

CITY OF WHITE HOUSE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007
(With Independent Auditor's Report Thereon)

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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	Jim Bracey
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	Vacant
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	Ed Hickman
Director of Wastewater	Bill Crusenberry

FINANCIAL SECTION

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, the aggregate remaining fund information, and the budgetary comparison for the general fund and the parks sales tax fund of the City of White House, Tennessee as of and for the year ended June 30, 2007, 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 the 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, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the parks sales tax fund 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 February 8, 2008, on our consideration of the City of White House, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 is not a required part of the basic financial statements but is 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.

HONORABLE MAYOR AND BOARD OF ALDERMEN
Page Two

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 financial 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 financial statements and schedules 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.

Went & Greer, PC

February 8, 2008

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, 2007. 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 increased by \$2,584,000 in 2007 or 14.5%, while business-type activity total assets increased by \$216,000 or 1.2%, resulting in an increase in total primary government assets of \$2,800,000 or about 7.8%. Governmental activity total revenues for the City of White House increased by \$1,566,000 or 24.1%, while business-type total revenues decreased by \$100,000 or 5.3%, resulting in an increase in total primary government revenues of \$1,466,000, or 17.5%. The City's governmental activity total program costs for 2007 increased \$504,000 or 10.3%, while business-activity total program costs increased by \$155,000 or 9.4%, resulting in an increase in total primary government program costs of \$659,000 or 10.1%. With respect to the City of White House's governmental activities, while total revenues increased, total program expenses increased by a lesser amount, resulting in an increase in net assets of \$973,000. 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 \$236,000. The City of White House General Fund-fund balance at fiscal year end was approximately \$1,347,000.

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 14. 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. In reviewing these financial statements, we must ask, "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 1 and 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 \$20,384,000 in 2007 versus \$17,800,000 in 2006, representing an increase of \$2,584,000 or 14.5%. Table 1 also shows that total assets of the City of White House's business-type activities were \$18,178,000 in 2007 versus \$17,962,000 in 2006, representing an increase of \$216,000 or 1.2%.

REPORTING THE CITY AS A WHOLE, continued

Table 1
Net Assets
(in Thousands)

	Governmental Activities			Business-type Activities			Total Primary Government		
	2007	2006	Change	2007	2006	Change	2007	2006	Change
Current and other assets	\$ 6,458	\$ 5,509	\$ 949	\$ 1,780	\$ 2,043	\$ (263)	\$ 8,238	\$ 7,552	\$ 686
Capital assets	13,926	12,291	1,635	16,398	15,919	479	30,324	28,210	2,114
Total assets	\$ 20,384	\$ 17,800	\$ 2,584	\$ 18,178	\$ 17,962	\$ 216	\$ 38,562	\$ 35,762	\$ 2,800
Long-term liabilities	\$ 5,454	\$ 5,893	\$ (439)	\$ 5,339	\$ 5,716	\$ (377)	\$ 10,793	\$ 11,609	\$ (816)
Other liabilities	2,722	2,365	357	350	116	234	3,072	2,481	591
Total liabilities	8,176	8,258	(82)	5,689	5,832	(143)	13,865	14,090	(225)
Net assets:									
Invested in capital assets, net of related debt	8,691	6,652	2,039	11,209	10,202	1,007	19,900	16,854	3,046
Restricted	1,930	1,379	551	-	-	-	1,930	1,379	551
Unrestricted	1,587	1,511	76	1,280	1,928	(648)	2,867	3,439	(572)
Total net assets	12,208	9,542	2,666	12,489	12,130	359	24,697	21,672	3,025
Total liabilities and net assets	\$ 20,384	\$ 17,800	\$ 2,584	\$ 18,178	\$ 17,962	\$ 216	\$ 38,562	\$ 35,762	\$ 2,800

The significant elements and causes for the changes in the City of White House's governmental activities total assets in 2007 were: (1) Current and other assets increased by \$949,000. (2) Capital assets net, including infrastructure additions, increased by \$1,635,000. This amount included an increase in land and construction in progress, land improvements, machinery and equipment, and infrastructure, with the total increase at \$2,026,000 net of retirements and depreciation expense of \$391,000 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 2007 was a decrease in current and other assets of \$263,000 and an increase in capital assets of \$479,000. The increase is due to an increase in land and construction in progress, machinery and equipment, and utility plant in service by \$996,000. The increase in these capital improvements, and depreciation expense of \$517,000, net of retirements, accounted for the entire increase in capital assets.

As shown in Table 1, total liabilities of the City of White House's governmental activities decreased by \$82,000 or 1.0% to \$8,176,000 in 2007 from \$8,258,000 in 2006. Table 1 also shows total liabilities of the City of White House's business-type activities decreased by \$143,000 or 2.5% to \$5,689,000 in 2007 from \$5,832,000 in 2006.

The significant elements and causes for the changes in the City of White House's governmental activities total liabilities in 2007 were: (1) Other liabilities increased by \$357,000, and (2) long-term liabilities decreased by \$439,000. This was comprised of a decrease in accruals for compensated absences of \$28,000, and a decrease due to debt payments of \$411,000.

The most significant aspect of the decrease in the City of White House's business-type activities total liabilities in 2007 was the decrease in long-term debt primarily due to debt principal payments.

Therefore, total net assets of the City of White House's governmental activities increased to \$12,208,000 in 2007 from \$9,542,000 in 2006 representing an increase of \$2,666,000 or 27.9%, and total net assets of the City of White House's business-type activities increased to \$12,489,000 from \$12,130,000, representing an increase of \$359,000 or 3.0%.

REPORTING THE CITY AS A WHOLE, continued

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 \$2,039,000. (2) Restricted net assets increased by \$551,000 and unrestricted net assets increased by \$76,000. The increase in the City of White House's business-type activities net assets of \$359,000 was due to an increase in net assets invested in capital assets, net of related debt of \$1,007,000, along with a decrease of \$648,000 in Unrestricted net assets.

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 \$8,057,000 in 2007 from \$6,491,000 in 2006, representing an increase of \$1,566,000 or 24.1%. Total revenues for the City of White House's business-type activities decreased to \$1,787,000 in 2007 from \$1,887,000 in 2006, representing a decrease of \$100,000 or approximately 5.3%.

Table 2
Changes in Net Assets
(in Thousands)

	Governmental Activities			Business-type Activities			Total Primary Government		
	2007	2006	Change	2007	2006	Change	2007	2006	Change
Revenues									
Program revenues:									
Charges for services	\$ 945	\$ 834	\$ 111	\$ 1,761	\$ 1,773	\$ (12)	\$ 2,706	\$ 2,607	\$ 99
Grants and contributions:									
For operations	326	321	5	-	-	-	326	321	5
For capital projects	1,345	356	989	-	-	-	1,345	356	989
General revenues:									
Property taxes	1,996	1,983	13	-	-	-	1,996	1,983	13
Park sales tax	518	460	58	-	-	-	518	460	58
Impact fees	642	483	159	-	-	-	642	483	159
Intergovernmental revenues	2,158	1,966	192	-	-	-	2,158	1,966	192
Other revenues	127	88	39	26	114	(88)	153	202	(49)
Total revenues	8,057	6,491	1,566	1,787	1,887	(100)	9,844	8,378	1,466
Program expenses:									
General government	1,102	844	258	-	-	-	1,102	844	258
City court	56	56	-	-	-	-	56	56	-
Public safety	2,092	1,870	222	-	-	-	2,092	1,870	222
Streets	428	479	(51)	-	-	-	428	479	(51)
Sanitation	411	373	38	-	-	-	411	373	38
Cemetery and maintenance	16	15	1	-	-	-	16	15	1
Library and museum	177	163	14	-	-	-	177	163	14
Parks and recreation	593	557	36	-	-	-	593	557	36
Planning and zoning	198	151	47	-	-	-	198	151	47
Senior citizens activities	39	40	(1)	-	-	-	39	40	(1)
City garage	37	53	(16)	-	-	-	37	53	(16)
Miscellaneous	58	53	5	-	-	-	58	53	5
Interest on long-term debt	202	251	(49)	-	-	-	202	251	(49)
Wastewater department	-	-	-	1,804	1,649	155	1,804	1,649	155
Total expenses	5,409	4,905	504	1,804	1,649	155	7,213	6,554	659
Excess before transfers	2,648	1,586	1,062	(17)	238	(255)	2,631	1,824	807
Contributions	-	-	-	394	463	(69)	394	463	(69)
Transfers	18	107	(89)	(18)	(107)	89	-	-	-
Increase (decrease) in net assets	2,666	1,693	973	359	594	(235)	3,025	2,287	738
NET ASSETS, beginning	9,542	7,849	1,693	12,130	11,536	594	21,672	19,385	2,287
NET ASSETS, ending	\$ 12,208	\$ 9,542	\$ 2,666	\$ 12,489	\$ 12,130	\$ 359	\$ 24,697	\$ 21,672	\$ 3,025

The increase in total revenues of the City of White House's governmental activities for 2007 as compared to 2006 was primarily due to: (1) Revenues for capital projects increased by \$989,000, (2) Intergovernmental revenues increased by \$192,000, (3) Impact fees increased by \$159,000 due to continued development throughout the city.

REPORTING THE CITY AS A WHOLE, continued

The decrease in total revenues of the City of White House's business-type activities was primarily due to a decrease in other revenues. There were additional revenues recognized in the previous year related to the sale of equipment and insurance recoveries that were not repeated in the current fiscal year. Revenues resulting from user fees and areas more closely related to operations remained flat.

Table 2 shows that total program expenses for the City of White House's governmental activities increased to \$5,409,000 in 2007 from \$4,905,000 in 2006, representing an increase of \$504,000 or 10.3%. Total program expenses for the City of White House's business-type activities increased to \$1,804,000 in 2007 from \$1,649,000 in 2006, representing an increase of \$155,000 or 9.4%.

The increase in total program expenses for the City of White House's governmental activities was primarily due to: (1) General government expenses increased by \$258,000, with part of this increase being due to the addition of an Engineering Department and insurance costs, (2) Public safety expenses also increased by \$222,000 primarily due to increases in salary and benefits, (3) Planning and zoning department expenses increased by \$47,000 primarily due to the addition of an inspector.

The increase in total program expenses for the City of White House's business-type activities was primarily due to an increase in salaries and benefits of \$43,000 and an increase in depreciation expense of \$87,000.

The increase in the net assets of the City of White House's governmental activities in 2007 was \$2,666,000 as compared to an increase in net assets in 2006 of \$1,693,000. This \$973,000 increase is due to an increase in program revenues over expenses, and a decrease of \$89,000 in transfers from 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.

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, 2007. The original budget revenue estimates total \$4,919,000, not including revenue from other financing sources of \$659,000 for a total of \$5,578,000. Final budget revenues for the period amounted to \$4,926,000 and revenue from other financing sources of \$659,000 for a total of \$5,585,000. Final actual revenues for the period amounted to \$4,410,000. The City's original budget estimated expenditures for the 2007 year-end were \$5,578,000. Final budget expenditures for the period amounted to \$5,585,000. Final actual expenditures for the period amounted to \$4,174,000. Therefore, the City realized an actual budget excess of \$236,000. 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 general fund - fund balance was \$1,347,000.

BUDGETARY HIGHLIGHTS, continued

Table 3
General Fund Budget Comparison
(in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Over/(Under)
Revenues				
Taxes	\$ 1,458	\$ 1,458	\$ 1,338	\$ (120)
Intergovernmental revenues	2,669	2,674	2,187	(487)
Other revenues	792	794	885	91
Total revenues	4,919	4,926	4,410	(516)
Expenditures				
General government	979	979	911	(68)
Public safety	1,929	1,932	1,898	(34)
Streets	328	328	230	(98)
Capital outlay	1,290	1,294	176	(1,118)
Other activity expenditures	1,052	1,052	959	(93)
Total expenditures	5,578	5,585	4,174	(1,411)
Excess revenues over (under) expenditures	(659)	(659)	236	895
Other financing sources (uses):	659	659	109	(550)
Net revenues and other sources over expenditures and other uses	-	-	345	345
FUND BALANCE, June 30, 2006	781	781	1,002	221
FUND BALANCE, June 30, 2007	\$ 781	\$ 781	\$ 1,347	\$ 566

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.

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.

CAPITAL ASSETS, continued

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

	Governmental Activities			Business-type Activities			Total		
	2007	2006	Change	2007	2006	Change	2007	2006	Change
Land and construction in progress	\$ 7,697	\$ 6,284	\$ 1,413	\$ 810	\$ 791	\$ 19	\$ 8,507	\$ 7,075	\$ 1,432
Buildings and building improvements	5,634	5,634	-	-	-	-	5,634	5,634	-
Land improvements	42	39	3	-	-	-	42	39	3
Machinery and equipment	3,895	3,803	92	904	443	461	4,799	4,246	553
Utility plant in service	-	-	-	20,710	20,194	516	20,710	20,194	516
Infrastructure	1,286	768	518	-	-	-	1,286	768	518
Total capital assets	18,554	16,528	2,026	22,424	21,428	996	40,978	37,956	3,022
Accumulated depreciation	(4,628)	(4,237)	(391)	(6,026)	(5,509)	(517)	(10,654)	(9,746)	(908)
Net capital assets	\$ 13,926	\$ 12,291	\$ 1,635	\$ 16,398	\$ 15,919	\$ 479	\$ 30,324	\$ 28,210	\$ 2,114

Governmental Activities

In June 2006, the City of White House's governmental activities had \$12,291,000 (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 2007 capital assets were \$13,926,000 (net of accumulated depreciation), representing an increase of \$1,635,000 or 13.3%. The net increase in capital assets was comprised of two significant components: Land and construction in progress of \$1,413,000; less depreciation expense of \$391,000 (net of retirements). Capital asset additions in 2007 consisted primarily of improvements to the municipal center, as well as infrastructure improvements and street acceptances.

Business-type Activities

In June 2006, the City of White House's business-type activities, consisting of the Wastewater Department, had \$15,919,000 (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 2007 capital assets were \$16,398,000 (net of accumulated depreciation), representing an increase of \$479,000 or 3.0% over 2006. The net increase in capital assets included an increase in the utility plant in service of \$516,000 and an increase in machinery and equipment of approximately \$461,000.

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 2007 and 2006.

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

	Governmental Activities			Business-type Activities			Total		
	2007	2006	Change	2007	2006	Change	2007	2006	Change
Revenue bonds	\$ 1,285	\$ 1,495	\$ (210)	\$ 5,306	\$ 5,867	\$ (561)	\$ 6,591	\$ 7,362	\$ (771)
Capital outlay notes	1,413	1,585	(172)	-	-	-	1,413	1,585	(172)
Loan payable	2,555	2,625	(70)	-	-	-	2,555	2,625	(70)
Capital leases	41	-	41	155	-	155	196	-	196
Total notes and bonds	5,294	5,705	(411)	5,461	5,867	(406)	10,755	11,572	(817)
Compensated absences	160	188	(28)	-	-	-	160	188	(28)
Loss on defeasance	-	-	-	(122)	(151)	29	(122)	(151)	29
Total long-term liabilities	\$ 5,454	\$ 5,893	\$ (439)	\$ 5,339	\$ 5,716	\$ (377)	\$ 10,793	\$ 11,609	\$ (816)

DEBT ADMINISTRATION, continued

Governmental Activities

At the end of the current fiscal year the City of White House's governmental activities had outstanding long-term debt of \$5,454,000 including accrued compensated absences. The prior year total of long-term liabilities amounted to \$5,893,000; consequently long-term liabilities decreased during the year by \$439,000 or 7.4%.

The accrual for compensated absences decreased by \$28,000 in 2007. 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 \$5,339,000. The prior year total of long-term liabilities amounted to \$5,716,000; consequently long-term liabilities decreased during the year by \$377,000 or 6.6%.

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 end were \$350,000. In addition to this amount the current portion of long term debt is \$626,000.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The Annual Budget assures the efficient, effective and economic uses of the City's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the Board of Mayor and Aldermen 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 at a steady pace. To that end, it is important that the Board update its comprehensive plan and goals and maintain its communication efforts through the budgeting process. The housing development trend is decreasing, although new business development has continued to grow. This allows the City's sales tax revenue to continue on an upward trend. The City continues to face many challenges in maintaining a necessary level of infrastructure. As it relates to the White House Wastewater Department, an important goal is to incorporate the City's Master Plan priorities into the Six-Year Capital Improvement Budget as well as increase the level of service and customer satisfaction. The rate of infrastructure failures on aged equipment will determine many of the City's priorities for the upcoming years.

ECONOMIC FACTORS AND NEXT YEARS BUDGET, continued

There were no significant changes in the budget revenues for the City of White House this year, although expectations of an increased sales tax base will have a significant impact on the City's revenues in the upcoming years. 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.

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,135,971	\$ 1,274,263	\$ 2,410,234
Net receivables	2,925,823	151,076	3,076,899
Unbilled revenues	-	145,642	145,642
Note receivable	-	138,950	138,950
Internal balances	42,003	(42,003)	-
Materials and supplies	-	87,691	87,691
Other current assets	157,703	23,982	181,685
Restricted cash and cash equivalents	2,136,321	-	2,136,321
Capital assets:			
Land and construction in progress	7,697,169	809,500	8,506,669
Other capital assets, net of depreciation	6,229,103	15,588,530	21,817,633
Unamortized debt issuance costs	59,996	919	60,915
	<u>\$ 20,384,089</u>	<u>\$ 18,178,550</u>	<u>\$ 38,562,639</u>
LIABILITIES			
Accounts payable	\$ 468,587	\$ 84,704	\$ 553,291
Retainage payable	42,410	5,219	47,629
Accrued liabilities	65,102	24,247	89,349
Accrued interest	42,428	29,656	72,084
Deferred revenues	2,050,089	206,100	2,256,189
Performance bonds payable	53,950	-	53,950
Noncurrent liabilities			
Due within one year	667,114	626,228	1,293,342
Due in more than one year	4,786,651	4,713,165	9,499,816
	<u>8,176,331</u>	<u>5,689,319</u>	<u>13,865,650</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,690,858	11,209,562	19,900,420
Restricted for:			
Capital projects	1,125,560	-	1,125,560
Parks and recreation	511,910	-	511,910
Street maintenance and improvements	103,767	-	103,767
Industrial development and tourism	58,170	-	58,170
Public safety	69,667	-	69,667
Cemetery	60,977	-	60,977
Unrestricted	1,586,849	1,279,669	2,866,518
Total net assets	<u>\$ 20,384,089</u>	<u>\$ 18,178,550</u>	<u>\$ 38,562,639</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 1,102,103	\$ 199,335	\$ 76,360	\$ -	\$ (826,408)
City court	56,420	280,023	-	-	223,603
Public safety	2,092,293	89,143	-	-	(2,003,150)
Streets	427,959	-	241,214	1,345,624	1,158,879
Sanitation	410,632	26,326	-	-	(384,306)
Cemetery and maintenance	15,509	34,600	-	-	19,091
Library and museum	177,424	-	-	-	(177,424)
Parks and recreation	592,801	111,785	-	-	(481,016)
Planning and zoning	197,832	203,700	-	-	5,868
Senior citizen activities	39,371	-	8,500	-	(30,871)
City garage	37,494	-	-	-	(37,494)
Miscellaneous expenses	57,739	-	-	-	(57,739)
Interest on long-term debt	201,806	-	-	-	(201,806)
	<u>5,409,383</u>	<u>944,912</u>	<u>326,074</u>	<u>1,345,624</u>	<u>(2,792,773)</u>
BUSINESS-TYPE ACTIVITIES					
Wastewater department	1,804,251	1,761,206	-	394,473	351,428
TOTAL GOVERNMENT	<u>\$ 7,213,634</u>	<u>\$ 2,706,118</u>	<u>\$ 326,074</u>	<u>\$ 1,740,097</u>	<u>\$ (2,441,345)</u>
			Governmental Activities	Business-Type Activities	Total
NET (EXPENSE) / REVENUE			\$ (2,792,773)	\$ 351,428	\$ (2,441,345)
GENERAL REVENUES					
Property taxes			1,995,737	-	1,995,737
Park sales tax			517,840	-	517,840
Impact fees			641,832	-	641,832
Intergovernmental revenues			2,158,455	-	2,158,455
Interest and investment earnings			31,690	28,470	60,160
Other revenue			83,574	354	83,928
Gain (loss) on disposition of capital assets			11,527	(3,253)	8,274
Total general revenues			<u>5,440,655</u>	<u>25,571</u>	<u>5,466,226</u>
TRANSFERS			<u>17,603</u>	<u>(17,603)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS			<u>5,458,258</u>	<u>7,968</u>	<u>5,466,226</u>
CHANGE IN NET ASSETS			<u>2,665,485</u>	<u>359,396</u>	<u>3,024,881</u>
NET ASSETS, June 30, 2006			<u>9,542,273</u>	<u>12,129,835</u>	<u>21,672,108</u>
NET ASSETS, June 30, 2007			<u>\$ 12,207,758</u>	<u>\$ 12,489,231</u>	<u>\$ 24,696,989</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2007

	General Fund	Parks Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 885,828	\$ -	\$ 250,143	\$ 1,135,971
Net receivables	2,108,197	109,806	825,820	3,043,823
Due from other funds	134,239	78,211	182,024	394,474
Other current assets	130,814	-	26,889	157,703
Restricted cash and cash equivalents	6,230	554,233	1,575,858	2,136,321
	<u>\$ 3,265,308</u>	<u>\$ 742,250</u>	<u>\$ 2,860,734</u>	<u>\$ 6,868,292</u>
LIABILITIES				
Accounts payable	\$ 134,673	\$ 164,911	\$ 169,003	\$ 468,587
Retainage payable	1,000	-	41,410	42,410
Accrued liabilities	54,055	-	11,047	65,102
Due to other funds	142,583	65,429	144,459	352,471
Deferred revenues	1,531,934	-	775,134	2,307,068
Performance bonds payable	53,950	-	-	53,950
	<u>1,918,195</u>	<u>230,340</u>	<u>1,141,053</u>	<u>3,289,588</u>
FUND BALANCES				
Reserved for:				
Cemetery	-	-	60,977	60,977
Public safety	-	-	69,667	69,667
Capital projects	-	-	1,125,560	1,125,560
Industrial development and tourism	-	-	58,170	58,170
Street maintenance and improvements	-	-	103,767	103,767
Parks and recreations	-	511,910	-	511,910
Unreserved:				
General fund	1,347,113	-	-	1,347,113
Capital projects funds	-	-	19,291	19,291
Special revenue funds	-	-	(11,098)	(11,098)
Debt service fund	-	-	293,347	293,347
Total fund balances	<u>1,347,113</u>	<u>511,910</u>	<u>1,719,681</u>	<u>3,578,704</u>
	<u>\$ 3,265,308</u>	<u>\$ 742,250</u>	<u>\$ 2,860,734</u>	<u>\$ 6,868,292</u>

See notes to financial statements.



CITY OF WHITE HOUSE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2007

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

Total governmental fund balances above	\$ 3,578,704
Capital assets not reported above	13,926,272
Accrued interest not reported above	(42,428)
Unamortized debt issuance costs not reported above	59,996
Note payables and capital leases not reported above	(5,294,136)
Compensated absence accrual not reported above	(159,629)
Deferred revenues, from property and intergovernmental taxes reported above, reported as revenues in the government-wide statement of net assets	<u>138,979</u>
Net assets of governmental activities in the statement of net assets	<u><u>\$ 12,207,758</u></u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR END JUNE 30, 2007

	General Fund	Parks Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,337,651	\$ -	\$ 641,569	\$ 1,979,220
Intergovernmental revenues	2,187,464	517,840	293,074	2,998,378
Charges for services	103,115	-	69,596	172,711
Licenses and permits	403,035	-	641,832	1,044,867
Fines and forfeitures	280,023	-	89,143	369,166
Interest revenue	5,507	8,697	17,486	31,690
Miscellaneous	93,022	-	28,799	121,821
Total revenues	<u>4,409,817</u>	<u>526,537</u>	<u>1,781,499</u>	<u>6,717,853</u>
EXPENDITURES				
Current operations:				
General government	910,514	-	99,999	1,010,513
City court	56,919	-	-	56,919
Public safety	1,897,519	-	20,484	1,918,003
Streets	230,428	-	124,364	354,792
Sanitation	-	-	358,315	358,315
Cemetery and maintenance	-	-	15,509	15,509
Library and museum	159,960	-	-	159,960
Parks and recreation	472,527	-	17,942	490,469
Planning and zoning	192,363	-	-	192,363
Senior citizens activities	39,641	-	-	39,641
City garage	37,797	-	-	37,797
Miscellaneous	-	15,362	30,299	45,661
Capital outlay	175,762	276,990	362,253	815,005
Debt service	-	70,859	602,731	673,590
Total expenditures	<u>4,173,430</u>	<u>363,211</u>	<u>1,631,896</u>	<u>6,168,537</u>
REVENUES OVER (UNDER) EXPENDITURES	236,387	163,326	149,603	549,316
TRANSFERS	109,000	-	(91,397)	17,603
	<u>109,000</u>	<u>-</u>	<u>(91,397)</u>	<u>17,603</u>
NET CHANGE IN FUND BALANCE	345,387	163,326	58,206	566,919
FUND BALANCE, June 30, 2006	<u>1,001,726</u>	<u>348,584</u>	<u>1,661,475</u>	<u>3,011,785</u>
FUND BALANCE, June 30, 2007	<u>\$ 1,347,113</u>	<u>\$ 511,910</u>	<u>\$ 1,719,681</u>	<u>\$ 3,578,704</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

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

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

**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	\$ 566,919
Property contributions not recorded in the governmental funds statements but recognized as revenue in the government-wide statements	1,342,719
Increase in deferred revenues for property taxes including allowance for doubtful accounts, in the governmental funds not recognized in the government-wide statements	23,413
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	(38,247)
Amounts reported as expenditures in the governmental funds statements not included as expenses in the government-wide statements:	
Capital outlays	815,005
Payments on long-term debt	471,784
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(537,107)
Amortization of debt issuance costs	(7,058)
Decrease in accrued compensated absences	28,608
Administrative charges related to bond issuance	(12,078)
Gain on disposal of capital assets	11,527
Change in net assets of governmental activities	<u>\$ 2,665,485</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF NET ASSETS

PROPRIETARY FUND

JUNE 30, 2007

	<u>Wastewater Department</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,274,263
Net receivables	151,076
Unbilled revenues	145,642
Note receivable	138,950
Materials and supplies	87,691
Other current assets	23,982
	<u>1,821,604</u>
UNAMORTIZED DEBT ISSUANCE COSTS	919
	16,398,030
NET CAPITAL ASSETS	<u>\$ 18,220,553</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 84,704
Retainage payable	5,219
Accrued liabilities	24,247
Accrued interest	29,656
Due to other funds	42,003
Deferred revenues	206,100
Current maturities of long-term debt and capital leases	626,228
	<u>1,018,157</u>
LONG-TERM CAPITAL LEASE OBLIGATIONS, less current maturities	85,587
LONG-TERM DEBT, less current maturities	4,627,578
NET ASSETS	
Invested in capital assets, net of related debt	11,209,562
Unrestricted	1,279,669
	<u>12,489,231</u>
	<u>\$ 18,220,553</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2007

	<u>Wastewater Department</u>
OPERATING REVENUES	
Charges for services	\$ 1,761,206
Other operating revenues	354
	<u>1,761,560</u>
 OPERATING EXPENSES	
Salaries and payroll taxes	312,431
Employee benefits	87,471
Supplies	188,398
Utilities	111,053
Other operating expenses	311,723
Depreciation and amortization	537,513
	<u>1,548,589</u>
 OPERATING INCOME	212,971
 NONOPERATING REVENUES (EXPENSES)	
Interest income	28,470
Interest expense	(255,662)
Loss on disposition of capital assets	(3,253)
	<u>(230,445)</u>
 INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(17,474)
 CONTRIBUTIONS IN AID OF CONSTRUCTION	394,473
 TRANSFERS	<u>(17,603)</u>
 CHANGES IN NET ASSETS	359,396
 NET ASSETS, June 30, 2006	<u>12,129,835</u>
 NET ASSETS, June 30, 2007	<u><u>\$ 12,489,231</u></u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2007

	Wastewater Department
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,855,971
Payments to suppliers	(525,511)
Payments to or on behalf of employees	(398,761)
Net cash provided by operating activities	<u>931,699</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers to other funds	(109,000)
Decrease in due to other funds	2,152
Net cash used by noncapital and related financing activities	<u>(106,848)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of utility plant	(551,486)
Contributions received in aid of construction	218,783
Payments on long-term debt	(560,752)
Interest paid	(228,665)
Payments on capital lease obligations	(42,775)
Net cash used by capital and related financing activities	<u>(1,164,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	28,470
Net cash provided by investing activities	<u>28,470</u>
NET DECREASE IN CASH	(311,574)
CASH AND CASH EQUIVALENTS, June 30, 2006	<u>1,585,837</u>
CASH AND CASH EQUIVALENTS, June 30, 2007	<u>\$ 1,274,263</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS - CONTINUED

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2007

	<u>Wastewater Department</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 212,971
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	537,513
Changes in operating assets and liabilities	
Accounts receivable	198,103
Unbilled receivable	(145,642)
Notes receivable	(138,950)
Materials and supplies	24,039
Other current assets	7,938
Accounts payable	46,054
Retainage payable	5,219
Accrued liabilities	3,554
Deferred revenues	180,900
Total adjustments	<u>718,728</u>
Net cash provided by operating activities	<u>\$ 931,699</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Utility plant contributed to the City by developers	\$ 175,690
Utility plant transferred from Industrial Development Fund	91,397
Utility plant acquired under capital lease obligations	198,000

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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. 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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basic Financial Statements - continued

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 charges for services, operating grants and contributions, and capital grants and contributions. Charges for services must be directly associated with the function or a business-type activity. Operating grants and contributions include operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions 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.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basic Financial Statements - continued

The special revenue funds of the City consist of the Debt Service Fund, Parks 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. 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.

CITY OF WHITE HOUSE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Accounting - continued

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, street maintenance and improvements, industrial development and tourism, public safety, and cemetery maintenance.

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 \$19,291, cemetery maintenance totals \$35,625, debt service totals \$293,347, and senior citizens totals \$5,470.

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

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 (\$2,176,216), intergovernmental revenues (\$619,933), and other receivables (\$129,674). 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, 2007 totals \$118,000 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. Depreciation of capital assets is computed and recorded in the statement of activities with accumulated depreciation reflected in the statement of net assets.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets and Depreciation- continued

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:

	<u>Depreciable Life</u>
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 governmentwide statements.

10. Unpaid Compensated Absences

The City's policies permit regular employees to accumulate earned but unused vacation leave up to a maximum of 200 hours and fire department employees may accumulate up to a maximum of 264 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 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.

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. 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.

2. Inter-fund Transactions

Inter-fund receivable and payable balances at June 30, 2007 consisted of the following:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt service expenditures	Debt Service Fund	Park Sales Tax	\$ 109,048
Allocated payroll expenditures	General Fund	Solid Waste Fund	99,792
Park sales tax revenues not yet transferred	Parks Sales Tax	General Fund	78,211
State street aid revenues not yet transferred	State Street Aid Fund	General Fund	39,319
Allocated payroll expenditures	General Fund	Sewer Fund	24,316
In lieu of taxes	General Fund	Sewer Fund	9,083
Allocated property tax revenues	Solid Waste Fund	General Fund	12,174
Capital expenditures	Industrial Development Fund	Sewer Fund	8,604
Allocated property tax revenues	Debt Service Fund	General Fund	6,984
Drug fine revenues	Drug Fund	General Fund	5,895
Mowing expenditures	General Fund	Cemetery Fund	1,048
			<u>\$ 394,474</u>

Operating transfers by individual funds of the City for the fiscal year ended June 30, 2007 consist of the following:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
Payment in lieu of taxes	General Fund	Sewer Fund	\$ 109,000
Utility plant in service	Sewer Fund	Industrial Development Fund	91,397

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

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*. Additionally, the 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 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, 2007, 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 approximately \$1,177,000 at June 30, 2007.

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:

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

D. PROPERTY TAX - CONTINUED

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 2006 for Sumner County and 2007 for Robertson County. The City's tax rate applicable to 2007 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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

G. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for governmental activities for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 6,283,809	\$ 910,019	\$ -	\$ 7,193,828
Construction in progress	-	534,030	(30,689)	503,341
Subtotal	<u>6,283,809</u>	<u>1,444,049</u>	<u>(30,689)</u>	<u>7,697,169</u>
Other capital assets:				
Land improvements	38,984	3,189	-	42,173
Buildings and improvements	5,634,017	-	-	5,634,017
Machinery and equipment	3,802,901	270,821	(178,521)	3,895,201
Infrastructure assets	768,590	517,690	-	1,286,280
Subtotal	<u>10,244,492</u>	<u>791,700</u>	<u>(178,521)</u>	<u>10,857,671</u>
Total capital assets	<u>16,528,301</u>	<u>2,235,749</u>	<u>(209,210)</u>	<u>18,554,840</u>
Less accumulated depreciation:				
Land improvements, buildings, machinery and equipment	(4,151,099)	(502,591)	145,601	(4,508,089)
Infrastructure assets	(85,963)	(34,516)	-	(120,479)
Subtotal	<u>(4,237,062)</u>	<u>(537,107)</u>	<u>145,601</u>	<u>(4,628,568)</u>
Net capital assets	<u>\$ 12,291,239</u>	<u>\$ 1,698,642</u>	<u>\$ (63,609)</u>	<u>\$ 13,926,272</u>

Depreciation was charged to governmental activities as follows:

Public safety	\$ 190,488
Parks and recreation	105,024
General government	88,917
Public works	74,886
Sanitation	52,317
Library	18,520
Planning and zoning	6,955
	<u>\$ 537,107</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

G. CAPITAL ASSETS AND DEPRECIATION - CONTINUED

Capital asset activity for business-type activities for the year ended June 30, 2007 was as follows:

	Balance June 30, #NAME?	Additions	Retirements	Balance June 30, #NAME?
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 791,260	\$ 1,500	\$ -	\$ 792,760
Construction in progress	-	533,281	(516,541)	16,740
Subtotal	<u>791,260</u>	<u>534,781</u>	<u>(516,541)</u>	<u>809,500</u>
Other capital assets:				
Wastewater plant	20,194,108	516,541	-	20,710,649
Machinery and equipment	442,633	481,792	(20,376)	904,049
Subtotal	<u>20,636,741</u>	<u>998,333</u>	<u>(20,376)</u>	<u>21,614,698</u>
Total capital assets	<u>21,428,001</u>	<u>1,533,114</u>	<u>(536,917)</u>	<u>22,424,198</u>
Less accumulated depreciation:				
Wastewater plant	(5,230,935)	(430,964)	-	(5,661,899)
Machinery and equipment	(278,150)	(103,242)	17,123	(364,269)
Subtotal	<u>(5,509,085)</u>	<u>(534,206)</u>	<u>17,123</u>	<u>(6,026,168)</u>
Net capital assets	<u>\$ 15,918,916</u>	<u>\$ 998,908</u>	<u>\$ (519,794)</u>	<u>\$ 16,398,030</u>

Depreciation expense related to capital assets used in business-type activities for 2007 totaled \$534,206.

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

H. LONG-TERM DEBT - CONTINUED

The following table summarizes the City's governmental long-term debt at June 30, 2007:

Governmental Activities

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
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.	925,000
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.	700,000
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.	585,000
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.	479,000
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.	455,000
General Obligation Capital Outlay Note, Series 2005, maturing between April 1, 2008 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.	137,000
Accrued compensated absences	159,629
Total governmental activity debt	5,412,629
Less amounts due within one year	(647,262)
Long-term governmental activity debt	<u>\$ 4,765,367</u>

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

H. LONG-TERM DEBT - CONTINUED

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 (4.00% at June 30, 2007). 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.

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 (3.86% at June 30, 2007). 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

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

H. LONG-TERM DEBT - CONTINUED

The following table summarizes the City's business-type activity long-term debt at June 30, 2007:

Business-Type Activities

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.	\$ 3,066,536
Sewer Revenue and Tax Refunding Bonds, Series 2002, maturing between February 1, 2003 and 2012, at fixed interest rates ranging from 2.00% to 4.00% payable semiannually on February 1 and August 1, and principle payable annually on February 1 of each year.	1,515,000
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 principle payable annually on May 25 of each year.	<div style="border-top: 1px solid black;">725,000</div>
	5,306,536
Less deferred loss on defeasance	(122,368)
Total business activity debt	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">5,184,168</div>
Less amounts due within one year, net of current portion of deferred loss on defeasance	<div style="border-top: 1px solid black;">(556,590)</div>
Long-term business-activity debt	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 4,627,578</div>

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.

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.

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

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 \$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 (3.86% at June 30, 2007). 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 annual debt service requirements to maturity, including principal and interest, for long-term debt (excluding accrued compensated absences) as of June 30, 2007, are as follows:

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	511,000	204,125	715,125	585,660	197,458	783,118
2009	546,000	185,781	731,781	485,760	176,031	661,791
2010	566,000	165,043	731,043	506,052	157,747	663,799
2011	531,000	143,530	674,530	511,548	137,928	649,476
2012	427,000	122,829	549,829	537,236	117,905	655,141
2012 - 2016	1,770,000	384,124	2,154,124	1,224,444	395,639	1,620,083
2017 - 2021	902,000	73,254	975,254	1,057,644	175,944	1,233,588
2022 - 2024	-	-	-	398,192	14,136	412,328
	<u>\$ 5,253,000</u>	<u>\$ 1,278,686</u>	<u>\$ 6,531,686</u>	<u>\$ 5,306,536</u>	<u>\$ 1,372,788</u>	<u>\$ 6,679,324</u>

I. CAPITAL LEASES

The City is the lessee of vehicles under capital leases expiring through September 2009. The asset and liability under these leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of the related lease terms or the estimated productive lives of the assets. Amortization of the assets under these capital leases is included in depreciation expense.

Following is a summary of property held under capital leases at June 30, 2007 and 2006:

	Governmental Activities	Business Activities	Total
Machinery and equipment	\$ 63,954	\$ 198,000	\$ 261,954
Less accumulated depreciation	(10,659)	(53,625)	(64,284)
	<u>\$ 53,295</u>	<u>\$ 144,375</u>	<u>\$ 197,670</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

I. CAPITAL LEASES - CONTINUED

Minimum future lease payments under capital leases, as of June 30, 2007, for each of the next three years and in the aggregate are:

Year Ending June 30,	Governmental Activities	Business Activities	Total
2008	\$ 22,819	\$ 83,200	\$ 106,019
2009	22,819	76,800	99,619
2010	-	14,400	14,400
Total minimum lease payments	45,638	174,400	220,038
Less amount representing interest	(4,502)	(19,175)	(23,677)
Present value of net minimum lease payments	41,136	155,225	196,361
Less current maturities	(19,852)	(69,638)	(89,490)
Long-term capital lease obligation	<u>\$ 21,284</u>	<u>\$ 85,587</u>	<u>\$ 106,871</u>

The interest rates on the capital leases approximate 7.21% under governmental activities and 10.12% under business activities.

J. CHANGES IN LONG-TERM LIABILITIES

Following is a summary of changes in governmental activity long-term debt for the year ended June 30, 2007:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007	Amounts Due Within One Year
Governmental Activities					
Loans Payable to the Public Building Authority of Sevier County, Tennessee	\$ 2,625,000	\$ -	\$ (70,000)	\$ 2,555,000	\$ 70,000
Capital Outlay Notes	1,585,000	-	(172,000)	1,413,000	231,000
General Obligation Refunding Bonds	1,495,000	-	(210,000)	1,285,000	210,000
Capital leases	-	63,954	(22,818)	41,136	19,852
Accrued compensated absences	188,237	209,420	(238,028)	159,629	136,262
	<u>\$ 5,893,237</u>	<u>\$ 273,374</u>	<u>\$ (712,846)</u>	<u>\$ 5,453,765</u>	<u>\$ 667,114</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

J. CHANGES IN LONG-TERM LIABILITIES - CONTINUED

Following is a summary of changes in business-type activity long-term debt for the year ended June 30, 2007:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007	Amounts Due Within One Year
Business-Type Activities					
Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund	\$ 3,197,288	\$ -	\$ (130,752)	\$ 3,066,536	\$ 135,660
Sewer Revenue and Tax Refunding Bonds, Series 2002	1,790,000	-	(275,000)	1,515,000	290,000
Loan Payable to the Public Building Authority of Sevier County, Tennessee, Series II-F-1	880,000	-	(155,000)	725,000	160,000
Capital leases	-	198,000	(42,775)	155,225	69,638
	<u>5,867,288</u>	<u>198,000</u>	<u>(603,527)</u>	<u>5,461,761</u>	<u>655,298</u>
Less deferred loss on defeasance	(151,438)	-	29,070	(122,368)	(29,070)
	<u>\$ 5,715,850</u>	<u>\$ 198,000</u>	<u>\$ (574,457)</u>	<u>\$ 5,339,393</u>	<u>\$ 626,228</u>

K. NET ASSETS

At June 30, 2007, net assets restricted by the Board of Aldermen (by enabling legislation) are as follows:

Restricted for perpetual care of cemetery \$60,977

L. DEFICIT FUND BALANCE

At June 30, 2007, the Solid Waste Fund has a deficit fund balance in the amount of \$52,193.

M. 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.

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

M. DEFERRED COMPENSATION PLAN - CONTINUED

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.

N. 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.

Funding Policy

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

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007 was 5.86% 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.

CITY OF WHITE HOUSE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2007

N. PENSION PLAN - CONTINUED

Annual Pension Cost

For the year ended June 30, 2007, the City's annual pension cost of \$134,765 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2005 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 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

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 134,765	100.0%	\$ -
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:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2005	\$ 2,180,000	\$ 2,273,000	\$ 93,000	95.9%	\$ 2,114,000	4.4%
July 1, 2003	1,744,000	1,846,000	102,000	94.5%	2,067,000	4.9%
June 30, 2001	1,377,000	1,497,000	120,000	92.0%	1,477,000	8.1%
June 30, 1999	1,112,000	1,166,000	54,000	95.4%	1,334,000	4.0%

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2007

O. COMMITMENTS

At June 30, 2007, the City is committed on future capital expenditures of approximately \$736,000. Of the \$736,000, up to \$669,000 will be financed through federal and state grants and a capital outlay note.

P. SUBSEQUENT EVENTS

In October 2007, the City executed a loan agreement with the Public Building Authority of Coffee County, Tennessee not to exceed \$2,900,000 to finance the construction and acquisition of a new fire station including related legal, fiscal, administrative, architectural and engineering costs; acquisition of sanitation, public works and public safety equipments; and the costs of obtaining the loan. The loan initially will bear interest at the auction rate following the implementation of the auction procedures as determined in the loan agreement. Effective on any adjustment date, the City has the option to convert from the initial interest rate into a variable interest rate as provided in the loan agreement. The principal amount will be paid over a 25-year period with the first principal payment due on May 25, 2009.

In November 2007, the City entered into an agreement with the White House Youth Soccer League to install lights at the City's soccer field. This project is not to exceed \$150,000, and the amount is to be repaid by the soccer league over a five year period.



CITY OF WHITE HOUSE, TENNESSEE

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 1,457,663	\$ 1,457,663	\$ 1,347,225	\$ (9,574)	\$ 1,337,651
Intergovernmental revenues	2,668,507	2,673,502	2,069,630	117,834	2,187,464
Charges for services	101,000	101,000	103,115	-	103,115
Licenses and permits	337,850	337,850	422,896	(19,861)	403,035
Fines and forfeitures	323,897	323,897	280,023	-	280,023
Interest revenue	3,200	3,200	5,507	-	5,507
Miscellaneous	26,200	28,200	95,987	(2,965)	93,022
Total revenues	4,918,317	4,925,312	4,324,383	85,434	4,409,817
EXPENDITURES					
Current operations:					
General government	978,983	978,983	964,117	(53,603)	910,514
City court	66,549	66,549	56,919	-	56,919
Public safety	1,929,290	1,931,290	1,897,519	-	1,897,519
Streets	327,712	327,712	230,428	-	230,428
Library and museum	162,690	162,690	159,960	-	159,960
Parks and recreation	514,764	514,764	472,527	-	472,527
Planning and zoning	206,964	206,964	192,363	-	192,363
Senior citizens activities	42,458	42,458	39,641	-	39,641
City garage	58,410	58,410	37,797	-	37,797
Capital outlay	1,289,500	1,294,495	175,762	-	175,762
Total expenditures	5,577,320	5,584,315	4,227,033	(53,603)	4,173,430
REVENUES OVER (UNDER) EXPENDITURES	(659,003)	(659,003)	97,350	139,037	236,387
OTHER FINANCING SOURCES:					
Bond issuance	550,000	550,000	-	-	-
Transfers	109,000	109,000	109,000	-	109,000
	659,000	659,000	109,000	-	109,000
NET CHANGE IN FUND BALANCE	(3)	(3)	206,350	139,037	345,387
NET PAYMENTS TO OTHER FUNDS	-	-	(95,491)	95,491	-
	(3)	(3)	110,859	234,528	345,387
FUND BALANCE, June 30, 2006	781,199	781,199	781,199	220,527	1,001,726
FUND BALANCE, June 30, 2007	\$ 781,196	\$ 781,196	\$ 892,058	\$ 455,055	\$ 1,347,113

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

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
GENERAL FUND

YEAR ENDED JUNE 30, 2007

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:

Changes in property tax receivables, net of deferred revenues	\$ (9,574)
Change in intergovernmental receivables	117,834
Changes in licenses and permits receivables	(19,861)
Change in miscellaneous receivables	(2,965)
Changes in other assets and liabilities	53,603
Changes in due to and due from other funds	95,491
	<u>\$ 234,528</u>

[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.

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
PARKS SALES TAX FUND

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenue	\$ 520,000	\$ 520,000	\$ 710,257	\$ (192,417)	\$ 517,840
Interest revenue	10,000	10,000	8,697	-	8,697
Total revenues	<u>530,000</u>	<u>530,000</u>	<u>718,954</u>	<u>(192,417)</u>	<u>526,537</u>
EXPENDITURES					
Miscellaneous	300	300	15,362	-	15,362
Capital outlay	106,000	106,000	276,990	-	276,990
Debt service	111,492	111,492	70,859	-	70,859
Total expenditures	<u>217,792</u>	<u>217,792</u>	<u>363,211</u>	<u>-</u>	<u>363,211</u>
REVENUES OVER (UNDER) EXPENDITURES	312,208	312,208	355,743	(192,417)	163,326
NET BORROWINGS FROM OTHER FUNDS					
	-	-	15,362	(15,362)	-
NET CHANGE IN FUND BALANCE	312,208	312,208	371,105	(207,779)	163,326
FUND BALANCE, June 30, 2006	<u>183,128</u>	<u>183,128</u>	<u>183,128</u>	<u>165,456</u>	<u>348,584</u>
FUND BALANCE, June 30, 2007	<u>\$ 495,336</u>	<u>\$ 495,336</u>	<u>\$ 554,233</u>	<u>\$ (42,323)</u>	<u>\$ 511,910</u>

Explanation of differences between the Budgetary Comparison Schedule for the Parks 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 parks sales tax receivable	\$ 22,892
Changes in due to and due from other funds	(65,760)
Change in other liabilities	(164,911)
	<u>\$ (207,779)</u>

[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.

See independent auditor's report.

**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, 2007

GRANTOR	CFDA NO.	PASS THROUGH ENTITY	STATE CONTRACT NUMBER	FEDERAL / STATE	BALANCE JUNE 30, 2006	CASH RECEIPTS	EXPENDITURES	BALANCE JUNE 30, 2007
U.S. Department of Housing and Urban Development	14.239	Tennessee Housing Developmental Agency	HM-06-49	Federal	\$ -	\$ 2,905	\$ (2,905)	\$ -
					\$ -	\$ 2,905	\$ (2,905)	\$ -

See independent auditor's report.





CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Parks Sales Tax Fund</u>	<u>Total Major Governmental Funds</u>
REVENUES			
Taxes			
Property taxes	\$ 1,337,651	\$ -	\$ 1,337,651
Park sales tax receipts	-	517,840	517,840
Intergovernmental revenues			
Local sales tax	1,117,781	-	1,117,781
Wholesale and state beer tax	178,108	-	178,108
Business taxes	99,090	-	99,090
Payments in lieu of taxes	70,785	-	70,785
State sales and income tax	645,737	-	645,737
Other taxes	40,058	-	40,058
Federal, state and county grants	35,905	-	35,905
Charges for services			
Park facility and concession charges	103,115	-	103,115
Licenses and permits			
Building permits	186,919	-	186,919
Franchise fees	195,910	-	195,910
Other permits	20,206	-	20,206
Fines and forfeitures			
Court fines and costs	280,023	-	280,023
Interest revenue	5,507	8,697	14,204
Miscellaneous			
Insurance recoveries	7,615	-	7,615
Sale of equipment	12,674	-	12,674
Other revenues	72,733	-	72,733
	<u>\$ 4,409,817</u>	<u>\$ 526,537</u>	<u>\$ 4,936,354</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Parks Sales Tax Fund</u>	<u>Total Major Governmental Funds</u>
EXPENDITURES			
General government			
Payroll and payroll taxes	\$ 382,499	\$ -	\$ 382,499
Employee benefits	118,319	-	118,319
Supplies	35,080	-	35,080
Utilities	29,211	-	29,211
Insurance premium	159,569	-	159,569
Other operating expenses	185,836	-	185,836
Capital outlay	61,071	-	61,071
City court			
Payroll and payroll taxes	38,557	-	38,557
Employee benefits	16,461	-	16,461
Supplies	1,433	-	1,433
Other operating expenses	468	-	468
Public safety			
Payroll and payroll taxes	1,329,935	-	1,329,935
Employee benefits	355,085	-	355,085
Supplies	104,355	-	104,355
Utilities	25,303	-	25,303
Other operating expenses	82,841	-	82,841
Capital outlay	82,859	-	82,859
Streets			
Payroll and payroll taxes	127,107	-	127,107
Employee benefits	30,314	-	30,314
Supplies	45,934	-	45,934
Utilities	6,574	-	6,574
Other operating expenses	20,499	-	20,499
Capital outlay	-	-	-
Library and museum			
Payroll and payroll taxes	90,788	-	90,788
Employee benefits	28,980	-	28,980
Supplies	7,012	-	7,012
Utilities	7,018	-	7,018
Other operating expenses	26,162	-	26,162

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF EXPENDITURES - CONTINUED

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	General Fund	Parks Sales Tax Fund	Total Major Governmental Funds
EXPENDITURES - CONTINUED			
Parks and recreation			
Payroll and payroll taxes	\$ 207,367	\$ -	\$ 207,367
Employee benefits	64,667	-	64,667
Supplies	61,345	-	61,345
Utilities	65,374	-	65,374
Other operating expenses	73,774	-	73,774
Capital outlay	21,198	-	21,198
Planning and zoning			
Payroll and payroll taxes	126,596	-	126,596
Employee benefits	38,591	-	38,591
Supplies	11,529	-	11,529
Other operating expenses	15,647	-	15,647
Capital outlay	10,634	-	10,634
Senior citizen activities			
Payroll and payroll taxes	24,095	-	24,095
Employee benefits	11,124	-	11,124
Supplies	2,636	-	2,636
Other operating expenses	1,786	-	1,786
City garage			
Payroll and payroll taxes	24,713	-	24,713
Employee benefits	6,201	-	6,201
Supplies	6,391	-	6,391
Other operating expenses	492	-	492
Miscellaneous			
Other operating expenses	-	292,352	292,352
Debt service	-	70,859	70,859
	<u>\$ 4,173,430</u>	<u>\$ 363,211</u>	<u>\$ 4,536,641</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Capital Projects Fund	Cemetery Fund	Debt Service Fund	Drug Fund	Impact Fee Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ 42,023	\$ 177,388	\$ -	\$ -
Net receivables	-	-	412,959	-	-
Due from other funds	-	-	116,032	5,895	-
Other current assets	-	-	-	-	-
Restricted cash	63,539	60,977	-	63,772	1,169,179
Total assets	\$ 63,539	\$ 103,000	\$ 706,379	\$ 69,667	\$ 1,169,179
LIABILITIES					
Accounts payable	\$ 44,248	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-	-
Accrued liabilities	-	5,350	-	-	-
Due to other funds	-	1,048	-	-	43,619
Deferred revenues	-	-	413,032	-	-
Total liabilities	44,248	6,398	413,032	-	43,619
FUND BALANCES					
Reserved	-	60,977	-	69,667	1,125,560
Unreserved	19,291	35,625	293,347	-	-
Total fund balances	19,291	96,602	293,347	69,667	1,125,560
Total liabilities and fund balances	\$ 63,539	\$ 103,000	\$ 706,379	\$ 69,667	\$ 1,169,179

See independent auditor's report.

Industrial Development Fund	Parks Nutrition Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
\$ -	\$ 5,470	\$ 25,262	\$ -	\$ 250,143
3,097	-	367,074	42,690	825,820
8,604	-	12,174	39,319	182,024
-	-	26,889	-	26,889
46,469	-	-	171,922	1,575,858
<u>\$ 58,170</u>	<u>\$ 5,470</u>	<u>\$ 431,399</u>	<u>\$ 253,931</u>	<u>\$ 2,860,734</u>
\$ -	\$ -	\$ 16,001	\$ 108,754	\$ 169,003
-	-	-	41,410	41,410
-	-	5,697	-	11,047
-	-	99,792	-	144,459
-	-	362,102	-	775,134
-	-	483,592	150,164	1,141,053
58,170	-	-	103,767	1,418,141
-	5,470	(52,193)	-	301,540
<u>58,170</u>	<u>5,470</u>	<u>(52,193)</u>	<u>103,767</u>	<u>1,719,681</u>
<u>\$ 58,170</u>	<u>\$ 5,470</u>	<u>\$ 431,399</u>	<u>\$ 253,931</u>	<u>\$ 2,860,734</u>

CITY OF WHITE HOUSE, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	Capital Projects Fund	Cemetery Fund	Debt Service Fund	Drug Fund	Impact Fee Fund
REVENUES					
Taxes					
Property taxes	\$ -	\$ -	\$ 338,093	\$ -	\$ -
Intergovernmental revenues					
Federal, state and county grants	-	-	-	-	-
Charges for services					
Cemetery and maintenance	-	34,600	-	-	-
Trash pick-up	-	-	-	-	-
Other charges	-	-	-	-	-
Licenses and permits					
Impact fees	-	-	-	-	641,832
Fines and forfeitures					
Drug related fines and forfeitures	-	-	-	89,143	-
Interest revenue	1,913	2,588	2,531	283	9,073
Miscellaneous					
Insurance recoveries	-	-	-	6,450	-
Sale of equipment	-	-	-	11,508	-
Other revenues	-	522	-	10,037	282
Total revenues	<u>1,913</u>	<u>37,710</u>	<u>340,624</u>	<u>117,421</u>	<u>651,187</u>
EXPENDITURES					
Current operations:					
General government					
Other operating expenses	99,999	-	-	-	-
Capital outlay	78,775	-	-	-	-
Public safety					
Supplies	-	-	-	11,423	-
Other operating expenses	-	-	-	9,061	-
Capital outlay	-	-	-	80,572	6,939
Streets					
Supplies	-	-	-	-	-
Utilities	-	-	-	-	-
Other operating expenses	-	-	-	-	15,329
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
\$ -	\$ -	\$ 303,476	\$ -	\$ 641,569
43,360	8,500	-	241,214	293,074
-	-	-	-	34,600
-	-	26,326	-	26,326
-	8,670	-	-	8,670
-	-	-	-	641,832
-	-	-	-	89,143
231	23	270	574	17,486
-	-	-	-	6,450
-	-	-	-	11,508
-	-	-	-	10,841
<u>43,591</u>	<u>17,193</u>	<u>330,072</u>	<u>241,788</u>	<u>1,781,499</u>
-	-	-	-	99,999
-	-	-	-	78,775
-	-	-	-	11,423
-	-	-	-	9,061
-	-	-	-	87,511
-	-	-	5,792	5,792
-	-	-	103,123	103,123
-	-	-	120	15,449
-	-	118,044	-	118,044



CITY OF WHITE HOUSE, TENNESSEE

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

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	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	-	2,675	-	-	-
Employee benefits	-	258	-	-	-
Supplies	-	955	-	-	-
Utilities	-	626	-	-	-
Other operating expenses	-	10,995	-	-	-
Capital outlay	-	-	-	-	-
Parks and recreation					
Other operating expenses	-	-	-	-	87
Miscellaneous					
Supplies	-	-	-	-	-
Other operating expenses	948	-	691	-	-
Debt service	-	-	428,986	-	163,870
Total Expenditures	179,722	15,509	429,677	101,056	186,225
REVENUES OVER (UNDER) EXPENDITURES	(177,809)	22,201	(89,053)	16,365	464,962
TRANSFERS	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(177,809)	22,201	(89,053)	16,365	464,962
FUND BALANCE, June 30, 2006	197,100	74,401	382,400	53,302	660,598
FUND BALANCE, June 30, 2007	\$ 19,291	\$ 96,602	\$ 293,347	\$ 69,667	\$ 1,125,560

See independent auditor's report.

Industrial Development Fund	Parks Nutrition Fund	Solid Waste Fund	State Street Aid Fund	Total Nonmajor Government Funds
-	-	33,156	-	33,156
-	-	43,154	-	43,154
-	-	163,961	-	163,961
-	-	18,303	-	18,303
-	-	-	-	2,675
-	-	-	-	258
-	-	-	-	955
-	-	-	-	626
-	-	-	-	10,995
-	-	-	177,664	177,664
-	17,855	-	-	17,942
41	-	-	-	41
28,619	-	-	-	30,258
-	-	9,875	-	602,731
<u>28,660</u>	<u>17,855</u>	<u>386,493</u>	<u>286,699</u>	<u>1,631,896</u>
14,931	(662)	(56,421)	(44,911)	149,603
(91,397)	-	-	-	(91,397)
(76,466)	(662)	(56,421)	(44,911)	58,206
134,636	6,132	4,228	148,678	1,661,475
<u>\$ 58,170</u>	<u>\$ 5,470</u>	<u>\$ (52,193)</u>	<u>\$ 103,767</u>	<u>\$ 1,719,681</u>



CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Interest revenue	\$ 500	\$ 500	\$ 1,913	\$ -	\$ 1,913
Total revenues	<u>500</u>	<u>500</u>	<u>1,913</u>	<u>-</u>	<u>1,913</u>
EXPENDITURES					
Operating expenses-general government	-	-	55,751	44,248	99,999
Capital outlay	183,000	183,000	78,775	-	78,775
Other miscellaneous expenses	-	-	948	-	948
Total expenditures	<u>183,000</u>	<u>183,000</u>	<u>135,474</u>	<u>44,248</u>	<u>179,722</u>
REVENUES OVER (UNDER) EXPENDITURES	(182,500)	(182,500)	(133,561)	(44,248)	(177,809)
FUND BALANCE, June 30, 2006	<u>197,100</u>	<u>197,100</u>	<u>197,100</u>	<u>-</u>	<u>197,100</u>
FUND BALANCE, June 30, 2007	<u>\$ 14,600</u>	<u>\$ 14,600</u>	<u>\$ 63,539</u>	<u>\$ (44,248)</u>	<u>\$ 19,291</u>

Explanation of differences between the Budgetary Comparison Schedule for the Capital Project 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 liabilities \$ (44,248)

[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.

See independent auditor's report.



CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
CEMETERY FUND

YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
REVENUES					
Charges for services	\$ 27,700	\$ 27,700	\$ 34,600	\$ -	\$ 34,600
Interest revenue	-	-	2,588	-	2,588
Miscellaneous	-	-	522	-	522
Total revenues	<u>27,700</u>	<u>27,700</u>	<u>37,710</u>	<u>-</u>	<u>37,710</u>
EXPENDITURES					
Cemetery and maintenance	<u>20,118</u>	<u>20,118</u>	<u>14,727</u>	<u>782</u>	<u>15,509</u>
Total expenditures	<u>20,118</u>	<u>20,118</u>	<u>14,727</u>	<u>782</u>	<u>15,509</u>
REVENUES OVER (UNDER) EXPENDITURES	7,582	7,582	22,983	(782)	22,201
NET BORROWINGS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>786</u>	<u>(786)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	7,582	7,582	23,769	(1,568)	22,201
FUND BALANCE, June 30, 2006	<u>79,231</u>	<u>79,231</u>	<u>79,231</u>	<u>(4,830)</u>	<u>74,401</u>
FUND BALANCE, June 30, 2007	<u>\$ 86,813</u>	<u>\$ 86,813</u>	<u>\$ 103,000</u>	<u>\$ (6,398)</u>	<u>\$ 96,602</u>

Explanation of differences between the Budgetary Comparison Schedule for the Cemetery 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 other assets and liabilities	\$ (782)
Change in due to other funds	(786)
	<u>\$ (1,568)</u>

[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.

See independent auditor's report.



CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 367,982	\$ 367,982	\$ 339,912	\$ (1,819)	\$ 338,093
Interest revenue	2,400	2,400	2,531	-	2,531
Total revenues	<u>370,382</u>	<u>370,382</u>	<u>342,443</u>	<u>(1,819)</u>	<u>340,624</u>
EXPENDITURES					
Miscellaneous	2,800	2,800	691	-	691
Debt service	438,374	438,374	428,986	-	428,986
Total expenditures	<u>441,174</u>	<u>441,174</u>	<u>429,677</u>	<u>-</u>	<u>429,677</u>
REVENUES OVER (UNDER) EXPENDITURES	(70,792)	(70,792)	(87,234)	(1,819)	(89,053)
NET PAYMENTS TO OTHER FUNDS	-	-	(107,007)	107,007	-
NET CHANGE IN FUND BALANCE	(70,792)	(70,792)	(194,241)	105,188	(89,053)
FUND BALANCE, June 30, 2006	<u>371,629</u>	<u>371,629</u>	<u>371,629</u>	<u>10,771</u>	<u>382,400</u>
FUND BALANCE, June 30, 2007	<u>\$ 300,837</u>	<u>\$ 300,837</u>	<u>\$ 177,388</u>	<u>\$ 115,959</u>	<u>\$ 293,347</u>

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	\$ (1,819)
Change in due from other funds	<u>107,007</u>
	<u>\$ 105,188</u>

[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 "net change in fund balance" on the actual budgetary basis of accounting reported a deficit of \$194,241. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DRUG FUND

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Fines and forfeitures	72,000	72,000	89,143	-	89,143
Interest revenue	160	160	283	-	283
Miscellaneous	-	6,450	27,995	-	27,995
Total revenues	<u>72,160</u>	<u>78,610</u>	<u>117,421</u>	<u>-</u>	<u>117,421</u>
EXPENDITURES					
Public safety	33,808	33,808	20,756	(272)	20,484
Capital outlay	61,000	80,772	80,572	-	80,572
Total expenditures	<u>94,808</u>	<u>114,580</u>	<u>101,328</u>	<u>(272)</u>	<u>101,056</u>
REVENUES OVER (UNDER) EXPENDITURES	(22,648)	(35,970)	16,093	272	16,365
NET PAYMENTS TO OTHER FUNDS	-	-	(1,987)	1,987	-
NET CHANGE IN FUND BALANCE	(22,648)	(35,970)	14,106	2,259	16,365
FUND BALANCE, June 30, 2006	<u>49,666</u>	<u>49,666</u>	<u>49,666</u>	<u>3,636</u>	<u>53,302</u>
FUND BALANCE, June 30, 2007	<u>\$ 27,018</u>	<u>\$ 13,696</u>	<u>\$ 63,772</u>	<u>\$ 5,895</u>	<u>\$ 69,667</u>

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:

Changes in other assets and liabilities	\$ 272
Change in due from other funds	1,987
	<u>\$ 2,259</u>

[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.

See independent auditor's report.



CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
IMPACT FEE FUND

YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
REVENUES					
Licenses and permits	\$ 299,000	\$ 299,000	\$ 637,767	\$ 4,065	\$ 641,832
Interest revenue	3,000	3,000	9,073	-	9,073
Miscellaneous	-	-	282	-	282
Total revenues	<u>302,000</u>	<u>302,000</u>	<u>647,122</u>	<u>4,065</u>	<u>651,187</u>
EXPENDITURES					
Streets	100,110	100,110	15,329	-	15,329
Parks and recreation	-	-	87	-	87
Capital outlay	50,000	50,000	6,939	-	6,939
Debt service	162,217	162,217	163,870	-	163,870
Total expenditures	<u>312,327</u>	<u>312,327</u>	<u>186,225</u>	<u>-</u>	<u>186,225</u>
REVENUES OVER (UNDER) EXPENDITURES	(10,327)	(10,327)	460,897	4,065	464,962
NET BORROWINGS FROM OTHER FUNDS	-	-	43,619	(43,619)	-
NET CHANGE IN FUND BALANCE	(10,327)	(10,327)	504,516	(39,554)	464,962
FUND BALANCE, June 30, 2006	<u>664,663</u>	<u>664,663</u>	<u>664,663</u>	<u>(4,065)</u>	<u>660,598</u>
FUND BALANCE, June 30, 2007	<u>\$ 654,336</u>	<u>\$ 654,336</u>	<u>\$ 1,169,179</u>	<u>\$ (43,619)</u>	<u>\$ 1,125,560</u>

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:

Changes in other assets and liabilities	\$ 4,065
Change in due to other funds	(43,619)
	<u>\$ (39,554)</u>

[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.

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL DEVELOPMENT FUND

YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
REVENUES					
Intergovernmental revenues	\$ 32,000	\$ 32,000	\$ 40,263	\$ 3,097	\$ 43,360
Interest revenue	300	300	231	-	231
Total revenues	<u>32,300</u>	<u>32,300</u>	<u>40,494</u>	<u>3,097</u>	<u>43,591</u>
EXPENDITURES					
Miscellaneous	33,600	33,600	30,000	(1,340)	28,660
Capital outlay	-	-	-	-	-
Total expenditures	<u>33,600</u>	<u>33,600</u>	<u>30,000</u>	<u>(1,340)</u>	<u>28,660</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,300)	(1,300)	10,494	4,437	14,931
TRANSFERS	-	-	(91,397)	-	(91,397)
NET CHANGE IN FUND BALANCE	(1,300)	(1,300)	(80,903)	4,437	(76,466)
FUND BALANCE, June 30, 2006	<u>127,372</u>	<u>127,372</u>	<u>127,372</u>	<u>7,264</u>	<u>134,636</u>
FUND BALANCE, June 30, 2007	<u>\$ 126,072</u>	<u>\$ 126,072</u>	<u>\$ 46,469</u>	<u>\$ 11,701</u>	<u>\$ 58,170</u>

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 net receivables	\$ 3,097
Changes in other assets and liabilities	<u>1,340</u>
	<u>\$ 4,437</u>

[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 "net change in fund balance" on the actual budgetary basis of accounting reported a deficit of \$80,903. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
PARKS NUTRITION FUND

YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
REVENUES					
Intergovernmental revenues	\$ 8,500	\$ 8,500	\$ 8,500	\$ -	\$ 8,500
Charges for services	8,500	8,500	8,670	-	8,670
Interest revenue	10	10	23	-	23
Total revenues	<u>17,010</u>	<u>17,010</u>	<u>17,193</u>	<u>-</u>	<u>17,193</u>
EXPENDITURES					
Parks and recreation	<u>17,750</u>	<u>17,750</u>	<u>18,616</u>	<u>(761)</u>	<u>17,855</u>
Total expenditures	<u>17,750</u>	<u>17,750</u>	<u>18,616</u>	<u>(761)</u>	<u>17,855</u>
REVENUES OVER (UNDER) EXPENDITURES					
	(740)	(740)	(1,423)	761	(662)
FUND BALANCE, June 30, 2006					
	<u>6,893</u>	<u>6,893</u>	<u>6,893</u>	<u>761</u>	<u>6,132</u>
FUND BALANCE, June 30, 2007					
	<u>\$ 6,153</u>	<u>\$ 6,153</u>	<u>\$ 5,470</u>	<u>\$ 1,522</u>	<u>\$ 5,470</u>

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

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.

[3] The amount reported as "revenues over (under) expenditures" on the actual budgetary basis of accounting reported a deficit of \$1,423. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE FUND

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 333,962	\$ 333,962	\$ 299,856	\$ 3,620	\$ 303,476
Charges for services	10,000	10,000	26,326	-	26,326
Interest revenue	800	800	270	-	270
Miscellaneous	1,500	1,500	-	-	-
Total revenues	<u>346,262</u>	<u>346,262</u>	<u>326,452</u>	<u>3,620</u>	<u>330,072</u>
EXPENDITURES					
Sanitation	406,148	406,148	369,106	(10,791)	358,315
Capital outlay	125,000	125,000	18,303	-	18,303
Debt service	71,520	71,520	9,875	-	9,875
Total expenditures	<u>602,668</u>	<u>602,668</u>	<u>397,284</u>	<u>(10,791)</u>	<u>386,493</u>
REVENUES OVER (UNDER) EXPENDITURES	(256,406)	(256,406)	(70,832)	14,411	(56,421)
NET BORROWINGS FROM OTHER FUNDS	-	-	90,262	(90,262)	-
NET CHANGE IN FUND BALANCE	(256,406)	(256,406)	19,430	(75,851)	(56,421)
FUND BALANCE, June 30, 2006	<u>5,832</u>	<u>5,832</u>	<u>5,832</u>	<u>(1,604)</u>	<u>4,228</u>
FUND BALANCE, June 30, 2007	<u>\$ (250,574)</u>	<u>\$ (250,574)</u>	<u>\$ 25,262</u>	<u>\$ (77,455)</u>	<u>\$ (52,193)</u>

See independent auditor's report.



CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
SOLID WASTE FUND

YEAR ENDED JUNE 30, 2007

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	\$ 3,620
Changes in other assets and liabilities	10,791
Changes in due to and due from other funds	<u>(90,262)</u>
	<u>\$ (75,851)</u>

[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.

See independent auditor's report.



CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
STATE STREET AID FUND

YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
REVENUES					
Intergovernmental revenues	\$ 265,000	\$ 265,000	\$ 239,726	\$ 1,488	\$ 241,214
Interest revenue	300	300	574	-	574
Miscellaneous	-	-	-	-	-
Total revenues	<u>265,300</u>	<u>265,300</u>	<u>240,300</u>	<u>1,488</u>	<u>241,788</u>
EXPENDITURES					
Streets	100,000	100,000	109,035	-	109,035
Capital outlay	275,000	275,000	27,500	150,164	177,664
Total expenditures	<u>375,000</u>	<u>375,000</u>	<u>136,535</u>	<u>150,164</u>	<u>286,699</u>
REVENUES OVER (UNDER) EXPENDITURES	(109,700)	(109,700)	103,765	(148,676)	(44,911)
NET BORROWINGS FROM OTHER FUNDS	-	-	1,906	(1,906)	-
NET CHANGE IN FUND BALANCE	(109,700)	(109,700)	105,671	(150,582)	(44,911)
FUND BALANCE, June 30, 2006	<u>66,251</u>	<u>66,251</u>	<u>66,251</u>	<u>82,427</u>	<u>148,678</u>
FUND BALANCE, June 30, 2007	<u>\$ (43,449)</u>	<u>\$ (43,449)</u>	<u>\$ 171,922</u>	<u>\$ (68,155)</u>	<u>\$ 103,767</u>

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	\$ 1,488
Change in due from other funds	(1,906)
Changes in other assets and liabilities	(150,164)
	<u>\$ (150,582)</u>

[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.

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

YEAR ENDED JUNE 30, 2007

<u>Tax Year</u>	<u>Balance June 30, 2006</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Accrued Interest & Penalties</u>	<u>Balance June 30, 2007</u>
2006	\$ -	\$ 2,003,454	\$ 1,911,872	\$ (18,344)	\$ 5,493	\$ 78,731
2005	64,290	-	59,035	30,640	9,333	45,228
2004	27,430	-	3,783	3,315	11,863	38,825
2003	26,434	-	3,930	2,449	15,471	40,424
2002	5,550	-	1,740	2,190	4,800	10,800
2001	3,405	-	671	2,124	4,761	9,619
2000	2,708	-	-	3,642	7,366	13,716
1999	535	-	-	2,235	3,712	6,482
1998	16	-	-	9	38	63
1997	-	-	-	21	36	57
1996	-	-	-	21	39	60
1995	-	-	-	21	43	64
1994	-	-	-	-	-	-
1993	-	-	-	-	-	-
1992	-	-	-	17	41	58
	<u>\$ 130,368</u>	<u>\$ 2,003,454</u>	<u>\$ 1,981,031</u>	<u>\$ 28,340</u>	<u>\$ 62,996</u>	<u>244,127</u>
						<u>2,050,089</u>
Deferred property tax revenues for 2007 accrued						<u>2,294,216</u>
Less estimated uncollectible accounts						<u>(118,000)</u>
						<u>\$ 2,176,216</u>

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.

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULES OF LONG-TERM DEBT

JUNE 30, 2007

Governmental Activities Long-Term Debt

Year Ending June 30,	General Obligation				General Obligation				General Obligation			
	Refunding Bonds, Series 1999		Refunding Bonds, Series 2002		Refunding Capital Outlay Notes, Series 2002		Outlay Note, Series 2004		Outlay Note, Series 2004		Capital Outlay Note, Series 2005	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 105,000	\$ 28,369	\$ 105,000	\$ 20,868	\$ 110,000	\$ 15,147	\$ 61,000	\$ 18,202	\$ 61,000	\$ 18,202	\$ 47,000	\$ 13,167
2009	105,000	23,906	110,000	17,770	110,000	11,903	63,000	15,884	63,000	15,884	70,000	11,357
2010	110,000	19,338	110,000	14,086	115,000	8,108	66,000	13,490	66,000	13,490	72,000	8,663
2011	120,000	14,556	50,000	10,400	120,000	4,140	68,000	10,982	68,000	10,982	75,000	5,890
2012	125,000	9,456	50,000	8,400	-	-	71,000	8,398	71,000	8,398	78,000	3,003
2013	135,000	3,931	55,000	6,400	-	-	74,000	5,700	74,000	5,700	-	-
2014	-	-	50,000	4,200	-	-	76,000	2,888	76,000	2,888	-	-
2015	-	-	55,000	2,200	-	-	-	-	-	-	-	-
	\$ 700,000	\$ 99,556	\$ 585,000	\$ 84,324	\$ 455,000	\$ 39,298	\$ 479,000	\$ 75,544	\$ 479,000	\$ 75,544	\$ 342,000	\$ 42,080

Public Building Authority, Public Building Authority, Public Building Authority,

Year Ending June 30,	Capital Outlay Notes, Series 2006		Series II-F-2		Series IV-E-5		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 13,000	\$ 7,467	\$ 70,000	\$ 35,705	\$ -	\$ 65,200	\$ 511,000	\$ 204,125	\$ 511,000	\$ 204,125
2009	13,000	6,758	75,000	33,003	-	65,200	546,000	185,781	546,000	185,781
2010	13,000	6,050	80,000	30,108	-	65,200	566,000	165,043	566,000	165,043
2011	13,000	5,342	85,000	27,020	-	65,200	531,000	143,530	531,000	143,530
2012	13,000	4,633	90,000	23,739	-	65,200	427,000	122,829	427,000	122,829
2013	12,000	3,924	95,000	20,265	30,000	65,200	401,000	105,420	401,000	105,420
2014	12,000	3,270	100,000	16,598	150,000	64,000	388,000	90,956	388,000	90,956
2015	12,000	2,616	105,000	12,738	155,000	58,000	327,000	75,554	327,000	75,554
2016	12,000	1,962	110,000	8,685	195,000	51,800	317,000	62,447	317,000	62,447
2017	12,000	1,308	115,000	4,439	210,000	44,000	337,000	49,747	337,000	49,747
2018	12,000	654	-	-	280,000	35,600	292,000	36,254	292,000	36,254
2019	-	-	-	-	295,000	24,400	295,000	24,400	295,000	24,400
2020	-	-	-	-	315,000	12,600	315,000	12,600	315,000	12,600
	\$ 137,000	\$ 43,984	\$ 925,000	\$ 212,300	\$ 1,630,000	\$ 681,600	\$ 5,253,000	\$ 1,278,686	\$ 5,253,000	\$ 1,278,686

See independent auditor's report.



CITY OF WHITE HOUSE, TENNESSEE
SCHEDULES OF LONG-TERM DEBT - CONTINUED

JUNE 30, 2007

Year Ending June 30,	Business-Type Activities Long-Term Debt										Total Interest	Total Principal	Total
	Note Payable to the State		Loan Payable to the Public		Sewer Revenue and Tax		Building Authority, Series		Refunding Bonds, Series				
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2008	\$ 135,660	\$ 111,060	\$ 160,000	\$ 27,985	\$ 290,000	\$ 58,413	\$ 585,660	\$ 197,458	\$ 783,118				
2009	140,760	105,960	50,000	21,809	295,000	48,262	485,760	176,031	661,791				
2010	146,052	100,668	55,000	19,879	305,000	37,200	506,052	157,747	663,799				
2011	151,548	95,172	55,000	17,756	305,000	25,000	511,548	137,928	649,476				
2012	157,236	89,472	60,000	15,633	320,000	12,800	537,236	117,905	655,141				
2013	163,152	83,568	60,000	13,317	-	-	223,152	96,885	320,037				
2014	169,284	77,436	65,000	11,001	-	-	234,284	88,437	322,721				
2015	175,644	71,064	70,000	8,492	-	-	245,644	79,556	325,200				
2016	182,256	64,464	75,000	5,790	-	-	257,256	70,254	327,510				
2017	189,108	57,612	75,000	2,895	-	-	264,108	60,507	324,615				
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				
	<u>\$ 3,066,536</u>	<u>\$ 1,046,556</u>	<u>\$ 725,000</u>	<u>\$ 144,557</u>	<u>\$ 1,515,000</u>	<u>\$ 181,675</u>	<u>\$ 5,306,536</u>	<u>\$ 1,372,788</u>	<u>\$ 6,679,324</u>				

See independent auditor's report.



STATISTICAL TABLES

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
(UNAUDITED)

Year of Levy	County	General Fund	Debt Service Fund	Solid Waste Fund	Total Tax Rate	Appraised Value of Property	Assessed Value of Property
2006	Sumner County	\$ 0.75	\$ 0.18	\$ 0.20	\$ 1.13	\$ 278,694,894	\$ 74,047,530
	Robertson County	0.84	0.20	0.23	1.28	304,948,865	90,018,744
2005	Sumner and Robertson Counties	0.84	0.20	0.23	1.28	583,643,759	164,066,274
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		

See independent auditor's report.



CITY OF WHITE HOUSE, TENNESSEE

SCHEDULE OF WASTEWATER RATES AND NUMBER OF CUSTOMERS
(UNAUDITED)

JUNE 30, 2007

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

NUMBER OF CUSTOMERS

3,661

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 financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and the parks sales tax fund of City of White House, Tennessee, (City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 8, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We considered deficiencies described below as items 07-1 to 07-6 to be significant deficiencies in internal control over financial reporting.

07-01 Donated and Annexed Infrastructure Assets

Generally accepted accounting principles require the City to record donated infrastructure assets from developers and infrastructure assets acquired in the City annexations. The assets are to be recorded at fair value at the time of donation or annexation. During our audit we noted the City had not correctly estimated the fair value of infrastructure assets donated or annexed during the fiscal year ended June 30, 2007. Although the donation and annexation of infrastructure assets

HONORABLE MAYOR AND BOARD OF ALDERMEN

White House, Tennessee

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were documented in the minutes of meetings of the Board of Aldermen, the supporting documentation for the necessary information to determine the fair value such as the unit costs to calculate roadbed cost, surface cost, sidewalk costs, and the land value was not available. The corrected fair value of contributed and annexed infrastructure assets during the fiscal year ended June 30, 2007 totaled \$1,343,000.

Recommendation

We recommend the City develop a system, as soon as possible, to obtain the supporting detailed information about donated assets and assets acquired by annexation and record the donated/annexed assets on a timely basis. The City might 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. If the detailed information is not provided by the developers, the City should develop a system internally to determine and document all the information necessary in order to calculate and record the fair value of donated and annexed infrastructure assets.

Management's Response

For the fiscal year in question, the City Engineer used a number of sources including the RS Means catalog, the TDOT index, and current city paving contracts to place a value on all street acceptances and annexations. However, the valuations placed on those annexations and acceptances were not tied to source documentation at a detail level, nor were they recorded on a monthly basis. Management is currently implementing the suggested policy that will require developers to 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. This information will be required before the City will accept any new infrastructure from a developer. As a condition of approval from the Planning Commission, the developer will be required to submit cost and quantity statements for roadway infrastructure for the subdivision being accepted. In the case of annexation of existing infrastructure which is less than 15 years old, the City Engineer will contact the developer for original cost, if available, and apply a condition assessment. If no such documentation is available, then the City Engineer will use the TDOT index for the applicable year to place a value on the infrastructure before applying a condition assessment. If the infrastructure is more than 15 years old, then only the land value and road bed will be considered in valuation since it would be anticipated that the surface would be of no value to the city. All annexations and acceptances will be recorded as they occur.

07-02 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.

HONORABLE MAYOR AND BOARD OF ALDERMEN

White House, Tennessee

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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 actually achieved this on the payables side during the past fiscal year with implementation of the accrual option in the Local Government Purchasing software. The revenue recognition entries were not converted as planned during the current fiscal year due to a number of changes in staffing. Plans are being made for this conversion to be made either in house or with contractual assistance before the close of the current fiscal year.

07-03 Cash and Accounts Payable Cut-off

During our audit we noted several checks totaling \$295,075, issued after June 30, 2007, were back posted as of June 2007. These checks were included in the list of outstanding checks as of June 30, 2007 as if they had been actually issued during the fiscal year ended June 30, 2007. These checks were issued for payments of invoices related to goods received or services performed prior to the June 30, 2007. As a result, the cash balance and the accounts payable balance at June 30, 2007 were understated by the amount of \$295,075. We also noted, one check in the amount of \$20,560 issued and manually voided before the year-end, was still listed as an outstanding check at June 30, 2007. As a result the cash balance at June 30, 2007 was understated by the same amount.

Recommendation

We recommend the City consider using the accounts payable module that is a component of the accounting software package currently used by the City. By using this module, a vendor's invoice is recorded in an open invoice journal upon receipt and approval. At any given point in time, a listing of open/unpaid invoices can be produced from the system. This listing should match all items in the open invoice file at all times. This process would make available on an automatic basis a daily list of unpaid invoices. By using this module, there would be no need for the City to back post checks in order to record expenses in the period they are incurred. This process would also provide stronger internal control over cash disbursements and accounts payable and the resulting amounts reflected in the financial statements for cash and accounts payable.

Management's Response

As mentioned in the previous response, the City is already using the accrual accounts payable module in Local Government Purchasing software. All reports mentioned were actually printed and available with the year-end reports provided to the audit staff, including the AP Balancing Report which detailed invoices paid in July which were automatically accrued into the prior year by the system. There were six checks cut which were mishandled by staff during the year-end process that caused them not to appear in these reports. Any invoices which are to be paid against a system generated purchase order from the previous fiscal year must be entered after the close of the purchase order file in the software.

HONORABLE MAYOR AND BOARD OF ALDERMEN

White House, Tennessee

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This was the first year-end process for all three staff members involved in the close process, and they mistakenly cut these checks before the close of the purchase order file. The system forced them to use back posted dates in order to cut these six checks. This has been discussed with all involved staff, and they are now clear on the process. Additional documentation and reminders have been put in place for future year-end closings to ensure that these items do not get processed out of order.

07-04 Balancing Due To and Due From Accounts

During the audit we noted due-to and due-from account balances between funds were out of balance at June 30, 2007. To adjust these account balances to actual June 30, 2007 amounts, the due-from accounts were debited in the amount of \$80,895, the due-to accounts were credited in the amount of \$17,352 and several revenue accounts were credited in the amount of \$63,543. This adjustment was a result of certain transactions between the individual funds being recorded as one entry across funds, causing the due-from account balances not to equal the due-to account balances at June 30, 2007. This error also resulted in the individual funds trial balances, affected by the audit adjustment, to be out of balance at June 30, 2007.

Recommendation

We recommend the City establish accounting policies to ensure the dual-entry system of accounting is used to account for all transactions between the individual funds (balancing entries are made on each fund). We also recommend the City reconcile the due-to and due-from account balances on monthly basis prior to the preparation and issuance of any financial statements.

Management's Response

The City already employs both the practices of a dual entry system of accounting of all transactions between the individual funds, as well as a monthly reconciliation of the due-to and due-from account balances. The due-to and due-from funds were in balance for the entirety of the year with the exception of some audit entries that forced an out of balance situation, and entries in June that caused an out of balance situation. The June entries being out of balance were a result of the Finance Director being on leave at the time of year-end closing and the Accounting Specialist not being employed long enough to gain an understanding of this process. The Accounting Specialist has now gained enough knowledge of this process to manage the balancing in the absence of the Finance Director, and this should not be a recurring issue.

07-05 Net Assets

During the audit we noted the beginning net assets account balances did not equal last year's ending balances. The error was due to several transactions related to the current year activities were recorded in the net assets accounts instead of being recorded as current year revenues or expenses. As a result, the beginning net assets account balances were understated in the amount of \$192,089. Under generally accepted accounting principles, the only entries to net assets should be corrections of prior year errors. Current year revenues and expenses should not be recorded to net asset accounts until the year-end closing of revenue and expense account balances is performed.

HONORABLE MAYOR AND BOARD OF ALDERMEN

White House, Tennessee

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Recommendation

We recommend the City establish accounting policies to ensure the net assets account balances are not adjusted for current year transactions unless a significant adjustment is required to correct a prior period misstatement.

Management's Response

Management has reviewed all activity that flowed through the 27100 Fund Balance account, and there were only two manual entries related to current year expenses and revenue. They were both for transactions involving items purchased from a reserved fund balance for a court sanctioned camera fund. The audit adjustments from the previous year incorrectly closed out this reserved fund balance, and the entries in question were discussed with and recommended by audit staff before they were made. The other transactions that flowed through the fund balance account were all related to prior year activity and either resulted from prior year checks voided in the system, audit entries affecting income statement accounts, or were system generated from the close of prior year purchasing activity. Additionally there were several system generated entries from the Purchasing software to accounts 27610 Reserve for Encumbrances Prior Year, and account 27611 Prior Year Encumbrance Control that resulted from system generated purchase orders and payments relating to those purchase orders that crossed the fiscal year. We have consulted with Local Government, and they have ensured us that these entries were correct and are necessary in order to balance the purchasing software with the general ledger software as a part of the year-end close. The particular item questioned involving the purchase of a vehicle fell between the time the year closed and accrual accounting was activated in the software. Since the accrual feature is now in place, this should not be a recurring issue. However the system will continue to create balancing entries between the 27610 and 27611 accounts as a part of the year-end purchasing and general ledger close as long as we generate system purchase orders. As a result of this finding we will no longer charge fund balance for prior year checks when they are voided; we will run this activity through the miscellaneous revenue account as directed by correcting audit entries. In addition we will work closely with the audit staff again this year when booking correcting entries to ensure that only the appropriate adjustments hit the fund balance.

07-06 Maintaining Continuing Capital Asset Records

During the audit we discovered several capital asset additions and retirements recorded in the accounts and also reflected in minutes of the meetings of the Board of Aldermen that were not included in the schedule of capital asset additions and retirements prepared by the City for inclusion in the depreciation calculations. As a result, certain capital asset additions and retirements were not reflected in the City's depreciation schedule and also not reflected in the government-wide statement of net assets.

Recommendation

Although, the City has outsourced the calculation of annual depreciation expense, the City should reconcile the schedule of capital asset additions and retirements to the postings in the general ledger accounts and to minutes of Board of Aldermen meetings. Also, the City should perform an inventory of its capital assets and compare the inventory to the capital asset subsidiary records.

HONORABLE MAYOR AND BOARD OF ALDERMEN

White House, Tennessee

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Such a process would insure that all items included in the general ledger accounts are also reflected on the depreciation schedule and all items reflected on the depreciation schedule actually exist.

For the Wastewater Fund, which should be maintained on the accrual basis of accounting, the capital assets subsidiary ledger should be equal to the capital assets general ledger account balance. For the City's governmental funds, which should be maintained on the modified-accrual basis of accounting, the capital assets are not recorded in the governmental funds' general ledgers, but they are required to be presented in the governmental-wide financial statements. The total capital asset additions purchased with the City's governmental funds should equal the capital outlay general ledger account balances in those funds. Finally, capital assets donated to the City should be recorded at fair value in the capital asset subsidiary ledger. In order to prepare financial statements in accordance with generally accepted accounting principles, the City should establish procedures to ensure the completeness and accuracy of the capital asset subsidiary ledger records and the capital outlay accounts.

Management's Response

Management concurs that there is great room for improvement in the tracking of capital assets, and plans to pursue the purchase and implementation of fixed asset software to assist with these issues. Management has been aware of these issues, and had hoped to improve the situation with the outsourcing of the calculation of annual depreciation. However, this has further complicated the asset tracking process in place. Upon implementation of fixed asset software, a physical inventory by department will be necessary to begin with complete and accurate information. This software will assist with the timely recording of the assets for the Wastewater fund, and complete information for the preparation of statements for the City's governmental funds.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01 and 07-06 to be material weaknesses.

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*.

HONORABLE MAYOR AND BOARD OF ALDERMEN

White House, Tennessee

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Disposition of Prior Year Audit Findings

In the prior year report, we disclosed a reportable condition (item 06-01) related to reconciling wastewater accounts receivable general ledger balance to subsidiary records. We recommended the City obtain accounts receivable subsidiary ledger and a monthly listing of bad debts written off from the White House Utility District who performs the City's wastewater billings and collections. During the current year, this condition was resolved by the City's management.

In the prior year report, we disclosed a reportable condition (item 06-02) related to segregation of duties in the payroll function. We recommended the City to evaluate the payroll processes and segregate the payroll duties to other employees at the City to ensure a proper segregation of accounting duties. During the current year, this condition was resolved by the City's management.

In the prior year report, we disclosed a reportable condition (item 06-03) related to the accounting records of the Wastewater Fund and the City's governmental funds being maintained on the cash basis of accounting. We recommended the City maintain the accounting records of the Wastewater Fund on accrual basis and the City's governmental funds on the modified-accrual basis of accounting in order to properly prepare financial statements in accordance with generally accepted accounting principles. During the current year the same item is reported as a significant deficiency as reflected in current year finding 07-02 above.

In the prior year report, we disclosed a reportable condition (item 06-04) related to donated infrastructure assets or infrastructure assets acquired from annexations not being recorded. We recommended the City develop a system to obtain the detailed information about donated assets and assets acquired by annexation and record the donated/annexed assets on a timely basis. We also recommended the City document the donated/annexed assets in the monthly Board minutes. We also recommended the City 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. During the current year the same item is reported as significant deficiency as reflected in current year finding 07-01 above.

In the prior year report, we disclosed a reportable condition (item 06-05) related to prepaid assets related to insurance premiums not being recorded. We recommended the City calculate and adjust prepaid assets on a monthly basis prior to the preparation and issuance of financial statements. During the current year this condition was resolved by the City's management.

We also noted certain matters that we have reported to management of the City of White House, Tennessee, in a separate letter dated February 8, 2008.

City of White House, Tennessee's responses to the findings identified in our audit are described above. We did not audit City of White House, Tennessee's responses and, accordingly, we express no opinion on them.

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.

Worth & Green, PC