

CITY OF WHITE HOUSE, TENNESSEE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2010

CITY OF WHITE HOUSE, TENNESSEE

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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	Clif Hutson
Alderman	Jim Bracey
City Administrator	Angie Carrier
City Attorney	David Amonette
City Judge	Joseph Zanger
City Recorder	Amanda Priest
Chief of Fire Department	Joe Palmer
Chief of Police Department	Gerald Herman
Director of Finance	Charlotte Soporowski
Director of Library	Rebecca Whipple
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 Auditors' Report

To the Board of Mayor and Aldermen
City of 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 schedule for the General Fund of City of White House, Tennessee (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison schedule for the General 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 March 21, 2011, 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.

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

The management's discussion and analysis as listed in the table of contents 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.

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 other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and schedules of expenditures of federal awards and state financial assistance, 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 and other supplementary information 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.

Creselin & Associates, P.C.

March 21, 2011
Nashville, Tennessee

CITY OF WHITE HOUSE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2010. Please read it in conjunction with the City's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

The City's governmental activities total assets increased by \$3,060,000 in 2010 or 11.6%, while business-type activities total assets increased by \$269,000 or 1.5%, resulting in an increase in total primary government assets of \$3,329,000 or about 7.5%. Governmental activities total revenues for the City decreased by \$402,000 or 5.1%, while business-type total revenues increased by \$244,000 or 9.2%, resulting in a decrease in total primary government revenues of \$158,000, or 1.5%. The City's governmental activities total program costs for 2010 decreased \$399,000 or 6.5%, while business-type activities total program costs decreased by \$36,000 or 1.5%, resulting in a decrease in total primary government program costs of \$435,000 or 5.0%. With respect to the City's governmental activities, total revenues decreased by a greater amount than total program expenses decreased, resulting in an increase in the change in net assets of \$2,000 for 2010 compared to 2009. For the General Fund there was a net change in fund balance of \$1,293,000. The General Fund - fund balance at fiscal year-end was approximately \$3,541,000.

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 17. 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'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’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’s governmental activities were \$29,491,000 in 2010 versus \$26,431,000 in 2009, representing an increase of \$3,060,000 or 11.6%. Table 1 also shows that total assets of the City’s business-type activities were \$18,441,000 in 2010 versus \$18,172,000 in 2009, representing an increase of \$269,000 or 1.5%.

Table 1
Net Assets
(in Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 9,117	\$ 7,144	\$ 2,037	\$ 1,694	\$11,154	\$ 8,838
Capital assets	<u>20,374</u>	<u>19,287</u>	<u>16,404</u>	<u>16,478</u>	<u>36,778</u>	<u>35,765</u>
Total assets	<u>29,491</u>	<u>26,431</u>	<u>18,441</u>	<u>18,172</u>	<u>47,932</u>	<u>44,603</u>
Long-term liabilities	7,739	6,983	4,412	4,712	12,151	11,695
Other liabilities	<u>3,188</u>	<u>2,728</u>	<u>152</u>	<u>60</u>	<u>3,340</u>	<u>2,788</u>
Total liabilities	<u>10,927</u>	<u>9,711</u>	<u>4,564</u>	<u>4,772</u>	<u>15,491</u>	<u>14,483</u>
Net assets:						
Invested in capital assets, net of related debt	13,989	12,609	12,142	11,885	26,131	24,494
Restricted	2,170	1,369	-	-	2,170	1,369
Unrestricted	<u>2,405</u>	<u>2,742</u>	<u>1,735</u>	<u>1,515</u>	<u>4,140</u>	<u>4,257</u>
Total net assets	<u>\$18,564</u>	<u>\$16,720</u>	<u>\$13,877</u>	<u>\$13,400</u>	<u>\$32,441</u>	<u>\$30,120</u>

The significant elements and causes for the changes in the City’s governmental activities total assets in 2010 were: (1) Current and other assets increased by \$1,973,000. (2) Capital assets net, including infrastructure additions, increased by \$1,087,000. This amount included an increase in land and construction in progress, buildings and improvements, machinery and equipment, and infrastructure, for \$2,601,000 net of retirements of \$765,000 and depreciation expense of \$748,000. Major capital asset events affecting governmental activities during the current fiscal year included the following:

- Local Parks and Recreation Foundation Park Renovation Project was started for a total of \$1,351,000.
- American Recovery and Reinvestment Act Calista Road Project was started for a total of \$82,000.
- State Route 76 Sidewalk Project was started for a total of \$47,000.
- American Recovery and Reinvestment Act Fiber Optic Project was started for a total of \$25,000.

The significant aspects of the increase in the City's business-type activities total assets in 2010 was an increase in current and other assets of \$343,000 and a decrease in capital assets of \$74,000. The net increase is the result of an increase in construction in progress of \$434,000, an increase in utility plant in service and machinery and equipment of \$172,000, and depreciation expense of \$680,000. Major capital asset events affecting business-type activities during the current fiscal year included the following:

- ARRA Copes Crossing Project started at a cost of \$434,000.
- Implementation of the Supervisory Command and Data Acquisition (SCADA) system for the wastewater collection system at a cost of \$34,000.

As shown in Table 1, total liabilities of the City's governmental activities increased by \$1,216,000 or 12.5% to \$10,927,000 in 2010 from \$9,711,000 in 2009. Table 1 also shows total liabilities of the City's business-type activities decreased by \$208,000 or 4.4% to \$4,564,000 in 2010 from \$4,772,000 in 2009.

The significant elements and causes for the changes in the City's governmental activities total liabilities in 2010 were: (1) Other liabilities increased by \$460,000, and (2) long-term liabilities increased by \$756,000. This was comprised of an increase in accruals for compensated absences of \$15,000, a decrease due to long-term debt and capital lease principal payments of \$1,541,000, and an additional debt issuance of \$2,281,000, with \$1,243,000 used for the non-grant portion of the park renovation project, and \$1,038,000 related to refunding existing debt.

The most significant aspect of the decrease in the City's business-type activities total liabilities in 2010 was the decrease in long-term debt primarily due to long-term debt and capital lease principal payments.

Therefore, total net assets of the City's governmental activities increased to \$18,564,000 in 2010 from \$16,720,000 in 2009 representing an increase of \$1,844,000 or 11.0%, and total net assets of the City's business-type activities increased to \$13,877,000 from \$13,400,000, representing an increase of \$477,000 or 3.6%.

The significant elements and causes for the increase in the City's governmental activities net assets are: (1) Net assets invested in capital assets, net of related debt, decreased by \$687,000; and (2) Restricted net assets decreased by \$233,000 and unrestricted net assets increased by \$2,764,000. The increase in the City's business-type activities net assets of \$477,000 was due to an increase in net assets invested in capital assets, net of related debt of \$257,000, along with an increase of \$220,000 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. Total revenues for the City's governmental activities decreased to \$7,576,000 in 2010 from \$7,978,000 in 2009, representing a decrease of \$402,000 or 5.0%. Total revenues for the City's business-type activities increased to \$2,899,000 in 2010 from \$2,655,000 in 2009, representing an increase of \$244,000 or approximately 9.2%.

Table 2
Changes in Net Assets
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 559	\$ 602	\$ 2,860	\$ 2,644	\$ 3,419	\$ 3,246
Grants and contributions:						
For operations	233	347	-	-	233	347
For capital projects	1,984	912	-	-	1,984	912
General revenues:						
Property taxes	2,340	2,486	-	-	2,340	2,486
Park sales tax	81	87	-	-	81	87
Impact fees	76	77	-	-	76	77
Intergovernmental revenues	2,918	3,392	-	-	2,918	3,392
Other revenues	(,615)	75	39	11	(576)	86
Total revenues	<u>7,576</u>	<u>7,978</u>	<u>2,899</u>	<u>2,655</u>	<u>10,475</u>	<u>10,633</u>
Program expenses:						
General government	1,405	1,401	-	-	1,405	1,401
City court	67	64	-	-	67	64
Public safety	2,470	2,625	-	-	2,470	2,625
Streets	310	376	-	-	310	376
Cemetery and maintenance	13	17	-	-	13	17
Library and museum	193	211	-	-	193	211
Parks and recreation	568	758	-	-	568	758
Planning and zoning	332	327	-	-	332	327
Senior citizens activities	86	65	-	-	86	65
City garage	11	39	-	-	11	39
Miscellaneous	50	39	-	-	50	39
Interest on long-term debt	314	296	-	-	314	296
Wastewater department	-	-	1,912	1,997	1,912	1,997
Sanitation department	-	-	595	546	595	546
Total expenses	<u>5,819</u>	<u>6,218</u>	<u>2,507</u>	<u>2,543</u>	<u>8,326</u>	<u>8,761</u>

Table 2
Changes in Net Assets - Continued
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Excess before contributions and transfers	1,757	1,760	392	112	2,149	1,872
Contributions	-	-	172	-	172	-
Transfers	<u>87</u>	<u>82</u>	<u>(87)</u>	<u>(82)</u>	<u>-</u>	<u>-</u>
Net change in net assets	1,844	1,842	477	30	2,321	1,872
NET ASSETS, June 30, 2009	<u>16,720</u>	<u>14,878</u>	<u>13,400</u>	<u>13,370</u>	<u>30,120</u>	<u>28,248</u>
NET ASSETS, June 30, 2010	<u>\$ 18,564</u>	<u>\$16,720</u>	<u>\$ 13,877</u>	<u>\$ 13,400</u>	<u>\$ 32,441</u>	<u>\$30,120</u>

The decrease in total revenues of the City's governmental activities for 2010 as compared to 2009 was primarily due to: (1) Other revenues decreased by \$690,000 due to loss on disposal of capital assets (de-annexation) (2) Intergovernmental revenues decreased by \$474,000, (3) Property Tax revenue decreased by \$146,000, and (4) Grants and contributions for operations decreased by \$114,000. These were offset by an increase of \$1,072,000 in grants and contributions for capital projects.

The increase in total revenues of the City's business-type activities was primarily due to an increase in charges for services.

Table 2 shows that total program expenses for the City's governmental activities decreased to \$5,819,000 in 2010 from \$6,218,000 in 2009, representing a decrease of \$399,000 or 6.4%. Total program expenses for the City's business-type activities decreased to \$2,507,000 in 2010 from \$2,543,000 in 2009, representing a decrease of \$36,000 or 1.4%.

The decrease in total program expenses for the City's governmental activities was primarily due to: (1) Public safety expenses decreased by \$155,000, primarily due to decreases in salaries and benefits as a result of frozen positions, (2) Parks and Recreation expenses also decreased by \$190,000 primarily due to decreases in salary and benefits as a result of not filling part-time positions, (3) Streets expenses decreased by \$66,000 primarily due to a decrease in salaries and benefits as a result of a frozen position, and (4) City Garage expenses decreased by \$28,000 primarily due to decreases in salary and benefits resulting from a frozen position.

The decrease in total program expenses for the City's business-type activities was primarily due to a decrease in other operating expenses in the Wastewater Department of \$85,000.

The increase in the net assets of the City's governmental activities in 2010 was \$1,844,000 as compared to an increase in net assets in 2009 of \$1,842,000. This \$2,000 increase is due to a decrease in program revenues over expenses of \$3,000 and an increase of \$5,000 in transfers from the Wastewater Department.

BUDGETARY HIGHLIGHTS

Governmental Activities

The City's fiscal operating year is the 12-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.

Table 3 illustrates the significant components of the City's budget for the General Fund for the year ended June 30, 2010. The original budget revenue estimates total \$7,798,000, not including revenue from other financing sources of \$1,393,000 for a total of \$9,191,000. Final budget revenues for the period amounted to \$7,834,000 and revenue from other financing sources of \$1,393,000 for a total of \$9,227,000. Final actual (budgetary basis) revenues for the period amounted to \$6,396,000, not including revenue from other financing sources of \$1,371,000 for a total of \$7,767,000. The two primary reasons for the difference of actual to budget performance were that intergovernmental revenues were significantly less than anticipated in the area of sales tax, and grant revenues not being received prior to year-end related to certain projects and therefore rolling into the following fiscal year. The City's original budgeted expenditures for the 2010 year-end were estimated to be \$9,260,000. Final budget expenditures for the period amounted to \$9,353,000. Final actual (budgetary basis) expenditures for the period amounted to \$5,945,000. The actual to budget variance of General Government and Streets expenses were the two major contributors of this positive performance to budget because of frozen positions and departments continued efforts to curb spending as a result of the continued recession and the known decreases in revenue. Therefore, the City realized an actual (budgetary basis) net increase in fund balance in the amount of \$1,938,000. 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's actual General Fund - fund balance on a cash budgetary basis was \$3,506,000.

Table 3
General Fund Budget Comparison
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary) Basis</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues				
Taxes	\$ 1,520	\$ 1,520	\$1,651	\$ 131
Intergovernmental revenues	5,665	5,670	4,133	(1,537)
Other revenues	<u>613</u>	<u>644</u>	<u>612</u>	<u>(32)</u>
Total revenues	<u>7,798</u>	<u>7,834</u>	<u>6,396</u>	<u>(1,438)</u>
Expenditures				
General government	3,544	3,036	783	(2,253)
Public safety	2,565	2,615	2,400	(215)
Streets	258	772	311	(461)
Parks and recreation	2,229	2,229	1,808	(421)
Planning and zoning	326	326	293	(33)
Other activity expenditures	<u>338</u>	<u>375</u>	<u>350</u>	<u>(25)</u>
Total expenditures	<u>9,260</u>	<u>9,353</u>	<u>5,945</u>	<u>(3,408)</u>
Revenues over (under) expenditures	(1,462)	(1,519)	451	1,970
Other financing sources	1,393	1,393	1,371	(22)
Net payments to other funds	<u>-</u>	<u>-</u>	<u>116</u>	<u>116</u>
Net change in fund balance	(69)	(126)	1,938	2,064
Fund balances, June 30, 2009	<u>1,568</u>	<u>1,568</u>	<u>1,568</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 1,499</u>	<u>\$ 1,442</u>	<u>\$3,506</u>	<u>\$ 2,064</u>

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

Business-type Activities

The Wastewater and Sanitation Departments adopt 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 General Fund governmental and business-type activities in five major categories: land and construction in progress; buildings and improvements; machinery and equipment; utility plant in service; and infrastructure. Also noted are the amounts of accumulated depreciation applicable to these capital assets.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land and construction in progress	\$ 9,735	\$ 8,340	\$ 1,226	\$ 793	\$ 10,961	\$ 9,133
Buildings and improvements	8,654	8,631	-	-	8,654	8,631
Machinery and equipment	3,378	3,451	2,146	2,067	5,524	5,518
Utility plant in service	-	-	20,708	20,672	20,708	20,672
Infrastructure	<u>4,432</u>	<u>3,957</u>	<u>-</u>	<u>-</u>	<u>4,432</u>	<u>3,957</u>
Total capital assets	26,199	24,379	24,080	23,532	50,279	47,911
Accumulated depreciation	<u>(5,825)</u>	<u>(5,092)</u>	<u>(7,676)</u>	<u>(7,054)</u>	<u>(13,501)</u>	<u>(12,146)</u>
Net capital assets	<u>\$ 20,374</u>	<u>\$ 19,287</u>	<u>\$ 16,404</u>	<u>\$ 16,478</u>	<u>\$ 36,778</u>	<u>\$ 35,765</u>

Governmental Activities

In June 2009, the City's governmental activities had \$19,287,000 (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 2010 capital assets, were \$20,374,000 (net of accumulated depreciation), representing an increase of \$1,087,000 or 5.6%. The net increase in capital assets was comprised of two significant components: Land and construction in progress increase of \$1,395,000; and Infrastructure increase of \$475,000. Capital asset additions in 2010 consisted primarily of the beginning construction of the park renovation project, as well as infrastructure improvements and street acceptances.

Business-type Activities

In June 2009, the City's business-type activities, consisting of the Wastewater and Sanitation Departments, had \$16,478,000 (net of accumulated depreciation) invested in land, machinery and equipment which is largest component of the Sanitation Department's capital assets, and utility plant in service which is by far the most significant component of the Wastewater Department's capital assets. In June 2010 capital assets were \$16,404,000 (net of accumulated depreciation), representing a decrease of \$74,000 or 0.4% from 2009. The net decrease in capital assets included an increase in accumulated depreciation of \$622,000, net of the following: an increase in land and construction in progress of \$433,000; an increase in machinery and equipment of \$79,000; and an increase in utility plant in service of \$36,000.

DEBT ADMINISTRATION

Table 5 provides a comparative view of the various types of long-term debt utilized by the City’s governmental and business-type activities in 2010 and 2009.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Bonds payable	\$7,274	\$5,890	\$ 1,471	\$ 1,730	\$ 8,745	\$ 7,620
Capital outlay notes	120	757	-	169	120	926
Loan payable	24	31	2,902	2,790	2,926	2,821
Capital leases	-	-	-	14	-	14
Total notes and bonds	<u>7,418</u>	<u>6,678</u>	<u>4,373</u>	<u>4,703</u>	<u>11,791</u>	<u>11,381</u>
Compensated absences	321	305	55	47	376	352
Premium on bonds	-	-	19	26	19	26
Loss on defeasance	-	-	(35)	(64)	(35)	(64)
Total long-term liabilities	<u>\$7,739</u>	<u>\$6,983</u>	<u>\$ 4,412</u>	<u>\$ 4,712</u>	<u>\$ 12,151</u>	<u>\$ 11,695</u>

Governmental Activities

At the end of the current fiscal year the City’s governmental activities had outstanding long-term debt of \$7,739,000 including accrued compensated absences. The prior year total of long-term liabilities amounted to \$6,983,000; consequently long-term liabilities increased during the year by \$756,000 or 10.8%. This increase is due mainly to additional borrowings in 2010 to finance the construction of the park renovations.

The accrual for compensated absences increased by \$16,000 in 2010. 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’s business-type activities had outstanding long-term debt of \$4,412,000 related primarily to the Wastewater Department, with \$381,000 being related to the Sanitation Department. The prior year total of long-term liabilities amounted to \$4,712,000; consequently long-term liabilities decreased during the year by \$300,000 or 6.4%.

The Wastewater Department has outstanding Notes Payable to the State of Tennessee, Revolving Loan Fund due in monthly installments through 2029. Also outstanding is a portion of the General Obligation Refunding Bond, Series, 2008 due annually through 2017. Remaining is a Sewer Revenue and Tax Refunding Bond, Series 2002, due annually through 2012 and a portion of the General Obligation Bond, Series 2009 due annually through 2013. 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 and Sanitation systems. 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. The amount due during the year ending June 30, 2011 on these obligations totals \$596,000.

ECONOMIC FACTORS AND NEXT YEAR'S 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 City facing a decrease in revenues we need to be alert to the public benefit versus the costs and types of 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. We also need to keep in mind that we do not allow our level of core services and values diminish.

The City has and is trying to prepare for growth in the near future. 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 has paused; and new business development in job and retail growth is increasing reasonably with the efforts of recruitment and marketing. The City continues to face many challenges in maintaining a necessary level of infrastructure. To assist with the general fund capital needs, the City developed a policy, due to the progress of our existing fund balance, to give assistance from year to year in purchasing and investing in infrastructure needs so not to heavily depend on operating revenues. As it relates to the Wastewater Department, an important goal is to incorporate the City's Master Plan priorities and update those priorities as accomplishments are made 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.

There was a slight decrease in the budget revenues for the City 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 will be facing substantial challenges in creating a sustainable job market for its citizenry. The Board of Mayor and Alderman along with City staff will continue to create and improve a friendly environment for noteworthy business development by exposing staff to training opportunities and offering incentives.

REQUESTS FOR INFORMATION

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, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,640,056	\$ 1,124,797	\$ 3,764,853
Receivables, net	3,870,034	385,553	4,255,587
Unbilled receivables	-	340,966	340,966
Note receivable	61,560	-	61,560
Internal balances	34,404	(34,404)	-
Inventories	-	93,977	93,977
Other current assets	160,339	112,531	272,870
Restricted cash and cash equivalents	2,139,031	-	2,139,031
Capital assets:			
Land and construction in progress	9,734,640	1,226,317	10,960,957
Other capital assets, net	10,639,477	15,177,415	25,816,892
Unamortized debt issuance costs	211,121	13,764	224,885
Total assets	<u>29,490,662</u>	<u>18,440,916</u>	<u>47,931,578</u>
LIABILITIES			
Accounts payable	542,415	106,460	648,875
Retainage payable	63,976	-	63,976
Accrued liabilities	132,219	32,760	164,979
Accrued interest	27,592	12,967	40,559
Deferred revenues	2,370,000	-	2,370,000
Performance bonds payable	51,450	-	51,450
Noncurrent liabilities:			
Due within one year	846,027	613,501	1,459,528
Due in more than one year	6,892,836	3,798,443	10,691,279
Total liabilities	<u>10,926,515</u>	<u>4,564,131</u>	<u>15,490,646</u>
NET ASSETS			
Invested in capital assets, net of related debt	13,989,563	12,141,769	26,131,332
Restricted for:			
Capital projects	506,304	-	506,304
Parks and recreation	1,467,500	-	1,467,500
Street maintenance and improvements	21,744	-	21,744
Industrial development and tourism	62,187	-	62,187
Public safety	30,994	-	30,994
Cemetery	80,827	-	80,827
Unrestricted	2,405,028	1,735,016	4,140,044
Total net assets	<u>\$ 18,564,147</u>	<u>\$ 13,876,785</u>	<u>\$ 32,440,932</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 1,405,181	\$ 224,564	\$ 162,759	\$ -	\$ (1,017,858)
City court	66,835	158,727	-	-	91,892
Public safety	2,469,823	16,738	18,850	191,855	(2,242,380)
Streets	310,368	-	7,045	1,367,523	1,064,200
Cemetery and maintenance	12,419	29,900	-	-	17,481
Library and museum	192,517	-	36,000	-	(156,517)
Parks and recreation	568,439	90,484	-	425,000	(52,955)
Planning and zoning	331,677	38,584	-	-	(293,093)
Senior citizen activities	85,750	-	8,500	-	(77,250)
City garage	11,223	-	-	-	(11,223)
Miscellaneous	50,314	-	-	-	(50,314)
Interest on long-term debt	314,052	-	-	-	(314,052)
	<u>5,818,598</u>	<u>558,997</u>	<u>233,154</u>	<u>1,984,378</u>	<u>(3,042,069)</u>
BUSINESS-TYPE ACTIVITIES:					
Wastewater Department	1,912,017	2,192,059	-	172,223	452,265
Sanitation Department	595,376	667,935	-	-	72,559
	<u>2,507,393</u>	<u>2,859,994</u>	<u>-</u>	<u>172,223</u>	<u>524,824</u>
TOTAL GOVERNMENT	<u>\$ 8,325,991</u>	<u>\$ 3,418,991</u>	<u>\$ 233,154</u>	<u>\$ 2,156,601</u>	<u>\$ (2,517,245)</u>
			Governmental Activities	Business-Type Activities	Total
NET (EXPENSE) / REVENUE			<u>\$ (3,042,069)</u>	<u>\$ 524,824</u>	<u>\$ (2,517,245)</u>
GENERAL REVENUES:					
Property taxes			2,340,188	-	2,340,188
Park sales tax			80,833	-	80,833
Impact fees			75,865	-	75,865
Intergovernmental revenues			2,917,571	-	2,917,571
Interest and investment earnings			56,474	5,515	61,989
Other revenue			77,261	33,275	110,536
Loss on disposition of capital assets			(748,482)	-	(748,482)
Total general revenues			<u>4,799,710</u>	<u>38,790</u>	<u>4,838,500</u>
NET TRANSFERS			<u>86,937</u>	<u>(86,937)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS			<u>4,886,647</u>	<u>(48,147)</u>	<u>4,838,500</u>
CHANGE IN NET ASSETS			<u>1,844,578</u>	<u>476,677</u>	<u>2,321,255</u>
NET ASSETS, June 30, 2009			<u>16,719,569</u>	<u>13,400,108</u>	<u>30,119,677</u>
NET ASSETS, June 30, 2010			<u>\$ 18,564,147</u>	<u>\$ 13,876,785</u>	<u>\$ 32,440,932</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,013,251	\$ 325,132	\$ 61,229	\$ 2,399,612
Receivables, net	3,498,717	305,575	65,742	3,870,034
Due from other funds	110,007	20,240	61,305	191,552
Other current assets	160,339	-	-	160,339
Restricted cash and cash equivalents	<u>1,033,553</u>	<u>-</u>	<u>1,105,478</u>	<u>2,139,031</u>
Total assets	<u>\$ 6,815,867</u>	<u>\$ 650,947</u>	<u>\$ 1,293,754</u>	<u>\$ 8,760,568</u>
LIABILITIES				
Accounts payable	\$ 537,527	\$ -	\$ 4,888	\$ 542,415
Retainage payable	63,976	-	-	63,976
Accrued liabilities	86,283	-	6,350	92,633
Due to other funds	81,500	-	75,648	157,148
Deferred revenues	2,454,458	302,773	-	2,757,231
Performance bonds payable	<u>51,450</u>	<u>-</u>	<u>-</u>	<u>51,450</u>
Total liabilities	<u>3,275,194</u>	<u>302,773</u>	<u>86,886</u>	<u>3,664,853</u>
FUND BALANCES				
Reserved for:				
Cemetery	-	-	80,827	80,827
Public safety	-	-	32,963	32,963
Capital projects	-	-	506,304	506,304
Industrial development and tourism	-	-	62,187	62,187
Street maintenance and improvements	-	-	21,744	21,744
Parks and recreation	1,033,553	-	448,908	1,482,461
Unreserved:				
General fund	2,507,120	-	-	2,507,120
Special revenue funds	-	-	53,935	53,935
Debt service fund	<u>-</u>	<u>348,174</u>	<u>-</u>	<u>348,174</u>
Total fund balances	<u>3,540,673</u>	<u>348,174</u>	<u>1,206,868</u>	<u>5,095,715</u>
Total liabilities and fund balances	<u>\$ 6,815,867</u>	<u>\$ 650,947</u>	<u>\$ 1,293,754</u>	<u>\$ 8,760,568</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2010

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

Total governmental fund balances above	\$ 5,095,715
Capital assets not reported above	20,374,117
Unamortized debt issuance costs not reported above	211,121
Deferred revenues, from property and intergovernmental taxes reported above, reported as revenues in the government-wide statement of net assets	387,231
Note receivable not reported above	61,560
Long-term liabilities not reported above	(7,738,863)
Accrued interest not reported above	(27,592)
Internal service fund for charging the costs of certain activities to other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	<u>200,858</u>
Net assets of governmental activities in the statement of net assets	<u>\$ 18,564,147</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,641,331	\$ 689,116	\$ 80,833	\$ 2,411,280
Intergovernmental revenues	4,121,209	-	310,394	4,431,603
Charges for services	90,484	-	29,900	120,384
Licenses and permits	263,148	-	75,865	339,013
Fines and forfeitures	158,727	-	16,738	175,465
Contributions	-	-	20,520	20,520
Interest revenue	6,920	44,074	5,480	56,474
Miscellaneous	93,739	-	500	94,239
Total revenues	<u>6,375,558</u>	<u>733,190</u>	<u>540,230</u>	<u>7,648,978</u>
EXPENDITURES				
Current operations:				
General government	1,291,964	-	-	1,291,964
City court	70,830	-	-	70,830
Public safety	2,400,430	-	10,931	2,411,361
Streets	311,294	-	115,968	427,262
Cemetery and maintenance	-	-	12,681	12,681
Library and museum	178,193	-	-	178,193
Parks and recreation	1,807,950	-	1,214	1,809,164
Planning and zoning	293,118	-	-	293,118
Senior citizen activities	88,307	-	-	88,307
City garage	11,223	-	-	11,223
Miscellaneous	-	1,677	48,637	50,314
Capital outlay	-	-	265,498	265,498
Debt service				
Principal	-	390,989	207,600	598,589
Interest	-	191,121	100,464	291,585
Bond issuance costs	-	62,037	-	62,037
Total expenditures	<u>6,453,309</u>	<u>645,824</u>	<u>762,993</u>	<u>7,862,126</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>(77,751)</u>	<u>87,366</u>	<u>(222,763)</u>	<u>(213,148)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	1,283,853	997,397	-	2,281,250
Premium on refunding bonds	-	17,509	-	17,509
Payment to refunded bond escrow agent	-	(942,250)	-	(942,250)
Transfers	86,937	-	-	86,937
	<u>1,370,790</u>	<u>72,656</u>	<u>-</u>	<u>1,443,446</u>
NET CHANGE IN FUND BALANCES	1,293,039	160,022	(222,763)	1,230,298
FUND BALANCES, June 30, 2009	<u>2,247,634</u>	<u>188,152</u>	<u>1,429,631</u>	<u>3,865,417</u>
FUND BALANCES, June 30, 2010	<u>\$ 3,540,673</u>	<u>\$ 348,174</u>	<u>\$ 1,206,868</u>	<u>\$ 5,095,715</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, 2010

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	\$ 1,230,298
Payments on notes receivable recorded as revenue in the governmental funds statements but recorded as reduction of receivable in the government-wide statements	(20,520)
Property contributions not recorded in the governmental funds statements but recognized as revenue in the government-wide statements.	790,437
Change in deferred revenues for property taxes, including allowance for doubtful accounts, in the governmental funds not recognized in the government-wide statements.	9,741
Issuance of bonds recorded as revenue in the governmental fund statements, but reflected as long-term debt in the government-wide statements.	(2,281,250)
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.	(16,978)
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Capital outlays	1,810,234
Payments on long-term debt	1,540,839
Premium on refunding bonds	(17,509)
Bond issuance costs	62,037
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(748,183)
Amortization of debt issuance costs	(33,027)
Decrease in accrued interest	10,560
Increase in compensated absences	(15,452)
Loss on disposal of capital assets	(748,482)
Internal service fund used to charge the costs of certain activities to other funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>271,833</u>
Change in net assets of governmental activities	<u>\$ 1,844,578</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			Governmental
	Wastewater	Solid Waste	Total	Activity -
	Department	Fund		Internal Service
				Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 759,772	\$ 365,025	\$ 1,124,797	\$ 240,444
Receivables, net	365,168	20,385	385,553	-
Unbilled receivables	284,881	56,085	340,966	-
Due from other funds	-	109,657	109,657	-
Inventories	93,977	-	93,977	-
Other current assets	97,955	14,576	112,531	-
Total current assets	<u>1,601,753</u>	<u>565,728</u>	<u>2,167,481</u>	<u>240,444</u>
UNAMORTIZED DEBT ISSUANCE COSTS	10,185	3,579	13,764	-
CAPITAL ASSETS, NET	<u>16,104,262</u>	<u>299,470</u>	<u>16,403,732</u>	<u>-</u>
Total assets	<u>17,716,200</u>	<u>868,777</u>	<u>18,584,977</u>	<u>240,444</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	92,545	13,915	106,460	-
Accrued liabilities	28,251	4,509	32,760	39,586
Accrued interest	11,929	1,038	12,967	-
Due to other funds	138,856	5,205	144,061	-
Current maturities of long-term debt and capital leases	514,186	99,315	613,501	-
Total current liabilities	<u>785,767</u>	<u>123,982</u>	<u>909,749</u>	<u>39,586</u>
LONG-TERM DEBT, less current maturities	<u>3,484,095</u>	<u>314,348</u>	<u>3,798,443</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	12,141,769	-	12,141,769	-
Unrestricted	<u>1,304,569</u>	<u>430,447</u>	<u>1,735,016</u>	<u>200,858</u>
Total net assets	<u>\$ 13,446,338</u>	<u>\$ 430,447</u>	<u>\$ 13,876,785</u>	<u>\$ 200,858</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activity - Internal Service Fund
	<u>Wastewater Department</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
OPERATING REVENUES				
Charges for services	\$ 2,192,059	\$ 667,935	\$ 2,859,994	\$ 1,014,119
Other operating revenues	<u>27,842</u>	<u>5,433</u>	<u>33,275</u>	<u>-</u>
	<u>2,219,901</u>	<u>673,368</u>	<u>2,893,269</u>	<u>1,014,119</u>
OPERATING EXPENSES				
Salaries and payroll taxes	370,434	205,216	575,650	-
Employee benefits	134,855	62,084	196,939	-
Supplies	176,078	65,789	241,867	-
Utilities	143,491	225	143,716	-
Other operating expenses	326,136	150,716	476,852	196,786
Claims	-	-	-	545,893
Depreciation and amortization	<u>586,796</u>	<u>97,923</u>	<u>684,719</u>	<u>-</u>
	<u>1,737,790</u>	<u>581,953</u>	<u>2,319,743</u>	<u>742,679</u>
OPERATING INCOME	<u>482,111</u>	<u>91,415</u>	<u>573,526</u>	<u>271,440</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	4,029	1,486	5,515	393
Interest expense	<u>(174,227)</u>	<u>(13,423)</u>	<u>(187,650)</u>	<u>-</u>
	<u>(170,198)</u>	<u>(11,937)</u>	<u>(182,135)</u>	<u>393</u>
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS AND TRANSFERS	311,913	79,478	391,391	271,833
CAPITAL GRANTS AND CONTRIBUTIONS TRANSFERS OUT	172,223	-	172,223	-
	<u>(86,937)</u>	<u>-</u>	<u>(86,937)</u>	<u>-</u>
CHANGE IN NET ASSETS	397,199	79,478	476,677	271,833
NET ASSETS, June 30, 2009	<u>13,049,139</u>	<u>350,969</u>	<u>13,400,108</u>	<u>(70,975)</u>
NET ASSETS, June 30, 2010	<u>\$ 13,446,338</u>	<u>\$ 430,447</u>	<u>\$ 13,876,785</u>	<u>\$ 200,858</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Wastewater Department</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Activity - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 2,193,248	\$ 665,214	\$ 2,858,462	\$ 1,014,119
Payments to suppliers	(654,942)	(214,216)	(869,158)	-
Payments to or on behalf of employees	(505,289)	(267,300)	(772,589)	-
Internal activity from (to) other funds	1,776	(81)	1,695	-
Claims paid	-	-	-	(637,958)
Premiums paid	-	-	-	(196,786)
Net cash provided by operating activities	<u>1,034,793</u>	<u>183,617</u>	<u>1,218,410</u>	<u>179,375</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	<u>(86,937)</u>	<u>-</u>	<u>(86,937)</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>(86,937)</u>	<u>-</u>	<u>(86,937)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of utility plant	(605,438)	-	(605,438)	-
Capital contributions	95,905	-	95,905	-
Payments on long-term debt	(490,379)	(53,816)	(544,195)	-
Interest paid	(154,092)	(15,468)	(169,560)	-
Payments on capital lease obligations	<u>(14,193)</u>	<u>-</u>	<u>(14,193)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,168,197)</u>	<u>(69,284)</u>	<u>(1,237,481)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>4,029</u>	<u>1,486</u>	<u>5,515</u>	<u>393</u>
Net cash provided by investing activities	<u>4,029</u>	<u>1,486</u>	<u>5,515</u>	<u>393</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(216,312)	115,819	(100,493)	179,768
CASH AND CASH EQUIVALENTS, June 30, 2009	<u>976,084</u>	<u>249,206</u>	<u>1,225,290</u>	<u>60,676</u>
CASH AND CASH EQUIVALENTS, June 30, 2010	<u>\$ 759,772</u>	<u>\$ 365,025</u>	<u>\$ 1,124,797</u>	<u>\$ 240,444</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Wastewater Department</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Activity - Internal Service Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 482,111	\$ 91,415	\$ 573,526	\$ 271,440
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	586,796	97,923	684,719	-
Changes in operating assets and liabilities				
Receivables, net	(23,696)	(7,134)	(30,830)	-
Unbilled receivables	(2,957)	(1,020)	(3,977)	-
Due from other funds	-	(30)	(30)	-
Inventories	(24,802)	-	(24,802)	-
Other current assets	(61,362)	(345)	(61,707)	-
Accounts payable	85,592	2,308	87,900	-
Accrued liabilities	(8,665)	551	(8,114)	(92,065)
Due to other funds	1,776	(51)	1,725	-
Total adjustments	<u>552,682</u>	<u>92,202</u>	<u>644,884</u>	<u>(92,065)</u>
Net cash provided by operating activities	<u>\$ 1,034,793</u>	<u>\$ 183,617</u>	<u>\$ 1,218,410</u>	<u>\$ 179,375</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 1,519,567	\$ 1,519,567	\$ 1,650,859	\$ (9,528)	\$ 1,641,331
Intergovernmental revenues	5,664,625	5,669,515	4,133,158	(11,949)	4,121,209
Charges for services	107,200	107,200	90,484	-	90,484
Licenses and permits	282,250	282,250	262,180	968	263,148
Fines and forfeitures	176,300	176,300	158,727	-	158,727
Interest revenue	10,500	10,500	6,920	-	6,920
Miscellaneous	36,800	68,338	93,739	-	93,739
Total revenues	<u>7,797,242</u>	<u>7,833,670</u>	<u>6,396,067</u>	<u>(20,509)</u>	<u>6,375,558</u>
EXPENDITURES					
Current operations:					
General government	3,543,579	3,036,179	783,395	508,569	1,291,964
City court	75,317	75,317	70,830	-	70,830
Public safety	2,564,540	2,615,101	2,400,430	-	2,400,430
Streets	258,425	772,425	311,294	-	311,294
Library and museum	182,798	182,798	178,193	-	178,193
Parks and recreation	2,228,548	2,228,548	1,807,950	-	1,807,950
Planning and zoning	326,303	326,303	293,118	-	293,118
Senior citizen activities	69,698	94,636	88,307	-	88,307
City garage	10,522	21,373	11,223	-	11,223
Total expenditures	<u>9,259,730</u>	<u>9,352,680</u>	<u>5,944,740</u>	<u>508,569</u>	<u>6,453,309</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,462,488)</u>	<u>(1,519,010)</u>	<u>451,327</u>	<u>(529,078)</u>	<u>(77,751)</u>
OTHER FINANCING SOURCES					
Bonds issued	1,243,289	1,243,289	1,283,853	-	1,283,853
Transfers in	150,000	150,000	86,937	-	86,937
	<u>1,393,289</u>	<u>1,393,289</u>	<u>1,370,790</u>	<u>-</u>	<u>1,370,790</u>
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>116,294</u>	<u>(116,294)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(69,199)	(125,721)	1,938,411	(645,372)	1,293,039
FUND BALANCES, June 30, 2009	<u>1,567,851</u>	<u>1,567,851</u>	<u>1,567,851</u>	<u>679,783</u>	<u>2,247,634</u>
FUND BALANCES, June 30, 2010	<u>\$ 1,498,652</u>	<u>\$ 1,442,130</u>	<u>\$ 3,506,262</u>	<u>\$ 34,411</u>	<u>\$ 3,540,673</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE - CONTINUED
 GENERAL FUND
 YEAR ENDED JUNE 30, 2010

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	\$ (9,528)
Change in intergovernmental receivables	(11,949)
Changes in other receivables	968
Changes in other assets and liabilities	(508,569)
Changes in due to and due from other funds	<u>(116,294)</u>
	<u>\$ (645,372)</u>

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the cash 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 notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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.

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 has no component units.

The City’s Board of Mayor and Aldermen is 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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, recreation and general administrative services are classified as governmental activities. Services provided by the City's Wastewater Department and Solid Waste Fund 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.

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. The special revenue funds of the City consist of the Parks Sales Tax Fund, Cemetery Fund, Drug Fund, Impact Fee Fund, Industrial Development Fund and State Street Aid Fund.

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

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets other than those financed by proprietary funds.

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 proprietary funds of the City consist of two enterprise funds and an internal service fund. The enterprise funds are 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 Wastewater Department Fund, which accounts for the operation of the City's wastewater service, and Solid Waste Fund, which accounts for solid waste collection services, represent the City's enterprise funds.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Internal service funds are used to report activities that provide services to other funds or departments of the City. The City's Health Care Fund is used to report self-funded medical and prescription drug insurance provided to employees of the City.

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 Debt Service Fund, and the City's major proprietary funds consist of the Wastewater Department Fund and Solid Waste Fund. The City's nonmajor governmental funds are the Cemetery Fund, Drug Fund, Impact Fee Fund, Industrial Development Fund, Parks Sales Tax Fund and State Street Aid Fund.

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.

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, 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.

In 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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 general operations totals \$2,507,120, cemetery maintenance totals \$53,935, and debt service totals \$348,174.

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 90 days or less from the date of acquisition.

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 (\$2,775,228), intergovernmental revenues (\$1,094,550), and other receivables. Major receivable balances for the business-type activities consist of billed charges to wastewater and sanitation customers and \$334,652 for federal and state grants. 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, 2010 totals \$15,000 for the business-type activities.

In the government-wide and governmental funds financial statements, property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. In the governmental funds financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Wastewater Department Fund and Solid Waste 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).

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.”

Inventories

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

Capital Assets

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 \$5,000 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 funds (Wastewater Department and Solid Waste) over \$5,000 are capitalized at the original cost of construction or acquisition, which includes the cost of contracted services, direct labor, materials and overhead items. Maintenance and repairs, including the renewal of minor items of plant, 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
 YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation is provided over the assets' estimated useful lives using the straight-line method. The cost of assets under capital leases are depreciated (amortized) over the lesser of the terms of the related leases or the estimated useful lives of the leased assets. Amortization of assets under capital leases is included in depreciation expense. The range of estimated useful lives by type of asset is as follows:

	<u>Depreciable Life</u>
Governmental activities:	
Buildings and improvements	5 - 40 years
Infrastructure assets	15 - 50 years
Machinery and equipment	3 - 20 years
Business-type activities:	
Machinery and equipment	3 - 15 years
Wastewater plant	5 - 50 years

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

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.

Net Assets

Net assets restricted by the Board of Mayor and Aldermen (by enabling legislation) amount to \$80,827 restricted for perpetual care of the cemetery.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Property Taxes

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

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

A revaluation of all property is required to be completed every six years for Sumner County, Tennessee and for Robertson County, Tennessee. The last revaluation was completed in 2009 for Sumner County and 2007 for Robertson County. The City's tax rate applicable to 2010 was \$.98 for Sumner County and \$1.01 for Robertson County on each \$100 of tax valuation.

Accounting Pronouncements

The City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, in fiscal 2010. This Statement establishes accounting and financial reporting requirements for intangible assets. The adoption of GASB Statement No. 51 did not have a material effect on the June 30, 2010 financial statements of the City.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City plans to adopt GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, required for fiscal periods beginning after June 15, 2010, in fiscal 2011. This Statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Management is in the process of determining the effects that the adoption of this Statement will have on the City's financial statements.

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Control

The City's fiscal operating year is the 12-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 resolution for the year is subsequently adopted. Any revisions or amendments require Board action. All annual appropriations not expended lapse at fiscal year-end. The budgetary appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the Board of Mayor and Aldermen. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level for the General Fund, the account level for the Drug Fund and the fund level for all other funds.

CITY OF WHITE HOUSE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Interfund Transactions

Interfund receivable and payable balances consist of the following:

	<u>Major Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Solid Waste Fund</u>	<u>Nonmajor Governmental Funds</u>	
Interfund Receivable	<u>\$110,007</u>	<u>\$20,240</u>	<u>\$109,657</u>	<u>\$61,305</u>	<u>\$301,209</u>
Interfund Payable:					
Major Funds:					
General Fund	\$ -	\$20,240	\$ -	\$61,260	\$ 81,500
Sewer Fund	29,154	-	109,657	45	138,856
Solid Waste Fund	5,205	-	-	-	5,205
Nonmajor Funds:					
Governmental Funds	<u>75,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,648</u>
	<u>\$110,007</u>	<u>\$20,240</u>	<u>\$109,657</u>	<u>\$61,305</u>	<u>\$301,209</u>

Interfund transactions were used to account for debt service expenditures, payroll expenditures, state street aid revenues and park sales tax revenues received by one fund, but not yet transferred to the correct fund, and other miscellaneous expenditures and revenues.

Operating transfers by individual funds of the City consist of the following:

<u>Purpose</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>
Payment in-lieu of taxes	General Fund	Wastewater Department	\$86,937

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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. 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 48 months, unless the state director of local finance approves an investment maturity in excess of 48 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, 2010, all deposits were insured or collateralized, as required by state statute. At June 30, 2010, the City's investments consist of \$1,033,553 of U.S. Treasury Bills maturing July 29, 2010 (cash equivalents) and 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. The City's amounts included in the Tennessee Local Government Investment Pool are reported at the fair value of its position in the Pool, which approximates the value of the Pool shares at amortized cost. The City's investment in the Tennessee Local Government Investment Pool totaled \$3,298,471 at June 30, 2010.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

D. CAPITAL ASSETS

Capital assets activity for governmental activities for the year was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 8,231,881	\$ 141,974	\$(260,200)	\$ 8,113,655
Construction in progress	<u>107,905</u>	<u>1,513,080</u>	<u>-</u>	<u>1,620,985</u>
Subtotal	<u>8,339,786</u>	<u>1,655,054</u>	<u>(260,200)</u>	<u>9,734,640</u>
Other capital assets:				
Buildings and improvements	8,630,973	23,202	-	8,654,175
Machinery and equipment	3,451,032	18,899	(91,410)	3,378,521
Infrastructure assets	<u>3,957,648</u>	<u>903,516</u>	<u>(429,300)</u>	<u>4,431,864</u>
Subtotal	<u>16,039,653</u>	<u>945,617</u>	<u>(520,710)</u>	<u>16,464,560</u>
Less accumulated depreciation:				
Land improvements, buildings, machinery and equipment	(4,719,866)	(582,072)	15,450	(5,286,488)
Infrastructure assets	<u>(372,484)</u>	<u>(166,111)</u>	<u>-</u>	<u>(538,595)</u>
Subtotal	<u>(5,092,350)</u>	<u>(748,183)</u>	<u>15,450</u>	<u>(5,825,083)</u>
Other capital assets, net	<u>10,947,303</u>	<u>197,434</u>	<u>(505,260)</u>	<u>10,639,477</u>
Capital assets, net	<u>\$ 19,287,089</u>	<u>\$ 1,852,488</u>	<u>\$(765,460)</u>	<u>\$ 20,374,117</u>

The cost to complete construction in progress at June 30, 2010 was approximately \$1,464,000.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

D. CAPITAL ASSETS - Continued

Depreciation was charged to governmental activities as follows:

Public safety	\$227,247
Parks and recreation	137,158
General government	301,282
Public works	45,054
Library	24,414
Planning and zoning	<u>13,028</u>
	<u>\$748,183</u>

Capital assets activity for business-type activities for the year was as follows:

<u>Business-Type Activities</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 792,760	\$ -	\$ -	\$ 792,760
Construction in progress	<u>-</u>	<u>433,557</u>	<u>-</u>	<u>433,557</u>
Subtotal	<u>792,760</u>	<u>433,557</u>	<u>-</u>	<u>1,226,317</u>
Other capital assets:				
Wastewater plant	20,672,661	35,552	-	20,708,213
Machinery and equipment	<u>2,066,959</u>	<u>136,329</u>	<u>(58,000)</u>	<u>2,145,288</u>
Subtotal	<u>22,739,620</u>	<u>171,881</u>	<u>(58,000)</u>	<u>22,853,501</u>
Less accumulated depreciation:				
Wastewater plant	(6,098,593)	(455,962)	-	(6,554,555)
Machinery and equipment	<u>(955,601)</u>	<u>(223,930)</u>	<u>58,000</u>	<u>(1,121,531)</u>
Subtotal	<u>(7,054,194)</u>	<u>(679,892)</u>	<u>58,000</u>	<u>(7,676,086)</u>
Other capital assets, net	<u>15,685,426</u>	<u>(508,011)</u>	<u>-</u>	<u>15,177,415</u>
Capital assets, net	<u>\$ 16,478,186</u>	<u>\$(74,454)</u>	<u>\$ -</u>	<u>\$ 16,403,732</u>

Depreciation expense related to capital assets used in business-type activities totaled \$679,892.

The cost to complete construction in progress at June 30, 2010 was approximately \$566,000.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

E. 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.

The following table summarizes the City's governmental activity long-term debt:

General Obligation Bonds, Series 2009, maturing between June 1, 2010 and 2022, at fixed interest rates ranging from 2.00% to 3.50%, with interest payable semiannually on June 1 and December 1 and principal payable annually on June 1 of each year.	\$ 2,138,750
General Obligation Refunding Bonds, Series 2008, maturing between June 1, 2009 and 2029, at fixed interest rates ranging from 3.00% to 4.75%, with interest payable semiannually on June 1 and December 1 and principal payable annually on June 1 of each year.	4,875,000
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.	260,000
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.	120,000
Loan Payable to the State of Tennessee, Department of Economic and Community Development, maturing between June 30, 2008 and 2014, at 0.00% interest with principal payable annually on June 30 of each year.	<u>24,357</u>
Total governmental activities debt	7,418,107
Plus accrued compensated absences	320,756
Less amounts due within one year	<u>(846,027)</u>
Long-term governmental activities liabilities	<u>\$ 6,892,836</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

E. LONG-TERM DEBT - Continued

On December 10, 2009, the City issued \$2,281,250 of its General Obligation Bonds, Series 2009 to refund its General Obligation Refunding Bond, Series 1999, its General Obligation Capital Outlay Note, Series 2004, its General Obligation Capital Outlay Note, Series 2005, and its General Obligation Capital Outlay Note, Series 2006. The remainder of the proceeds of the sale of the bonds was to be used to fund improvements to the park related to the Local Parks and Recreation Fund (LPRF) Grant, and to pay the costs of issuance of the Series 2009 bonds. Principal payments on the bonds are due annually on June 1st and interest is payable semiannually on June 1st and December 1st. Interest rates on the bonds range from 2.00% to 3.50%. The bonds mature from June 1, 2010 through June 1, 2022. The bonds are payable from taxes levied on all taxable property within the City. The full faith and credit of the City are irrevocably pledged for the payment of principal and interest on the bonds.

The principal and related interest on the General Obligation Refunding Bonds, Series 2008 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 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
YEAR ENDED JUNE 30, 2010

E. LONG-TERM DEBT - Continued

The following table summarizes the City's business-type activity long-term debt:

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.	\$ 2,644,064
Note Payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in monthly installments of \$1,279, including interest at 1.77%, through September 2029.	258,334
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 principal payable annually on February 1 of each year.	625,000
General Obligation Bonds, Series 2009, maturing between June 1, 2010 and 2013, at fixed interest rates ranging from 2.00% to 3.50%, with interest payable semiannually on June 1 and December 1 and principal payable annually on June 1 of each year.	131,250
General Obligation Refunding Bonds, Series 2008, maturing between June 1, 2009 and 2017, at fixed interest rates ranging from 3.00% to 4.00%, with interest payable semiannually on June 1 and December 1 and principal payable annually on June 1 of each year.	<u>715,000</u> 4,373,648
Plus premium on bonds	19,017
Less deferred loss on defeasance and premium on bonds	<u>(35,158)</u>
Total business-type activities debt	4,357,507
Plus accrued compensated absences	54,437
Less amounts due within one year, net of current portion of premium on bonds and deferred loss on defeasance	<u>(613,501)</u>
Long-term business-type activities debt	<u>\$ 3,798,443</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

E. LONG-TERM DEBT - Continued

The note payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund and the Sewer Revenue 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 Sewer Revenue and Tax Refunding Bonds, Series 2002, is guaranteed by a municipal bond insurance policy issued by Financial Security Assurance, Inc.

On December 10, 2009, the City issued \$168,750 of its General Obligation Bonds, Series 2009 to refund its General Obligation Capital Outlay Note and to pay the costs of issuance of the Series 2009 bonds. Principal payments on the bonds are due annually on June 1st and interest is payable semiannually on June 1st and December 1st. Interest rates on the bonds range from 2.00% to 3.50%. The bonds mature from June 1, 2010 through June 1, 2013. The bonds are payable from taxes levied on all taxable property within the City. The full faith and credit of the City are irrevocably pledged for the payment of principal and interest on the bonds.

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

Year Ended June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 664,839	\$ 272,952	\$ 937,791	\$ 618,660	\$155,263	\$ 773,923
2012	571,089	253,891	824,980	643,292	132,563	775,855
2013	616,089	237,893	853,982	329,406	108,361	437,767
2014	591,090	220,191	811,281	295,738	96,729	392,467
2015	520,000	200,230	720,230	307,303	85,552	392,855
2016-2020	2,540,000	714,957	3,254,957	1,193,893	275,430	1,469,323
2021-2025	1,130,000	314,710	1,444,710	911,970	70,533	982,503
2026-2029	<u>785,000</u>	<u>91,946</u>	<u>876,946</u>	<u>73,386</u>	<u>3,349</u>	<u>76,735</u>
	<u>\$7,418,107</u>	<u>\$2,306,770</u>	<u>\$9,724,877</u>	<u>\$4,373,648</u>	<u>\$927,780</u>	<u>\$5,301,428</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

F. CHANGES IN LONG-TERM LIABILITIES

Following is a summary of changes in governmental activity long-term debt for the year:

<u>Governmental Activities</u>	<u>Balance June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Capital Outlay Notes	\$ 757,250	\$ -	\$(637,250)	\$ 120,000	\$120,000
General Obligation Refunding Bonds	5,890,000	2,281,250	(897,500)	7,273,750	538,750
Loan payable to the State of Tennessee, Department of Economic and Community Development	30,446	-	(6,089)	24,357	6,089
Accrued compensated absences	<u>305,304</u>	<u>196,640</u>	<u>(181,188)</u>	<u>320,756</u>	<u>181,188</u>
	<u>\$6,983,000</u>	<u>\$2,477,890</u>	<u>\$(1,722,027)</u>	<u>\$7,738,863</u>	<u>\$846,027</u>

The General Fund, Debt Service Fund, Impact Fee Fund and Parks Sales Tax Fund have been used to liquidate governmental activities long-term liabilities.

Following is a summary of changes in business-type activity long-term debt for the year:

<u>Business-Type Activities</u>	<u>Balance June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Notes payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund	\$ 2,790,116	\$258,334	\$(146,052)	\$ 2,902,398	\$ 162,410
Sewer Revenue and Tax Refunding Bonds, Series 2002	930,000	-	(305,000)	625,000	305,000
Capital Outlay Notes	168,750	-	(168,750)	-	-
General Obligation Refunding Bonds	800,000	168,750	(122,500)	846,250	151,250
Capital leases	14,193	-	(14,193)	-	-
Accrued compensated absences	<u>47,414</u>	<u>24,198</u>	<u>(17,175)</u>	<u>54,437</u>	<u>17,175</u>
	4,750,473	451,282	(773,670)	4,428,085	635,835
Plus premium on bonds	25,753	-	(6,736)	19,017	6,736
Less deferred loss on defeasance	<u>(64,228)</u>	<u>-</u>	<u>29,070</u>	<u>(35,158)</u>	<u>(29,070)</u>
	<u>\$ 4,711,998</u>	<u>\$451,282</u>	<u>\$(751,336)</u>	<u>\$ 4,411,944</u>	<u>\$ 613,501</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

G. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary to future years subject to maximum deferral limitations provided in the plan.

The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust for the exclusive benefit of participating employees under the Small Business Job Protection Act of 1996. Also, the City has little administrative involvement and does not perform the investing function for the plan. As a result, the assets and liabilities associated with the plan are excluded from the City's balance sheets. The City does not contribute to the plan.

H. 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 <http://www.tn.gov/treasury/tcrs/PS/>.

CITY OF WHITE HOUSE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

H. PENSION PLAN - Continued

Funding Policy

The City requires employees to contribute 5.00% of earnable compensation.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year was 5.35% of annual covered payroll. The contribution requirements of plan members are set by state statute. The contribution requirements for the City are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$153,113 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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 7.50% per year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.50% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.00% 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, 2007 was 10 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Following is a schedule of trend information for the City:

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$153,113	100.0%	\$ -
2009	148,610	100.0%	-
2008	149,788	100.0%	-

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 88.56% funded. The actuarial accrued liability for benefits was \$3.67 million, and the actuarial value of assets was \$3.25 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.42 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.84 million, and the ratio of the UAAL to the covered payroll was 14.78%.

CITY OF WHITE HOUSE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

H. PENSION PLAN - Continued

The schedule of funding progress below presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Following is the schedule of funding progress for the City:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</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, 2009	\$3,248,000	\$3,668,000	\$420,000	88.56%	\$2,839,000	14.78%
July 1, 2007	2,746,000	2,921,000	175,000	94.01%	2,448,000	7.15%

The Governmental Accounting Standards Board (“GASB”) requires the plan to prepare the schedule of funding progress using the entry age actuarial cost method. The requirement to present the schedule of funding progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

I. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 settled claims have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

I. RISK MANAGEMENT - Continued

The City has established a self-funded insurance plan for City employees and their covered dependents to minimize the total cost of medical and prescription drug insurance to the City. This program is for the benefit of all City employees and their covered dependents. Employees contribute to the plan to cover a portion of the estimated cost of dependent medical and prescription drug coverage. Generally, claims exceeding \$50,000 per individual per coverage period (April 1 to March 31) are reinsured through a private insurance carrier. The City also has acquired \$2,000,000 in aggregate stop loss coverage from the reinsurer to cover claims during the coverage period that exceed \$453,980. Incurred claims and liabilities include an amount for claims that have been incurred but not reported and are net of reinsurance recoveries. This plan is accounted for through the City's only internal service fund, the Health Care Fund.

Liabilities for self-insured claims are accrued for the estimated uninsured portion of pending claims including adverse development of known claims and incurred but not reported claims. These estimates are based on historical information along with management's knowledge and assumptions regarding future events. Changes in historical information, management's knowledge and assumptions could cause the estimate for the claims accrual to change. These changes are reflected in change in net assets when known. Changes in the City's claims liability amount are as follows:

<u>Year Ended June 30,</u>	<u>Liability Beginning of Year</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Liability End of Year</u>
2010	\$131,651	\$433,829	\$525,894	\$ 39,586
2009	66,369	711,831	646,549	131,651

J. COMMITMENTS

In November 2008, the City entered into a grant contract with the Tennessee Department of Environment and Conservation, Local Parks and Recreation Fund (LPRF) to construct additional fields and make improvements to existing fields at the City's Municipal Park. The estimated cost of this project is approximately \$1,850,000 and the City will receive a grant match up to a total of \$425,000. As of June 30, 2010, the construction phase of this project was underway, with approximately \$500,000 remaining in construction costs. This agreement is effective until November 14, 2011.

In February 2007, the City entered into a construction contract with the State of Tennessee, Department of Transportation to build sidewalks along state route 76. The estimated cost of this project is approximately \$595,000 and will be 80% federally funded and 20% state funded. As of June 30, 2010, the construction phase of this project has not begun. This agreement is effective until December 31, 2013.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

J. COMMITMENTS - Continued

In July 2006, the City obtained a \$415,000 grant under the HOME Investment Partnership Program through the U.S. Department of Housing and Urban Development for the rehabilitation of six units of owner-occupied housing in the City of White House, Tennessee. The grant period is effective from July 1, 2006 through June 30, 2010. As of June 30, 2010, \$159,000 of the grant is still available to be used toward the HOME Investment Partnership Program.

In December 2005, the City entered into an amended contract with the State of Tennessee, Department of Transportation to add turning lanes at a City intersection. The estimated cost of this project is approximately \$220,000 and will be 90% state funded up to a maximum of \$198,000. As of June 30, 2010, the construction phase of this project has not begun.

In August 2009, the City entered into a contract with the Tennessee Department of Transportation to receive American Recovery and Reinvestment Act (ARRA) funds for a fiber optic project. The project was awarded \$660,000 from the Federal Government through the Metropolitan Planning Organization (MPO) funding process. The City has appropriated an additional \$300,000 to complete the project. The project includes the installation of a City-dedicated fiber optics communications line along Highway 76 and Highway 31 for signal upgrade and communications to emergency municipal buildings. As of June 30, 2010 the construction phase of this project has not begun.

In August 2009, the City entered into a contract with the Tennessee Department of Transportation to receive ARRA funds for the Calista Road Improvements Project. The project was awarded \$514,812 from the Federal Government through the MPO funding process. The project includes paving Calista Road from Highway 31 to Bill Moss Road, pavement repair, drainage culvert replacement, installing a section of sidewalk, widening a section of Calista Road, and repairing two line-of-sight issues. As of June 30, 2010 the construction phase of this project has not begun.

In October 2009, the City was awarded funding from the Tennessee Department of Environment and Conservation State Revolving Fund Loan Program in the amount of \$1,000,000 to complete the Copes Crossing pump station project. The project is being funded with a combination of ARRA funds and a Clean Water SRF loan in the amount of \$1,000,000. The loan will include \$400,000 in principal forgiveness that will not have to be repaid by the City. The loan has an interest rate of 1.77% with repayment over 20 years. Construction of this project will be completed in 2011.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

K. SUBSEQUENT EVENTS

As a result of a flooding event on May 1, 2010, the City was included in declared disaster areas for the State of Tennessee and thus is eligible for Federal Emergency Management Agency disaster assistance. There have been 22 project worksheets completed and submitted to FEMA for reimbursement of expenditures incurred after June 30, 2010, which is expected in the amount of \$313,891.

SUPPLEMENTARY INFORMATION

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Balance July 1, 2009 (Receivable) Payable</u>
U.S. DEPARTMENT HOUSING AND URBAN DEVELOPMENT:			
Passed through Tennessee Housing Development Agency			
HOME Investment Partnerships Program	14.239	DG-09-24198	<u>\$ -</u>
U.S. DEPARTMENT TRANSPORTATION:			
Passed through Tennessee Department of Transportation			
Highway Planning and Construction Cluster			
Highway 76 Sidewalk Grant	20.205	060128	-
Calista Road (ARRA)	20.205	74LPLM-F3-006	-
Fiber Optic (ARRA)	20.205	74LPLM-F3-004	<u>-</u>
<u>-</u>			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:			
Passed through Tennessee Department of State			
Tennessee State Library and Archives			
Grants to States	45.310	N/A	<u>-</u>
ENVIRONMENTAL PROTECTION AGENCY:			
Passed through Tennessee Department of Environment & Conservation			
Capitalization Grants for Clean Water State Revolving Funds			
Sewer Improvement Loan			
Federal portion loan (ARRA)	66.458	CWA 09-246	-
Federal portion loan forgiveness (ARRA)	66.458	CWA 09-246	<u>-</u>
<u>-</u>			
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through Tennessee Emergency Management Agency			
Disaster Grants – Public Assistance	97.036	N/A	<u>-</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2007-FF-00432	<u>-</u>
			<u>\$ -</u>

Note: The schedule of expenditures of federal awards includes the federal grant activity of the City. The information in this schedule is presented in accordance with the requirements of the State of Tennessee.

<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2010 (Receivable) <u>Payable</u>
\$ <u>4,745</u>	<u>\$158,813</u>	<u>\$(154,068)</u>
26,340	40,153	(13,813)
55,408	81,540	(26,132)
-	<u>24,836</u>	<u>(24,836)</u>
<u>81,748</u>	<u>146,529</u>	<u>(64,781)</u>
<u>500</u>	<u>500</u>	<u>-</u>
9,591	43,055	(33,464)
<u>38,362</u>	<u>172,223</u>	<u>(133,861)</u>
<u>47,953</u>	<u>215,278</u>	<u>(167,325)</u>
<u>-</u>	<u>3,946</u>	<u>(3,946)</u>
<u>191,855</u>	<u>191,855</u>	<u>-</u>
<u>\$326,801</u>	<u>\$716,921</u>	<u>\$(390,120)</u>

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2010

<u>Grantor</u>	<u>State Contract Number</u>	<u>Balance June 30, 2009</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2010</u>
Department of Environment & Conservation					
SRF Loan	CWA 09-246	\$ -	\$ 47,952	\$215,279	\$(167,327)
LPRF	GG-09-26733	-	250,851	425,000	(174,149)
Department of Agriculture, Division of Forestry	N/A	-	2,273	2,273	-
Department of Transportation	K8-10-148	<u>-</u>	<u>4,772</u>	<u>4,772</u>	<u>-</u>
		<u>\$ -</u>	<u>\$305,848</u>	<u>\$647,324</u>	<u>\$(341,476)</u>

Note: The schedule of expenditures of state financial assistance includes the state grant activity of the City. The information in this schedule is presented in accordance with the requirements of the State of Tennessee.

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF REVENUES
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	Debt Service Fund	Total Major Governmental Funds
REVENUES	<u> </u>	<u> </u>	<u> </u>
Taxes			
Property taxes	\$ 1,641,331	\$ 689,116	\$ 2,330,447
Intergovernmental revenues			
Local sales tax	1,989,447	-	1,989,447
Wholesale and state beer tax	224,379	-	224,379
Business taxes	114,787	-	114,787
Payments in lieu of taxes	108,806	-	108,806
State sales and income tax	645,378	-	645,378
Other taxes	42,123	-	42,123
Federal, state and county grants	996,289	-	996,289
Charges for services			
Park facility charges	90,484	-	90,484
Licenses and permits			
Building permits	32,759	-	32,759
Franchise fees	224,564	-	224,564
Other permits	5,825	-	5,825
Fines and forfeitures			
Court fines and costs	158,727	-	158,727
Interest revenue	6,920	44,074	50,994
Miscellaneous			
Insurance recoveries	17,040	-	17,040
Sale of equipment	16,478	-	16,478
Other revenues	60,221	-	60,221
Total revenues	<u>\$ 6,375,558</u>	<u>\$ 733,190</u>	<u>\$ 7,108,748</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	Debt Service Fund	Total Major Governmental Funds
EXPENDITURES			
General government			
Payroll and payroll taxes	\$ 456,405	\$ -	\$ 456,405
Employee benefits	189,580	-	189,580
Supplies	56,031	-	56,031
Utilities	28,243	-	28,243
Insurance premium	195,104	-	195,104
Other operating expenses	303,803	-	303,803
Capital outlay	62,798	-	62,798
City court			
Payroll and payroll taxes	41,760	-	41,760
Employee benefits	25,616	-	25,616
Supplies	188	-	188
Other operating expenses	3,266	-	3,266
Public safety			
Payroll and payroll taxes	1,567,691	-	1,567,691
Employee benefits	571,116	-	571,116
Supplies	97,825	-	97,825
Utilities	35,598	-	35,598
Other operating expenses	109,406	-	109,406
Capital outlay	18,794	-	18,794
Streets			
Payroll and payroll taxes	99,481	-	99,481
Employee benefits	48,068	-	48,068
Supplies	27,681	-	27,681
Utilities	6,293	-	6,293
Other operating expenses	22,395	-	22,395
Capital outlay	107,376	-	107,376

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES - CONTINUED
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	Debt Service Fund	Total Major Governmental Funds
EXPENDITURES - CONTINUED			
Library and museum			
Payroll and payroll taxes	\$ 105,454	\$ -	\$ 105,454
Employee benefits	42,946	-	42,946
Supplies	8,761	-	8,761
Utilities	6,509	-	6,509
Other operating expenses	14,523	-	14,523
Parks and recreation			
Payroll and payroll taxes	200,386	-	200,386
Employee benefits	80,794	-	80,794
Supplies	36,539	-	36,539
Utilities	67,945	-	67,945
Other operating expenses	63,575	-	63,575
Capital outlay	1,358,711	-	1,358,711
Planning and zoning			
Payroll and payroll taxes	179,022	-	179,022
Employee benefits	82,329	-	82,329
Supplies	10,548	-	10,548
Other operating expenses	18,825	-	18,825
Capital outlay	2,394	-	2,394
Senior citizen activities			
Payroll and payroll taxes	26,723	-	26,723
Employee benefits	17,997	-	17,997
Supplies	913	-	913
Other operating expenses	42,674	-	42,674
City garage			
Payroll and payroll taxes	-	-	-
Employee benefits	10,851	-	10,851
Supplies	224	-	224
Other operating expenses	148	-	148
Miscellaneous			
Other operating expenses	-	1,677	1,677
Debt service			
Principal	-	390,989	390,989
Interest	-	191,121	191,121
Bond issuance costs	-	62,037	62,037
Total expenditures	<u>\$ 6,453,309</u>	<u>\$ 645,824</u>	<u>\$ 7,099,133</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Cemetery Fund	Drug Fund	Impact Fee Fund
ASSETS			
Cash and cash equivalents	\$ 61,229	\$ -	\$ -
Receivables, net	-	-	-
Due from other funds	-	1,969	-
Restricted cash and cash equivalents	80,827	31,094	506,304
Total assets	\$ 142,056	\$ 33,063	\$ 506,304
LIABILITIES			
Accounts payable	\$ 595	\$ 100	\$ -
Accrued liabilities	6,350	-	-
Due to other funds	349	-	-
Total liabilities	7,294	100	-
FUND BALANCES			
Reserved	80,827	32,963	506,304
Unreserved	53,935	-	-
Total fund balances	134,762	32,963	506,304
Total liabilities and fund balances	\$ 142,056	\$ 33,063	\$ 506,304

See independent auditors' report.

<u>Industrial Development Fund</u>	<u>Parks Sales Tax Fund</u>	<u>State Street Aid Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 61,229
3,958	13,513	48,271	65,742
-	14,961	44,375	61,305
<u>58,578</u>	<u>420,434</u>	<u>8,241</u>	<u>1,105,478</u>
<u>\$ 62,536</u>	<u>\$ 448,908</u>	<u>\$ 100,887</u>	<u>\$ 1,293,754</u>
\$ -	\$ -	\$ 4,193	\$ 4,888
-	-	-	6,350
<u>349</u>	<u>-</u>	<u>74,950</u>	<u>75,648</u>
<u>349</u>	<u>-</u>	<u>79,143</u>	<u>86,886</u>
62,187	448,908	21,744	1,152,933
-	-	-	53,935
<u>62,187</u>	<u>448,908</u>	<u>21,744</u>	<u>1,206,868</u>
<u>\$ 62,536</u>	<u>\$ 448,908</u>	<u>\$ 100,887</u>	<u>\$ 1,293,754</u>

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Cemetery Fund	Drug Fund	Impact Fee Fund
REVENUES			
Taxes			
Park sales tax receipts	\$ -	\$ -	\$ -
Intergovernmental revenues			
Federal, state and county grants	-	800	-
Gasoline and motor fuel tax	-	-	-
Charges for services			
Cemetery and maintenance	29,900	-	-
Licenses and permits			
Impact fees	-	-	75,865
Fines and forfeitures			
Drug related fines and forfeitures	-	16,738	-
Contributions	-	-	-
Interest revenue	307	49	3,295
Miscellaneous			
Sale of equipment	250	250	-
Other revenues	-	-	-
Total revenues	30,457	17,837	79,160
EXPENDITURES			
Current operations:			
General government			
Capital outlay	-	-	-
Public safety			
Supplies	-	3,001	-
Other operating expenses	-	7,515	415
Capital outlay	-	-	-
Streets			
Utilities	-	-	-
Other operating expenses	-	-	-
Capital outlay	-	-	-

See independent auditors' report.

Industrial Development Fund	Parks Sales Tax Fund	State Street Aid Fund	Total Nonmajor Governmental Funds
\$ -	\$ 80,833	\$ -	\$ 80,833
46,885	-	-	47,685
-	-	262,709	262,709
-	-	-	29,900
-	-	-	75,865
-	-	-	16,738
-	20,520	-	20,520
135	1,525	169	5,480
-	-	-	500
-	-	-	-
<u>47,020</u>	<u>102,878</u>	<u>262,878</u>	<u>540,230</u>
-	-	-	-
-	-	-	3,001
-	-	-	7,930
-	-	-	-
-	-	104,339	104,339
-	-	11,629	11,629
-	-	203,617	203,617

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - CONTINUED
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Cemetery Fund	Drug Fund	Impact Fee Fund
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES - CONTINUED			
Cemetery and maintenance			
Payroll and payroll taxes	\$ 2,743	\$ -	\$ -
Employee benefits	210	-	-
Supplies	37	-	-
Utilities	836	-	-
Other operating expenses	8,855	-	-
Parks and recreation			
Other operating expenses	-	-	-
Capital outlay	-	-	-
Miscellaneous			
Supplies	-	-	-
Other operating expenses	-	-	-
Debt service			
Principal	-	-	138,600
Interest	-	-	78,317
Bond issuance costs	-	-	-
Total expenditures	<u>12,681</u>	<u>10,516</u>	<u>217,332</u>
REVENUES OVER (UNDER)			
EXPENDITURES	17,776	7,321	(138,172)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	17,776	7,321	(138,172)
FUND BALANCES, June 30, 2009	<u>116,986</u>	<u>25,642</u>	<u>644,476</u>
FUND BALANCES, June 30, 2010	<u>\$ 134,762</u>	<u>\$ 32,963</u>	<u>\$ 506,304</u>

See independent auditors' report.

Industrial Development Fund	Parks Sales Tax Fund	State Street Aid Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,743
-	-	-	210
-	-	-	37
-	-	-	836
-	-	-	8,855
-	1,214	-	1,214
-	61,881	-	61,881
5,371	-	-	5,371
43,266	-	-	43,266
-	69,000	-	207,600
-	22,147	-	100,464
-	-	-	-
48,637	154,242	319,585	762,993
(1,617)	(51,364)	(56,707)	(222,763)
-	-	-	-
(1,617)	(51,364)	(56,707)	(222,763)
63,804	500,272	78,451	1,429,631
\$ 62,187	\$ 448,908	\$ 21,744	\$ 1,206,868

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 CEMETERY FUND
 YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Charges for services	\$ 25,100	\$ 25,100	\$ 29,900	\$ -	\$ 29,900
Interest revenue	1,700	1,700	307	-	307
Miscellaneous	-	-	250	-	250
Total revenues	<u>26,800</u>	<u>26,800</u>	<u>30,457</u>	<u>-</u>	<u>30,457</u>
EXPENDITURES					
Cemetery and maintenance	17,570	17,570	12,776	(95)	12,681
Capital outlay	-	-	-	-	-
Total expenditures	<u>17,570</u>	<u>17,570</u>	<u>12,776</u>	<u>(95)</u>	<u>12,681</u>
REVENUES OVER (UNDER) EXPENDITURES	9,230	9,230	17,681	95	17,776
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(553)</u>	<u>553</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	9,230	9,230	17,128	648	17,776
FUND BALANCES, June 30, 2009	<u>123,938</u>	<u>123,938</u>	<u>123,938</u>	<u>(6,952)</u>	<u>116,986</u>
FUND BALANCES, June 30, 2010	<u>\$ 133,168</u>	<u>\$ 133,168</u>	<u>\$ 141,066</u>	<u>\$ (6,304)</u>	<u>\$ 134,762</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	\$ 95
Change in due to other funds	<u>553</u>
	<u>\$ 648</u>

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the cash 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 auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 DRUG FUND
 YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ 17,138	\$ 12,248	\$ 800	\$ -	\$ 800
Fines and forfeitures	26,150	26,150	16,738	-	16,738
Contributions	-	-	-	-	-
Interest revenue	250	250	49	-	49
Miscellaneous	-	-	250	-	250
Total revenues	<u>43,538</u>	<u>38,648</u>	<u>17,837</u>	<u>-</u>	<u>17,837</u>
EXPENDITURES					
Public safety	14,100	14,100	10,496	20	10,516
Capital outlay	15,938	11,048	-	-	-
Total expenditures	<u>30,038</u>	<u>25,148</u>	<u>10,496</u>	<u>20</u>	<u>10,516</u>
REVENUES OVER (UNDER)					
EXPENDITURES	13,500	13,500	7,341	(20)	7,321
NET PAYMENTS TO OTHER FUNDS	-	-	5,166	(5,166)	-
NET CHANGE IN FUND BALANCE	13,500	13,500	12,507	(5,186)	7,321
FUND BALANCES, June 30, 2009	<u>18,587</u>	<u>18,587</u>	<u>18,587</u>	<u>7,055</u>	<u>25,642</u>
FUND BALANCES, June 30, 2010	<u>\$ 32,087</u>	<u>\$ 32,087</u>	<u>\$ 31,094</u>	<u>\$ 1,869</u>	<u>\$ 32,963</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
DRUG FUND
YEAR ENDED JUNE 30, 2010

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	\$ (20)
Change in due from other funds	<u>(5,166)</u>
	<u>\$ (5,186)</u>

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the cash 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 auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 IMPACT FEE FUND
 YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ 90,000	\$ 90,000	\$ -	\$ -	\$ -
Licenses and permits	52,000	52,000	75,865	-	75,865
Interest revenue	9,600	9,600	3,295	-	3,295
Total revenues	<u>151,600</u>	<u>151,600</u>	<u>79,160</u>	<u>-</u>	<u>79,160</u>
EXPENDITURES					
Streets	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Miscellaneous	260	260	415	-	415
Capital outlay	250,000	250,000	-	-	-
Debt service					
Principal	135,000	135,000	138,600	-	138,600
Interest	82,405	82,405	78,317	-	78,317
Total expenditures	<u>467,665</u>	<u>467,665</u>	<u>217,332</u>	<u>-</u>	<u>217,332</u>
NET CHANGE IN FUND BALANCE	(316,065)	(316,065)	(138,172)	-	(138,172)
FUND BALANCES, June 30, 2009	<u>644,476</u>	<u>644,476</u>	<u>644,476</u>	<u>-</u>	<u>644,476</u>
FUND BALANCES, June 30, 2010	<u>\$ 328,411</u>	<u>\$ 328,411</u>	<u>\$ 506,304</u>	<u>\$ -</u>	<u>\$ 506,304</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
IMPACT FEE FUND
YEAR ENDED JUNE 30, 2010

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 amount reported as "fund balance" on the budgetary basis of accounting derives from the cash 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.

[2] The amount reported as "net change in fund balance" on the actual budgetary basis of accounting reported a deficit of \$138,172. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 INDUSTRIAL DEVELOPMENT FUND
 YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ 45,000	\$ 45,000	\$ 46,147	\$ 738	\$ 46,885
Interest revenue	<u>250</u>	<u>250</u>	<u>135</u>	<u>-</u>	<u>135</u>
Total revenues	<u>45,250</u>	<u>45,250</u>	<u>46,282</u>	<u>738</u>	<u>47,020</u>
EXPENDITURES					
Miscellaneous	65,500	65,500	48,637	-	48,637
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>65,500</u>	<u>65,500</u>	<u>48,637</u>	<u>-</u>	<u>48,637</u>
REVENUES OVER (UNDER) EXPENDITURES					
	(20,250)	(20,250)	(2,355)	738	(1,617)
NET BORROWINGS FROM OTHER FUNDS					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(20,250)	(20,250)	(2,355)	738	(1,617)
FUND BALANCES, June 30, 2009	<u>61,106</u>	<u>61,106</u>	<u>61,106</u>	<u>2,698</u>	<u>63,804</u>
FUND BALANCES, June 30, 2010	<u>\$ 40,856</u>	<u>\$ 40,856</u>	<u>\$ 58,751</u>	<u>\$ 3,436</u>	<u>\$ 62,187</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 intergovernmental receivables \$ 738

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the cash 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 \$2,355. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 PARKS SALES TAX FUND
 YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 155,000	\$ 155,000	\$ 78,792	\$ 2,041	\$ 80,833
Contributions	20,000	20,000	20,520	-	20,520
Interest revenue	<u>6,000</u>	<u>6,000</u>	<u>1,525</u>	<u>-</u>	<u>1,525</u>
Total revenues	<u>181,000</u>	<u>181,000</u>	<u>100,837</u>	<u>2,041</u>	<u>102,878</u>
EXPENDITURES					
Miscellaneous	75,365	75,365	1,214	-	1,214
Capital outlay	76,500	76,500	61,881	-	61,881
Debt service					
Principal	104,966	104,966	69,000	-	69,000
Interest	<u>79,462</u>	<u>79,462</u>	<u>22,147</u>	<u>-</u>	<u>22,147</u>
Total expenditures	<u>336,293</u>	<u>336,293</u>	<u>154,242</u>	<u>-</u>	<u>154,242</u>
REVENUES OVER (UNDER) EXPENDITURES	(155,293)	(155,293)	(53,405)	2,041	(51,364)
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(494)</u>	<u>494</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(155,293)	(155,293)	(53,899)	2,535	(51,364)
FUND BALANCES, June 30, 2009	<u>139,157</u>	<u>139,157</u>	<u>139,157</u>	<u>361,115</u>	<u>500,272</u>
FUND BALANCES, June 30, 2010	<u>\$ (16,136)</u>	<u>\$ (16,136)</u>	<u>\$ 85,258</u>	<u>\$ 363,650</u>	<u>\$ 448,908</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE - CONTINUED
 PARKS SALES TAX FUND
 YEAR ENDED JUNE 30, 2010

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	\$ 2,041
Changes in other assets and liabilities	-
Changes in due to and due from other funds	<u>494</u>
	<u>\$ 2,535</u>

[2] The amount reported as "net change in fund balance" on the actual budgetary basis of accounting reported a deficit of \$53,899. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

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

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 STATE STREET AID FUND
 YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Gasoline and motor fuel tax	\$ 248,000	\$ 248,000	\$ 261,761	\$ 948	\$ 262,709
Interest revenue	<u>500</u>	<u>500</u>	<u>169</u>	<u>-</u>	<u>169</u>
Total revenues	<u>248,500</u>	<u>248,500</u>	<u>261,930</u>	<u>948</u>	<u>262,878</u>
EXPENDITURES					
Streets	128,000	128,000	115,968	-	115,968
Capital outlay	<u>200,000</u>	<u>200,000</u>	<u>199,424</u>	<u>4,193</u>	<u>203,617</u>
Total expenditures	<u>328,000</u>	<u>328,000</u>	<u>315,392</u>	<u>4,193</u>	<u>319,585</u>
REVENUES OVER (UNDER)					
EXPENDITURES	(79,500)	(79,500)	(53,462)	(3,245)	(56,707)
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(106,868)</u>	<u>106,868</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(79,500)	(79,500)	(160,330)	103,623	(56,707)
FUND BALANCES, June 30, 2009	<u>176,869</u>	<u>176,869</u>	<u>176,869</u>	<u>(98,418)</u>	<u>78,451</u>
FUND BALANCES, June 30, 2010	<u>\$ 97,369</u>	<u>\$ 97,369</u>	<u>\$ 16,539</u>	<u>\$ 5,205</u>	<u>\$ 21,744</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 intergovernmental receivables	\$ 948
Changes in other assets and liabilities	(4,193)
Change in due from/to other funds	<u>106,868</u>
	<u>\$ 103,623</u>

[2] The amount reported as "fund balance" on the budgetary basis of accounting derives from the cash 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 \$160,330. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 560,000	\$ 560,000	\$ 686,548	\$ 2,568	\$ 689,116
Interest revenue	2,800	2,800	44,074	-	44,074
Total revenues	<u>562,800</u>	<u>562,800</u>	<u>730,622</u>	<u>2,568</u>	<u>733,190</u>
EXPENDITURES					
Miscellaneous	1,450	1,450	1,677	-	1,677
Debt service					
Principal	389,089	390,989	390,989	-	390,989
Interest	187,579	191,121	191,121	-	191,121
Bond issuance costs	-	62,037	62,037	-	62,037
Total expenditures	<u>578,118</u>	<u>645,597</u>	<u>645,824</u>	<u>-</u>	<u>645,824</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(15,318)</u>	<u>(82,797)</u>	<u>84,798</u>	<u>2,568</u>	<u>87,366</u>
OTHER FINANCING SOURCES					
Bonds issued	-	997,397	997,397	-	997,397
Premium on refunding bonds	-	17,509	17,509	-	17,509
Payment to refunded bond escrow agent	-	(942,250)	(942,250)	-	(942,250)
	<u>-</u>	<u>72,656</u>	<u>72,656</u>	<u>-</u>	<u>72,656</u>
NET BORROWINGS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(15,589)</u>	<u>15,589</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(15,318)	(10,141)	141,865	18,157	160,022
FUND BALANCES, June 30, 2009	<u>174,892</u>	<u>174,892</u>	<u>174,892</u>	<u>13,260</u>	<u>188,152</u>
FUND BALANCES, June 30, 2010	<u>\$ 159,574</u>	<u>\$ 164,751</u>	<u>\$ 316,757</u>	<u>\$ 31,417</u>	<u>\$ 348,174</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010

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

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

Changes in property tax receivable, net of deferred revenues	\$ 2,568
Change in due from other funds	<u>15,589</u>
	<u>\$ 18,157</u>

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

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2010

	<u>Health Care Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 240,444
	<u>240,444</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accrued liabilities	<u>39,586</u>
	<u>39,586</u>
NET ASSETS	
Unrestricted	<u>\$ 200,858</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2010

	Health Care Fund
OPERATING REVENUES	
Insurance premiums	\$ 1,014,119
	1,014,119
OPERATING EXPENSES	
Premiums	196,786
Claims	545,893
	742,679
OPERATING INCOME (LOSS)	271,440
NONOPERATING REVENUES (EXPENSES)	
Interest income	393
	393
CHANGE IN NET ASSETS	271,833
NET ASSETS, June 30, 2009	(70,975)
NET ASSETS, June 30, 2010	\$ 200,858

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2010

	Health Care Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,014,119
Claims paid	(637,958)
Premiums paid	<u>(196,786)</u>
Net cash provided by operating activities	<u>179,375</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>393</u>
Net cash provided by investing activities	<u>393</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	179,768
CASH AND CASH EQUIVALENTS, June 30, 2009	<u>60,676</u>
CASH AND CASH EQUIVALENTS, June 30, 2010	<u><u>\$ 240,444</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 271,440
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Changes in operating assets and liabilities	
Accrued liabilities	<u>(92,065)</u>
Net cash provided by operating activities	<u>\$ 179,375</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2010

Tax Year	Balance June 30, 2009	Tax Levy	Collections	Adjustments	Penalties and Interest	Balance June 30, 2010
2009	\$ -	\$2,305,473	\$(2,243,868)	\$48,179	\$ 8,223	\$ 118,007
2008	150,214	-	(100,849)	-	12,588	61,953
2007	54,656	-	(28,364)	-	11,436	37,728
2006	43,402	-	(20,759)	-	13,926	36,569
2005	43,780	-	(20,312)	-	18,657	42,125
2004	44,774	-	(22,745)	-	21,478	43,507
2003	31,135	-	(17,285)	-	15,997	29,847
2002	9,647	-	(5,906)	-	4,994	8,735
2001	7,748	-	(4,948)	-	4,242	7,042
2000	12,470	-	(8,109)	-	7,392	11,753
1999	7,922	-	(5,154)	-	5,194	7,962
1998	76	-	(76)	-	-	-
1997	68	-	(68)	-	-	-
1996	71	-	(71)	-	-	-
1995	75	-	(75)	-	-	-
	<u>\$406,038</u>	<u>\$2,305,473</u>	<u>\$(2,478,589)</u>	<u>\$48,179</u>	<u>\$124,127</u>	405,228

Deferred property tax revenues for 2010 accrued 2,370,000

\$2,775,228

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 auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULES OF LONG-TERM DEBT
JUNE 30, 2010

Governmental Activities Long-Term Debt

Year Ending June 30,	General Obligation Refunding Bonds, Series 2002		General Obligation Refunding Capital Outlay Notes, Series 2002	
	Principal	Interest	Principal	Interest
	2011	50,000	10,400	120,000
2012	50,000	8,400	-	-
2013	55,000	6,400	-	-
2014	50,000	4,200	-	-
2015	55,000	2,200	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
	<u>\$ 260,000</u>	<u>\$ 31,600</u>	<u>\$ 120,000</u>	<u>\$ 4,140</u>

	General Obligation Refunding Bonds, Series 2008		General Obligation Bonds, Series 2009		Tennessee Department of Economic and Community Development Loan		Total Principal	Total Interest	Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest			
	2011	160,000	206,964	328,750	51,448	6,089			
2012	185,000	201,762	330,000	43,729	6,089	-	571,089	253,891	824,980
2013	220,000	194,364	335,000	37,129	6,089	-	616,089	237,893	853,982
2014	345,000	185,562	190,000	30,429	6,090	-	591,090	220,191	811,281
2015	350,000	171,764	115,000	26,266	-	-	520,000	200,230	720,230
2016	395,000	157,762	110,000	23,591	-	-	505,000	181,353	686,353
2017	410,000	141,964	110,000	20,596	-	-	520,000	162,560	682,560
2018	360,000	125,562	100,000	17,321	-	-	460,000	142,883	602,883
2019	400,000	110,984	115,000	13,728	-	-	515,000	124,712	639,712
2020	415,000	93,784	125,000	9,665	-	-	540,000	103,449	643,449
2021	150,000	75,936	135,000	5,075	-	-	285,000	81,011	366,011
2022	150,000	69,187	145,000	-	-	-	295,000	69,187	364,187
2023	150,000	62,438	-	-	-	-	150,000	62,438	212,438
2024	200,000	55,686	-	-	-	-	200,000	55,686	255,686
2025	200,000	46,388	-	-	-	-	200,000	46,388	246,388
2026	200,000	37,087	-	-	-	-	200,000	37,087	237,087
2027	200,000	27,787	-	-	-	-	200,000	27,787	227,787
2028	200,000	18,286	-	-	-	-	200,000	18,286	218,286
2029	185,000	8,786	-	-	-	-	185,000	8,786	193,786
	<u>\$ 4,875,000</u>	<u>\$ 1,992,053</u>	<u>\$ 2,138,750</u>	<u>\$ 278,977</u>	<u>\$ 24,357</u>	<u>\$ -</u>	<u>\$ 7,418,107</u>	<u>\$ 2,306,770</u>	<u>\$ 9,724,877</u>

See independent auditors' report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULES OF LONG-TERM DEBT - CONTINUED
JUNE 30, 2010

Business-Type Activities Long-Term Debt

Year Ending June 30,	Sewer Revenue and Tax		General Obligation Bonds, Series 2009		Sanitation Fund -General Obligation Refunding Bonds, Series 2008		Sewer Fund -General Obligation Refunding Bonds, Series 2008	
	Refunding Bonds, Series 2002		Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest						
2011	305,000	25,000	41,250	2,831	50,000	9,625	60,000	18,150
2012	320,000	12,800	45,000	1,800	50,000	8,000	60,000	16,200
2013	-	-	45,000	900	50,000	6,000	60,000	13,800
2014	-	-	-	-	50,000	4,000	65,000	11,400
2015	-	-	-	-	50,000	2,000	70,000	8,800
2016	-	-	-	-	-	-	75,000	6,000
2017	-	-	-	-	-	-	75,000	3,000
2018	-	-	-	-	-	-	-	-
	<u>\$ 625,000</u>	<u>\$ 37,800</u>	<u>\$ 131,250</u>	<u>\$ 5,531</u>	<u>\$ 250,000</u>	<u>\$ 29,625</u>	<u>\$ 465,000</u>	<u>\$ 77,350</u>

	Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund		Note Payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal and Interest
2011	151,548	95,172	10,862	4,485	618,660	155,263	773,923
2012	157,236	89,472	11,056	4,291	643,292	132,563	775,855
2013	163,152	83,568	11,254	4,093	329,406	108,361	437,767
2014	169,284	77,436	11,454	3,893	295,738	96,729	392,467
2015	175,644	71,064	11,659	3,688	307,303	85,552	392,855
2016	182,256	64,464	11,867	3,480	269,123	73,944	343,067
2017	189,108	57,612	12,078	3,269	276,186	63,881	340,067
2018	196,212	50,508	12,294	3,053	208,506	53,561	262,067
2019	203,592	43,128	12,513	2,834	216,105	45,962	262,067
2020	211,236	35,472	12,737	2,610	223,973	38,082	262,055
2021	219,180	27,540	12,964	2,383	232,144	29,923	262,067
2022	227,424	19,296	13,195	2,152	240,619	21,448	262,067
2023	235,968	10,752	13,431	1,916	249,399	12,668	262,067
2024	162,224	3,384	13,670	1,677	175,894	5,061	180,955
2025	-	-	13,914	1,433	13,914	1,433	15,347
2026	-	-	14,163	1,184	14,163	1,184	15,347
2027	-	-	14,415	932	14,415	932	15,347
2028	-	-	14,673	674	14,673	674	15,347
2029	-	-	14,934	413	14,934	413	15,347
2030	-	-	15,201	146	15,201	146	15,347
	<u>\$ 2,644,064</u>	<u>\$ 728,868</u>	<u>\$ 258,334</u>	<u>\$ 48,606</u>	<u>\$ 4,373,648</u>	<u>\$ 927,780</u>	<u>\$ 5,301,428</u>

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
(UNAUDITED)
YEAR ENDED JUNE 30, 2010

<u>Year</u>	<u>County</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Solid Waste Fund</u>	<u>Total Tax Rate</u>	<u>Appraised Value of Property</u>	<u>Assessed Value of Property</u>
2010	Sumner and Robertson Counties	\$0.70 0.72	\$0.28 0.30	\$0.00 0.00	\$0.98 1.02	\$363,196,588 449,350,483	\$ 95,672,406 135,889,021
2009	Sumner and Robertson Counties	0.69	0.33	0.00	1.02	753,025,193	214,357,449
2008	Sumner and Robertson Counties	0.69	0.33	0.00	1.02	753,025,193	214,357,449
2007	Sumner and Robertson Counties	0.86	0.11	0.05	1.02	724,565,337	208,570,882
2006	Sumner County Robertson County	0.75 0.84	0.18 0.20	0.20 0.24	1.13 1.28	278,694,897 304,948,865	74,047,530 90,018,744
2005	Sumner and Robertson Counties	0.84	0.20	0.24	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 Robertson County	0.59 0.53	0.52 0.46	0.29 0.26	1.40 1.25	430,157,471	122,510,505
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

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF WASTEWATER RATES AND NUMBER OF CUSTOMERS
(UNAUDITED)
JUNE 30, 2010

CUSTOMER RATES

Residential:

Minimum bill (0 - 1,000 gallons)	\$14.00
Over 1,000 gallons	6.65 per 1,000 gallons

Non-Residential:

Minimum bill (0 - 1,000 gallons)	28.00
Over 1,000 gallons	6.65 per 1,000 gallons

CAPACITY FEES 2,500.00 minimum

NUMBER OF CUSTOMERS 3,843



Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Mayor and Aldermen
City of 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 schedule for the General Fund of City of White House, Tennessee (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City of White House, Tennessee's basic financial statements and have issued our report thereon dated March 21, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Section II of the accompanying schedule of findings and questioned costs to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of White House, Tennessee'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*.

We noted certain matters that we reported to management of the City of White House, Tennessee, in a separate letter dated March 21, 2011.

The City of White House, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Mayor and Aldermen, others within the City, and the Comptroller of the Treasury, State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.

Creselin & Associates, P.C.

March 21, 2011
Nashville, Tennessee



Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133

To the Board of Mayor and Alderman
City of White House, Tennessee

Compliance

We have audited the compliance of the City of White House, Tennessee (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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

Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Mayor and Alderman, others within the City, the Comptroller of the Treasury, State of Tennessee, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

Nashville, Tennessee
March 21, 2011

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? x yes no
Significant deficiency(ies) identified not considered to
be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified not considered to
be material weaknesses? yes x none reported

Type of auditors' report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133? yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction Cluster, including ARRA
66.458	Capital Grants for Clean Water State Revolving Funds (ARRA)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes x no

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

Grant Revenue Cutoff

Criteria, Condition, Cause and Effect

The City should present grant revenue and receivables for the related fiscal year within the respective funds and government-wide financial statements. During our audit, we noted that the City did not record \$732,000 of grant revenue and receivables related to certain federal and state grants. As a result, an adjustment was required to the general fund and wastewater department fund financial statements in order for them to be fairly stated in all material respects at June 30, 2010. The City has controls over financial reporting in place that likely would have detected the misstatement prior to release of the financial statements, but we believe additional controls should be added earlier in the financial reporting process.

Recommendation

The City should perform a reconciliation of its federal and state grants at year-end as part of its pre-audit closing procedures to ensure proper cutoff for grant revenues.

Management's Response

Management concurs that the recording of grant receivables is necessary and in years such as this one would be considered material. Due to the large number and complexity of grants that the City received this year, there were not adequate resources or time to formulate the schedules necessary to book these receivables before the City closed the ledger for the fiscal year, and this information was not included in other closing entries and schedules that were prepared for the auditors to include as adjusting entries. In subsequent years, management will include this activity in closing schedules prepared and given to the auditors for inclusion in adjusting entries.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF WHITE HOUSE, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

The prior year audits included the finding summarized below:

09-01 - Maintaining Continuing Capital Asset Records

Several capital asset additions and retirements recorded in the accounts were not included in the capital asset depreciation schedule and were not properly reflected in the government-wide financial statements. In the current year, we noted that capital asset additions and retirements were properly recorded in the financial statements. As such, this deficiency has been resolved.