 8.00	
1,000-3,000 gallons	25.00	
3,000-10,000 gallons	5.40	per 1,000 gallons
10,000-50,000 gallons	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
10,000-50,000 gallons	5.40	per 1,000 gallons
Commercial / Food Preparation:		
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 gallons	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 gallons	5.25	per 1,000 gallons
AVERAGE CONNECTION FEES	2,300.00	
EXPANSION FEES	1,000.00	
NUMBER OF CUSTOMERS	3,498	

See independent auditor's report.

WORK & GREER, PC

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

209 SIXTH AVENUE NORTH, NASHVILLE, TENNESSEE 37219

(615) 259-7600 • FAX (615) 259-7603 • WWW.WORKGREER.COM

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

HONORABLE MAYOR AND BOARD OF ALDERMEN
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 City of White House, Tennessee, (City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2006. 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 judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below as items 06-01 to 06-05.

06-01 Wastewater Fund Accounts Receivable

During our audit we noted the City operates under an agreement with White House Utility District (District) whereby the District performs the billing function for the City's wastewater customers and also collects the charges, writes off customer bad debts according to the District's policy and stops wastewater service for non-payment. The District does not provide a monthly accounts receivable subsidiary ledger or listing of bad debts written off to the City. As a result, the City's accounting personnel are unable to reconcile the general ledger balance of wastewater receivables to the subsidiary records.

Recommendation

We recommend the City contact the District and require the District to provide a monthly accounts receivable subsidiary ledger of wastewater accounts receivable to enable the City to reconcile the subsidiary ledger to the City's general ledger. Also, we recommend the City require the District to provide the City with a monthly customer listing of bad debts written off to allow the City to monitor their allowance for doubtful accounts and bad debt expense on a monthly basis.

Management's Response

The City has requested a monthly accounts receivable ledger which includes a listing of bad debts written off, however, White House Utility District has been unable to provide this information due to software limitations. Due to these and other concerns with the current process, the City is currently in the process of returning wastewater receivables to an internal function. We are working with the White House Utility District to transition this function back into the City's Wastewater Department, and this project is planned for completion by the end of the current fiscal year. As a part of this transition, the Finance Department will be establishing a monthly reconciliation process for wastewater receivables.

06-02 Lack of Segregation of Duties in the Payroll Function

During our audit we observed that the same employee, who has access to the general ledger, prepares the payroll register, prints the checks, signs the payroll checks with a dual signature stamp and reconciles the bank statement related to payroll expenditures. This same individual also has access to create a new employee in the payroll system. Fundamental principles of strong internal control require that no one employee should have access to or perform all aspects of a transaction.

Recommendation

We recommend the City evaluate the payroll processes and segregate the payroll duties to other employees at the City to ensure a proper segregation of accounting duties.

Management's Response

Approximately 92% of the employees are paid through direct deposit, which is reviewed and transmitted by the Finance Director during each payroll cycle. During this process, the Finance Director reviews who is being paid, as well as how much is being paid to each employee. This leaves only 8%, which equates to eight employees that are receiving a paper check which is produced by the same employee that is processing payroll. Management would certainly be open to moving the responsibility of signing those remaining paper checks to another employee who does not have General Ledger access, and will pursue that path. Management has confirmed with the software vendor that the access to change employee pay rates and process payroll cannot currently be segregated by security, even though we do have these functions separated between Accounting and Human Resources internally. Management has requested this improvement in a future upgrade or version of this software. Since there is no other placement of bank reconciliations that would not cause an even worse conflict, management contends that reconciliations are assigned in the best possible place.

06-03 Cash Basis of Accounting

The accounting records of the Wastewater Fund and the City's governmental funds are being maintained on the cash basis of accounting. In order to prepare financial statements in accordance generally accepted accounting principles as required by state law, the accounting records of the Wastewater Fund should be maintained on the accrual basis of accounting and the accounting records of the governmental funds should be maintained on the modified-accrual basis of accounting.

Recommendation

We recommend the City maintain the accounting records of the Wastewater Fund on the accrual basis of accounting and the governmental funds on the modified-accrual basis in order to properly prepare financial statements in accordance with generally accepted accounting principles.

Management's Response

Management concurs with this recommendation and has actually begun this process. At the beginning of the current fiscal year we implemented an accrual accounting function in the purchasing module of our software that now handles accounts payable on an accrual basis. Before the end of this fiscal year management plans to have the remainder of the accounting processes transitioned from a cash basis to an accrual basis for normal monthly processing, with the majority of the current remaining work to be done on revenue recognition.

06-04 Donated Infrastructure Assets

Generally accepted accounting principles require the City to record donated infrastructure assets from developers and infrastructure assets acquired in City annexations. This requirement became effective for the City on July 1, 2002. The assets are to be recorded at estimated fair value at the time of donation or annexation. During our audit, we determined the City had not recorded any donated assets or assets acquired from annexations after June 30, 2002. This error resulted in a prior period audit adjustment of $870,870 to increase net assets of the governmental activities at June 30, 2005. In addition we noted $332,823 of developer donations in the current year requiring an audit adjustment.

Recommendation

We recommend the City develop a system as soon as possible to obtain the detailed information about donated assets and assets acquired by annexation and record the donated/annexed assets on a timely basis. These donated/annexed assets should be documented in the monthly Board minutes. The City should consider requiring developers to submit to the City their actual cost of the infrastructure assets before the City agrees to take responsibility of maintaining the infrastructure. The developers should submit costs such as land costs along with the acreage, roadbed costs along with cubic yards of materials, surface costs along with tons of material and sidewalk costs along with tons of material, if applicable.

Management's Response

Management agrees with this recommendation, and has already begun requiring such letters from developers on any assets donated to the Wastewater Fund. The Finance Director will work with the Planning and Codes Director to require similar documentation from developers before accepting other infrastructure assets to the General Fund.

06-05 Prepaid Assets

During our audit we noted the City had not recorded prepaid assets at June 30, 2005 totaling $143,184 related to insurance premiums. As a result, a prior period audit adjustment was necessary to increase unrestricted net assets in the governmental activities by this amount at June 30, 2005. The majority of the City's insurance policies have a policy year from April to April which results in approximately 76% of the premium being a prepaid asset each June 30.

Recommendation

We recommend the City's accounting personnel calculate and adjust prepaid assets on a monthly basis prior to the preparation and issuance of financial statements.

Management's Response

The Finance Staff will develop a monthly process to calculate and adjust prepaid assets related to insurance premiums paid to the Tennessee Municipal League.

A material weakness is a reportable 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 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, of the reportable conditions described above, we consider item 06-04 to be 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Disposition of Prior Year Audit Findings

In the prior year report, the predecessor auditor disclosed a reportable condition (item 05-01) related to the police department not using pre-numbered receipts. The predecessor auditor recommended the police department use pre-numbered receipts for all cash collections. During the current year, the City purchased and utilized pre-numbered receipts for all cash collections in the police department.

In the prior year report, the predecessor auditor disclosed a reportable condition (item 05-02) related to performance bonds that are being held in an interest bearing account and are not being refunded with interest. The predecessor auditor recommended the City refund the bonds with interest or hold the bonds in a non-interest bearing account. During the current year, the City has eliminated requiring performance bonds from contractors and management of the City has consulted Municipal Technical Advisory Service (MTAS) regarding this issue and MTAS has advised the City that it is common practice not to refund interest on performance bonds.

In the prior year report, the predecessor auditor disclosed a reportable condition (item 05-03) related to Christmas bonuses not being approved by the Board of Aldermen. The predecessor auditor recommended the City's Board of Aldermen approve all bonuses. During the current year, the Board of Aldermen properly approved budgeted expenses for bonuses.

In the prior year report, the predecessor auditor disclosed a reportable condition (item 05-04) related to considerable inter-fund borrowing activity. The predecessor auditor recommended the City have no inter-fund borrowings. During the current year, the City's due to/due from accounts are used for proper purposes.

In the prior year report, the predecessor auditor disclosed a reportable condition (item 05-05) related to bank account reconciliations. The predecessor auditor recommended the City reconcile all bank accounts on a monthly basis. During the current year, the City properly reconciled all bank accounts.

In the prior year report, the predecessor auditor disclosed a reportable condition (item 05-06) related to the City's in-house labor and materials not being capitalized as wastewater line construction costs. The predecessor auditor recommended the City capitalize labor and materials on construction projects that City employees work on and that use City inventory items. During the current year, the City had no such construction projects, but intends to properly capitalize City labor and materials on any future construction projects.

In the prior year report, the predecessor auditor disclosed a reportable condition (item 02-01) related to reconciling wastewater customer accounts receivable balances to subsidiary records. The predecessor auditor recommended the City obtain an accounts receivable subsidiary ledger and a list of bad debts written off on a monthly basis from the White House Utility District who performs the City's wastewater billings and collections. During the current year the same reportable condition has been noted as reflected in current year finding 06-01 above.

We also noted certain additional matters that we reported to management of the City of White House, Tennessee, in a separate letter dated December 12, 2006.

This report is intended solely for the information and use of management, Mayor and Board of Aldermen, the Comptroller of the Treasury, State of Tennessee, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.

Wade, Green, PC

December 12, 2006