

CITY OF WHITE HOUSE, TENNESSEE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2012

CITY OF WHITE HOUSE, TENNESSEE

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INTRODUCTORY SECTION

CITY OF WHITE HOUSE, TENNESSEE
DIRECTORY OF OFFICIALS
(UNAUDITED)

Mayor	Mike Arnold
Alderman	John Decker
Alderman	Farris H. Bibb, Jr.
Alderman	Clif Hutson
Alderman	Dave Paltzik
City Administrator	Gerald Herman
City Attorney	Valerie Webb
City Judge	Joseph Zanger
City Recorder	Amanda Brewton
Chief of Fire Department	Joe Palmer
Chief of Police Department	Pat Brady
Director of Finance	Charlotte Soporowski
Director of Library - Interim	Sherry Tackett
Director of Parks and Recreation	Ashley Smith
Director of Planning and Codes	Addam McCormick
Director of Public Works	Joe Moss

FINANCIAL SECTION



Independent Auditor's 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, 2012, 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, 2012, 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, 2013, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the schedule of funding progress on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of White House, Tennessee's financial statements as a whole. 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 schedules of expenditures of federal awards and state financial assistance are 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 the State of Tennessee and are also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary schedules, and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 do not express an opinion or provide any assurance on them.

Crosslin & Associates, P.C.

March 21, 2013
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, 2012. 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 \$1,144,000 in 2012 or 3.6%, while business-type activities total assets increased by \$125,000 or 0.7%, resulting in an increase in total primary government assets of \$1,269,000 or about 2.5%. Governmental activities total revenues for the City decreased by \$554,000 or 6.4%, while business-type total revenues decreased by \$322,000 or 8.9%, resulting in a decrease in total primary government revenues of \$876,000, or 7.3%. The City's governmental activities total program costs for 2012 decreased \$389,000 or 6.0%, while business-type activities total program costs increased by \$79,000 or 2.8%, resulting in a decrease in total primary government program costs of \$310,000 or 3.3%. With respect to the City's governmental activities, total revenues decreased by a greater amount than total program expenses decreased, resulting in a decrease in the change in net assets of \$165,000 for 2012 compared to 2011. For the General Fund there was a net change in fund balance of \$507,000. The General Fund - fund balance at fiscal year-end was approximately \$5,118,000.

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 \$32,153,000 in 2012 versus \$31,009,000 in 2011, representing an increase of \$1,144,000 or 3.6%. Table 1 also shows that total assets of the City's business-type activities were \$19,207,000 in 2012 versus \$19,082,000 in 2011, representing an increase of \$125,000 or 0.7%.

Table 1
Net Assets
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,366	\$ 9,241	\$ 2,574	\$ 2,299	\$11,940	\$11,540
Capital assets	<u>22,787</u>	<u>21,768</u>	<u>16,633</u>	<u>16,783</u>	<u>39,420</u>	<u>38,551</u>
Total assets	<u>32,153</u>	<u>31,009</u>	<u>19,207</u>	<u>19,082</u>	<u>51,360</u>	<u>50,091</u>
Long-term liabilities	6,539	7,115	4,225	4,324	10,764	11,439
Other liabilities	<u>2,726</u>	<u>3,086</u>	<u>62</u>	<u>159</u>	<u>2,788</u>	<u>3,245</u>
Total liabilities	<u>9,265</u>	<u>10,201</u>	<u>4,287</u>	<u>4,483</u>	<u>13,552</u>	<u>14,684</u>
Net assets:						
Invested in capital assets, net of related debt	16,584	15,208	12,451	12,637	29,035	27,845
Restricted	381	458	-	-	381	458
Unrestricted	<u>5,923</u>	<u>5,142</u>	<u>2,469</u>	<u>1,962</u>	<u>8,392</u>	<u>7,104</u>
Total net assets	<u>\$22,888</u>	<u>\$20,808</u>	<u>\$14,920</u>	<u>\$14,599</u>	<u>\$37,808</u>	<u>\$35,407</u>

The significant elements and causes for the changes in the City's governmental activities total assets in 2012 were: (1) Current and other assets increased by \$125,000. (2) Capital assets net, including infrastructure additions, increased by \$1,019,000. This amount included a decrease in land and construction in progress, and an increase in buildings and improvements, machinery and equipment, and infrastructure, for an increase of \$3,794,000 less retirements and construction placed in service of \$1,988,000 and depreciation expense of \$787,000. Major capital asset events affecting governmental activities during the current fiscal year included the following:

- Paving of existing streets was completed for an addition of \$515,000.
- American Recovery and Reinvestment Act Fiber Optic Project was continued for an addition of \$329,000.
- Completion of new public safety radio system for an addition of \$162,000.

The significant aspects of the increase in the City's business-type activities total assets in 2012 was an increase in current and other assets of \$275,000 and a decrease in capital assets of \$150,000. The net decrease in capital assets is the result of a decrease in construction in progress of \$1,154,000, an increase in utility plant in service of \$1,397,000, and an increase in machinery and equipment of \$346,000, and depreciation expense of \$739,000. Major capital asset events affecting business-type activities during the current fiscal year included the following:

- ARRA Copes Crossing Project completed for an addition of \$1,397,000.
- ARRA Sewer Rehab Project began for an addition of \$367,000.

As shown in Table 1, total liabilities of the City's governmental activities decreased by \$936,000 or 9.2% to \$9,265,000 in 2012 from \$10,201,000 in 2011. Table 1 also shows total liabilities of the City's business-type activities decreased by \$196,000 or 4.4% to \$4,287,000 in 2012 from \$4,483,000 in 2011.

The significant elements and causes for the changes in the City's governmental activities total liabilities in 2012 were: (1) Other liabilities decreased by \$360,000, and (2) long-term liabilities decreased by \$576,000. This was comprised of a decrease in accruals for compensated absences of \$5,000, a decrease due to long-term debt and capital lease principal payments of \$571,000.

The most significant aspect of the decrease in the City's business-type activities total liabilities in 2012 was the decrease in long-term debt primarily due to long-term debt and capital lease principal payments of \$3,030,000, and an additional debt issuance of \$500,000 drawn from a State Revolving Loan for the Copes Crossing Project, and a refunding bond issued for \$2,435,000 to refinance a State Revolving Fund Loan.

Therefore, total net assets of the City's governmental activities increased to \$22,888,000 in 2012 from \$20,808,000 in 2011 representing an increase of \$2,080,000 or 10%, and total net assets of the City's business-type activities increased to \$14,920,000 from \$14,599,000, representing an increase of \$321,000 or 2.2%.

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, increased by \$1,376,000; and (2) Restricted net assets decreased by \$77,000 and unrestricted net assets increased by \$781,000. The increase in the City's business-type activities net assets of \$321,000 was due to a decrease in net assets invested in capital assets, net of related debt of \$186,000, along with an increase of \$507,000 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 \$8,079,000 in 2012 from \$8,633,000 in 2011, representing a decrease of \$554,000 or 6.4%. Total revenues for the City's business-type activities increased to \$3,340,000 in 2012 from \$3,333,000 in 2011, representing an increase of \$7,000 or 0.3%.

Table 2
Changes in Net Assets
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 564	\$ 505	\$ 3,281	\$ 3,299	\$ 3,845	\$ 3,804
Grants and contributions:						
For operations	459	227	-	-	459	227
For capital projects	319	1,400	-	-	319	1,400
General revenues:						
Property taxes	2,494	2,473	-	-	2,494	2,473
Park sales tax	81	75	-	-	81	75
Impact fees	59	56	-	-	59	56
Intergovernmental revenues	4,035	3,694	-	-	4,035	3,694
Other revenues	<u>68</u>	<u>203</u>	<u>59</u>	<u>34</u>	<u>127</u>	<u>237</u>
Total revenues	<u>8,079</u>	<u>8,633</u>	<u>3,340</u>	<u>3,333</u>	<u>11,419</u>	<u>11,966</u>
Program expenses:						
General government	1,359	1,119	-	-	1,359	1,119
City court	75	75	-	-	75	75
Public safety	2,750	2,706	-	-	2,750	2,706
Streets	344	925	-	-	344	925
Cemetery and maintenance	15	17	-	-	15	17
Library and museum	213	213	-	-	213	213
Parks and recreation	673	688	-	-	673	688
Planning and zoning	314	310	-	-	314	310
Senior citizens activities	27	87	-	-	27	87
City garage	-	-	-	-	-	-
Miscellaneous	49	48	-	-	49	48
Interest on long-term debt	272	290	-	-	272	290
Wastewater department	-	-	2,316	2,295	2,316	2,295
Sanitation department	-	-	<u>655</u>	<u>597</u>	<u>655</u>	<u>597</u>
Total expenses	<u>6,091</u>	<u>6,478</u>	<u>2,971</u>	<u>2,892</u>	<u>9,062</u>	<u>9,370</u>

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Excess before contributions and transfers	1,988	2,155	369	441	2,357	2,596
Contributions	-	-	44	370	44	370
Transfers	<u>91</u>	<u>89</u>	<u>(91)</u>	<u>(89)</u>	<u>-</u>	<u>-</u>
Net change in net assets	2,079	2,244	322	722	2,401	2,966
NET ASSETS, beginning of year	<u>20,808</u>	<u>18,564</u>	<u>14,599</u>	<u>13,877</u>	<u>35,407</u>	<u>32,441</u>
NET ASSETS, end of year	<u>\$ 22,887</u>	<u>\$20,808</u>	<u>\$ 14,921</u>	<u>\$ 14,599</u>	<u>\$ 37,808</u>	<u>\$ 35,407</u>

The decrease in total revenues of the City's governmental activities for 2012 as compared to 2011 was primarily due to: (1) Program revenues for capital projects decreased by \$1,081,000 (2) Other revenues decreased by \$135,000, and (3) Intragovernmental revenues increased by \$341,000.

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

Table 2 shows that total program expenses for the City's governmental activities decreased to \$6,091,000 in 2012 from \$6,478,000 in 2011, representing a decrease of \$387,000 or 6.0%. Total program expenses for the City's business-type activities increased to \$2,971,000 in 2012 from \$2,892,000 in 2011, representing an increase of \$79,000 or 2.8%.

The decrease in total program expenses for the City's governmental activities was primarily due to: (1) Streets expenses decreased by \$581,000, primarily due to decreases in capital outlay, (2) Senior citizen activities expenses also decreased by \$60,000 primarily due to decreases in salary and benefits, (3) Parks and Recreation expenses decreased by \$15,000 primarily due to a decrease in capital outlay.

The increase in total program expenses for the City's business-type activities was primarily due to an increase in other operating expenses of \$43,000 in the Sanitation Department, and an increase in supplies in the Wastewater Department of \$108,000.

The increase in the net assets of the City's governmental activities in 2012 was \$2,079,000 as compared to an increase in net assets in 2011 of \$2,244,000. This \$165,000 decrease is primarily due to a decrease in program revenues over expenses.

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, 2012. The original budget revenue estimates total \$7,894,000, not including revenue from other financing sources of \$130,000 for a total of \$8,024,000. Final budget revenues for the period amounted to \$7,933,000 and revenue from other financing sources of \$130,000 for a total of \$8,063,000. Final actual (budgetary basis) revenues for the period amounted to \$6,899,000. 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 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 2012 year-end were estimated to be \$8,283,000. Final budget expenditures for the period amounted to \$8,342,000. Final actual (budgetary basis) expenditures for the period amounted to \$6,195,000. The actual to budget variance of General Government and Public Safety expenses were the two major contributors of this positive performance to budget because of capital projects that were not completed within the fiscal year. Therefore, the City realized an actual (budgetary basis) net increase in fund balance in the amount of \$684,000. 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 \$5,503,000.

Table 3
General Fund Budget Comparison
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	Actual (Budgetary) <u>Basis</u>	Variance with Final Budget - <u>Over (Under)</u>
Revenues				
Taxes	\$ 1,957	\$ 1,957	\$ 1,836	\$(121)
Intergovernmental revenues	5,389	5,424	4,336	(1,088)
Other revenues	<u>548</u>	<u>552</u>	<u>635</u>	<u>83</u>
Total revenues	<u>7,894</u>	<u>7,933</u>	<u>6,807</u>	<u>(1,126)</u>
Expenditures				
General government	2,444	2,444	1,637	(807)
Public safety	3,485	3,485	2,787	(698)
Streets	1,002	1,037	561	(476)
Parks and recreation	754	777	652	(125)
Planning and zoning	262	262	248	(14)
Other activity expenditures	<u>336</u>	<u>337</u>	<u>310</u>	<u>(27)</u>
Total expenditures	<u>8,283</u>	<u>8,342</u>	<u>6,195</u>	<u>(2,147)</u>
Revenues over (under) expenditures	(389)	(409)	612	1,021
Other financing sources	130	130	91	(39)
Net payments to other funds	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>(19)</u>
Net change in fund balance	(259)	(279)	684	963
Fund balances, June 30, 2011, as restated	<u>4,819</u>	<u>4,819</u>	<u>4,819</u>	<u>-</u>
Fund balances, June 30, 2012	<u>\$ 4,560</u>	<u>\$ 4,540</u>	<u>\$ 5,503</u>	<u>\$ 963</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)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and construction in progress	\$ 9,621	\$ 11,015	\$ 825	\$ 1,979	\$ 10,446	\$ 12,994
Buildings and improvements	10,606	8,688	-	-	10,606	8,688
Machinery and equipment	3,277	3,215	2,660	2,470	5,937	5,685
Utility plant in service	-	-	22,101	20,705	22,101	20,705
Infrastructure	<u>6,296</u>	<u>5,241</u>	<u>-</u>	<u>-</u>	<u>6,296</u>	<u>5,241</u>
Total capital assets	29,800	28,159	25,586	25,154	55,386	53,313
Accumulated depreciation	<u>(7,013)</u>	<u>(6,391)</u>	<u>(8,953)</u>	<u>(8,371)</u>	<u>(15,966)</u>	<u>(14,762)</u>
Net capital assets	<u>\$ 22,787</u>	<u>\$ 21,768</u>	<u>\$ 16,633</u>	<u>\$ 16,783</u>	<u>\$ 39,420</u>	<u>\$ 38,551</u>

Governmental Activities

In June 2011, the City's governmental activities had \$21,768,000 (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 2012 capital assets, were \$22,787,000 (net of accumulated depreciation), representing a net increase of \$1,019,000 or 4.7%. The increase in capital assets before depreciation was comprised of two significant components: Buildings and improvements increase of \$1,918,000; and Infrastructure increase of \$1,055,000. Capital asset additions in 2012 consisted primarily of the public safety communication project, as well as infrastructure improvements and street acceptances.

Business-type Activities

In June 2011, the City's business-type activities, consisting of the Wastewater and Sanitation Departments, had \$16,783,000 (net of accumulated depreciation) invested in land, machinery and equipment which is the 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 2012 capital assets were \$16,633,000 (net of accumulated depreciation), representing a decrease of \$150,000 or 0.9% from 2011. The net decrease in capital assets included an increase in accumulated depreciation of \$582,000, net of the following: a decrease in land and construction in progress of \$1,154,000; a net increase in machinery and equipment of \$190,000; and an increase in utility plant in service of \$1,396,000.

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 2012 and 2011.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Bonds payable	\$6,170	\$6,735	\$2,940	\$ 1,015	\$ 9,110	\$ 7,750
Loan payable	12	18	1,225	3,246	1,237	3,264
Total notes and bonds	6,182	6,753	4,165	4,261	10,347	11,014
Compensated absences	357	361	47	57	404	418
Premium on bonds	-	-	12	12	12	12
Loss on defeasance	-	-	-	(6)	-	(6)
Total long-term liabilities	<u>\$6,539</u>	<u>\$7,114</u>	<u>\$4,224</u>	<u>\$ 4,324</u>	<u>\$10,763</u>	<u>\$ 11,438</u>

Governmental Activities

At the end of the current fiscal year, the City’s governmental activities had outstanding long-term debt of \$6,539,000 including accrued compensated absences. The prior year total of long-term liabilities amounted to \$7,114,000; consequently long-term liabilities decreased during the year by \$575,000 or 8.1%.

The accrual for compensated absences decreased by \$4,000 in 2012. This accrual is required for sick pay and vacation pay that may 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 \$4,224,000 related primarily to the Wastewater Department, with \$218,000 related to the Sanitation Department. The prior year total of long-term liabilities amounted to \$4,324,000; consequently long-term liabilities decreased during the year by \$100,000 or 2.4%.

The Wastewater Department has outstanding Notes Payable to the State of Tennessee, Revolving Loan Fund due in monthly installments through 2032. Also outstanding are General Obligation Refunding Bonds, Series 2012 due annually through 2024 and a portion of the General Obligation Refunding Bond, Series, 2008 due annually through 2017. Remaining is a portion of the General Obligation Bond, Series 2009 due annually through 2013 which is attributable to the Sanitation Fund. 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, 2013 on these obligations totals \$405,000.

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 a collaborative approach, the Board of Mayor and Aldermen sets the direction of the City, allocates its resources and establishes its priorities.

During the lean economic years (2008 - 2011), we reduced our workforce, operating expenses, and held-off on some capital projects. As a result, we were able to build a solid financial position through a gradual and consistent increase in fund balance. This year we have seen positive signs that the economy is progressing. All the departments have adjusted to doing more with less. Department Heads carefully examine their operations to find ways to deliver services at minimal costs.

The housing market is starting to pick up. We have developers looking to diversify our housing opportunities in the next year by building apartments to meet the needs of those who by choice or necessity prefer to rent. We currently are at nearly 98 percent occupancy on multi-family dwellings and are unable to meet the growing demand for rental units.

We have new businesses filling in our retail vacancy spaces. Tate Ornamental is adding more than 2 million in capital with more than 25 new employees. White House Health Care is opening a new facility with a capital investment of more than \$7 million and more than 150 full time employees. Propack moved into a 100,000 square foot building that had been vacant for nearly ten years and look to hire 20 full time employees. We have two new fuel/convenient stores along with additional new retail centers seriously considering development within the next year. New retail and restaurant openings will add to the sales tax base, and have a significant impact on the City's revenues in the upcoming years.

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, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,046,700	\$ 1,714,187	\$ 6,760,887
Receivables, net	3,979,138	421,411	4,400,549
Unbilled receivables	-	263,096	263,096
Note receivable	20,520	-	20,520
Internal balances	16,484	(16,484)	-
Inventories	-	76,173	76,173
Other current assets	127,085	41,402	168,487
Capital assets:			
Land and construction in progress	9,620,546	824,594	10,445,140
Other capital assets, net	13,166,684	15,808,425	28,975,109
Unamortized debt issuance costs	175,727	73,718	249,445
Total assets	32,152,884	19,206,522	51,359,406
LIABILITIES			
Accounts payable	167,276	36,380	203,656
Accrued liabilities	95,568	20,985	116,553
Accrued interest	21,424	4,078	25,502
Deferred revenues	2,394,000	-	2,394,000
Performance bonds payable	47,753	-	47,753
Noncurrent liabilities:			
Due within one year	808,879	441,553	1,250,432
Due in more than one year	5,730,386	3,783,023	9,513,409
Total liabilities	9,265,286	4,286,019	13,551,305
NET ASSETS			
Invested in capital assets, net of related debt	16,583,627	12,451,292	29,034,919
Restricted for:			
Cemetery	96,119	-	96,119
Parks and recreation	206,130	-	206,130
Street maintenance and improvements	77,472	-	77,472
Other	1,064	-	1,064
Unrestricted	5,923,186	2,469,211	8,392,397
Total net assets	\$ 22,887,598	\$ 14,920,503	\$ 37,808,101

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 1,359,487	\$ 208,165	\$ 97,618	\$ -	\$ (1,053,704)
City court	74,693	163,531	-	-	88,838
Public safety	2,750,347	12,715	315,836	-	(2,421,796)
Streets	343,555	-	-	319,008	(24,547)
Cemetery and maintenance	14,676	38,422	-	-	23,746
Library and museum	213,340	-	36,430	-	(176,910)
Parks and recreation	672,769	110,951	-	-	(561,818)
Planning and zoning	313,520	30,007	-	-	(283,513)
Senior citizen activities	26,982	-	9,500	-	(17,482)
Miscellaneous	49,224	-	-	-	(49,224)
Interest on long-term debt	271,755	-	-	-	(271,755)
	<u>6,090,348</u>	<u>563,791</u>	<u>459,384</u>	<u>319,008</u>	<u>(4,748,165)</u>
BUSINESS-TYPE ACTIVITIES:					
Wastewater Department	2,316,260	2,595,999	-	43,562	323,301
Sanitation Department	654,729	685,185	-	-	30,456
	<u>2,970,989</u>	<u>3,281,184</u>	<u>-</u>	<u>43,562</u>	<u>353,757</u>
TOTAL GOVERNMENT	<u>\$ 9,061,337</u>	<u>\$ 3,844,975</u>	<u>\$ 459,384</u>	<u>\$ 362,570</u>	<u>\$ (4,394,408)</u>
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET (EXPENSE) / REVENUE			<u>\$ (4,748,165)</u>	<u>\$ 353,757</u>	<u>\$ (4,394,408)</u>
GENERAL REVENUES:					
Property taxes			2,493,935	-	2,493,935
Park sales tax			81,385	-	81,385
Impact fees			58,659	-	58,659
Intergovernmental revenues			4,034,568	-	4,034,568
Interest and investment earnings			6,659	3,099	9,758
Other revenue			91,398	55,819	147,217
Loss on disposition of capital assets			(30,353)	-	(30,353)
Total general revenues			<u>6,736,251</u>	<u>58,918</u>	<u>6,795,169</u>
NET TRANSFERS			<u>91,342</u>	<u>(91,342)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS			<u>6,827,593</u>	<u>(32,424)</u>	<u>6,795,169</u>
CHANGE IN NET ASSETS			<u>2,079,428</u>	<u>321,333</u>	<u>2,400,761</u>
NET ASSETS, June 30, 2011, as restated			<u>20,808,170</u>	<u>14,599,170</u>	<u>35,407,340</u>
NET ASSETS, June 30, 2012			<u>\$ 22,887,598</u>	<u>\$ 14,920,503</u>	<u>\$ 37,808,101</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$4,003,357	\$ 92,795	\$ 709,510	\$ 4,805,662
Receivables, net	3,146,444	767,210	65,484	3,979,138
Due from other funds	30,341	600	61,794	92,735
Other assets	<u>127,085</u>	<u>-</u>	<u>-</u>	<u>127,085</u>
Total assets	<u>\$7,307,227</u>	<u>\$ 860,605</u>	<u>\$ 836,788</u>	<u>\$ 9,004,620</u>
LIABILITIES				
Accounts payable	\$ 162,506	\$ -	\$ 1,047	\$ 163,553
Accrued liabilities	95,568	-	-	95,568
Due to other funds	24,473	37,920	13,858	76,251
Deferred revenues	1,858,518	754,670	-	2,613,188
Performance bonds payable	<u>47,753</u>	<u>-</u>	<u>-</u>	<u>47,753</u>
Total liabilities	<u>2,188,818</u>	<u>792,590</u>	<u>14,905</u>	<u>2,996,313</u>
FUND BALANCES				
Restricted	1,064	-	379,721	380,785
Committed	-	68,015	442,162	510,177
Unassigned	<u>5,117,345</u>	<u>-</u>	<u>-</u>	<u>5,117,345</u>
Total fund balances	<u>5,118,409</u>	<u>68,015</u>	<u>821,883</u>	<u>6,008,307</u>
Total liabilities and fund balances	<u>\$7,307,227</u>	<u>\$ 860,605</u>	<u>\$ 836,788</u>	<u>\$ 9,004,620</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2012

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

Total governmental fund balances above	\$ 6,008,307
Capital assets not reported above	22,787,230
Unamortized debt issuance costs not reported above	175,727
Deferred revenues, from property and intergovernmental taxes reported above, reported as revenues in the government-wide statement of net assets	219,188
Note receivable not reported above	20,520
Long-term liabilities not reported above	(6,539,265)
Accrued interest not reported above	(21,424)
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>237,315</u>
Net assets of governmental activities in the statement of net assets	<u>\$22,887,598</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, 2012

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,876,836	\$ 569,027	\$ 81,385	\$ 2,527,248
Intergovernmental revenues	4,037,623	-	307,666	4,345,289
Charges for services	110,951	-	38,422	149,373
Licenses and permits	238,172	-	58,659	296,831
Fines and forfeitures	163,531	-	12,715	176,246
Contributions	-	-	20,520	20,520
Interest revenue	5,217	149	1,293	6,659
Miscellaneous	101,337	-	-	101,337
Total revenues	<u>6,533,667</u>	<u>569,176</u>	<u>520,660</u>	<u>7,623,503</u>
EXPENDITURES				
Current operations:				
General government	1,559,902	-	-	1,559,902
City court	76,148	-	-	76,148
Public safety	2,786,647	-	9,871	2,796,518
Streets	560,876	-	124,168	685,044
Cemetery and maintenance	-	-	14,803	14,803
Library and museum	207,409	-	-	207,409
Parks and recreation	651,634	-	364	651,998
Planning and zoning	248,182	-	-	248,182
Senior citizen activities	27,209	-	-	27,209
Miscellaneous	-	1,107	48,117	49,224
Capital outlay	-	-	183,519	183,519
Debt service				
Principal	-	404,809	166,280	571,089
Interest	-	153,999	101,893	255,892
Total expenditures	<u>6,118,007</u>	<u>559,915</u>	<u>649,015</u>	<u>7,326,937</u>
REVENUES OVER (UNDER) EXPENDITURES	415,660	9,261	(128,355)	296,566
OTHER FINANCING SOURCES (USES)				
Transfers	91,342	-	-	91,342
NET CHANGE IN FUND BALANCES	507,002	9,261	(128,355)	387,908
FUND BALANCES, June 30, 2011, as restated	<u>4,611,407</u>	<u>58,754</u>	<u>950,238</u>	<u>5,620,399</u>
FUND BALANCES, June 30, 2012	<u>\$ 5,118,409</u>	<u>\$ 68,015</u>	<u>\$ 821,883</u>	<u>\$ 6,008,307</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, 2012

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	\$ 387,908
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.	467,671
Change in deferred revenues for property taxes, including allowance for doubtful accounts, in the governmental funds not recognized in the government-wide statements.	48,072
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.	(9,939)
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Capital outlays	1,378,720
Payments on long-term debt	571,089
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(787,043)
Amortization of debt issuance costs	(17,697)
Decrease in accrued interest	1,834
Decrease in compensated absences	4,226
Loss on disposal of capital assets	(30,353)
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>85,460</u>
Change in net assets of governmental activities	<u><u>\$ 2,079,428</u></u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Wastewater	Solid Waste	Total	
	Department	Fund		
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,124,318	\$ 589,869	\$ 1,714,187	\$ 241,038
Receivables, net	397,231	24,180	421,411	-
Unbilled receivables	205,166	57,930	263,096	-
Due from other funds	1,684	55,361	57,045	-
Inventories	76,173	-	76,173	-
Other current assets	29,351	12,051	41,402	-
Total current assets	<u>1,833,923</u>	<u>739,391</u>	<u>2,573,314</u>	<u>241,038</u>
UNAMORTIZED DEBT ISSUANCE COSTS	71,929	1,789	73,718	-
CAPITAL ASSETS, NET	<u>16,556,815</u>	<u>76,204</u>	<u>16,633,019</u>	<u>-</u>
Total assets	<u>18,462,667</u>	<u>817,384</u>	<u>19,280,051</u>	<u>241,038</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	22,798	13,582	36,380	3,723
Accrued liabilities	16,100	4,885	20,985	-
Accrued interest	3,503	575	4,078	-
Due to other funds	69,544	3,985	73,529	-
Current maturities of long-term debt	338,436	103,117	441,553	-
Total current liabilities	<u>450,381</u>	<u>126,144</u>	<u>576,525</u>	<u>3,723</u>
LONG-TERM DEBT, less current maturities	<u>3,668,607</u>	<u>114,416</u>	<u>3,783,023</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	12,572,452	(121,160)	12,451,292	-
Unrestricted	<u>1,771,227</u>	<u>697,984</u>	<u>2,469,211</u>	<u>237,315</u>
Total net assets	<u>\$ 14,343,679</u>	<u>\$ 576,824</u>	<u>\$ 14,920,503</u>	<u>\$ 237,315</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, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Wastewater Department</u>	<u>Solid Waste Fund</u>	<u>Total</u>	Activity - <u>Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ 2,595,999	\$ 685,185	\$ 3,281,184	\$ 746,272
Other operating revenues	<u>26,067</u>	<u>29,752</u>	<u>55,819</u>	<u>-</u>
	<u>2,622,066</u>	<u>714,937</u>	<u>3,337,003</u>	<u>746,272</u>
OPERATING EXPENSES				
Salaries and payroll taxes	384,403	187,698	572,101	-
Employee benefits	178,988	75,263	254,251	-
Supplies	426,145	86,817	512,962	-
Utilities	187,333	-	187,333	-
Other operating expenses	370,455	208,788	579,243	160,337
Claims, net of insurance recoveries	-	-	-	500,822
Depreciation and amortization	<u>652,737</u>	<u>86,826</u>	<u>739,563</u>	<u>-</u>
	<u>2,200,061</u>	<u>645,392</u>	<u>2,845,453</u>	<u>661,159</u>
OPERATING INCOME (LOSS)	<u>422,005</u>	<u>69,545</u>	<u>491,550</u>	<u>85,113</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	2,436	663	3,099	347
Interest expense	<u>(116,199)</u>	<u>(9,337)</u>	<u>(125,536)</u>	<u>-</u>
	<u>(113,763)</u>	<u>(8,674)</u>	<u>(122,437)</u>	<u>347</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS AND TRANSFERS	308,242	60,871	369,113	85,460
CAPITAL GRANTS AND CONTRIBUTIONS TRANSFERS OUT	43,562	-	43,562	-
	<u>(91,342)</u>	<u>-</u>	<u>(91,342)</u>	<u>-</u>
CHANGE IN NET ASSETS	260,462	60,871	321,333	85,460
NET ASSETS, June 30, 2011	<u>14,083,217</u>	<u>515,953</u>	<u>14,599,170</u>	<u>151,855</u>
NET ASSETS, June 30, 2012	<u>\$ 14,343,679</u>	<u>\$ 576,824</u>	<u>\$ 14,920,503</u>	<u>\$ 237,315</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<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	\$ 2,529,908	\$ 713,805	\$ 3,243,713	\$ 746,272
Payments to suppliers	(1,060,497)	(295,248)	(1,355,745)	-
Payments to or on behalf of employees	(563,032)	(268,069)	(831,101)	-
Internal activity from (to) other funds	(2,981)	2,187	(794)	-
Claims paid, net of insurance recoveries	-	-	-	(611,605)
Premiums paid	-	-	-	(160,337)
Net cash provided by (used in) operating activities	<u>903,398</u>	<u>152,675</u>	<u>1,056,073</u>	<u>(25,670)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	<u>(91,342)</u>	<u>-</u>	<u>(91,342)</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>(91,342)</u>	<u>-</u>	<u>(91,342)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of utility plant	(630,407)	-	(630,407)	-
Loss from sale of equipment	-	38,517	38,517	-
Proceeds from capital debt	526,332	-	526,332	-
Capital contributions	-	-	-	-
Payments on long-term debt	(593,702)	(93,185)	(686,887)	-
Interest paid	<u>(124,625)</u>	<u>(8,905)</u>	<u>(133,530)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(822,402)</u>	<u>(63,573)</u>	<u>(885,975)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>2,436</u>	<u>663</u>	<u>3,099</u>	<u>347</u>
Net cash provided by investing activities	<u>2,436</u>	<u>663</u>	<u>3,099</u>	<u>347</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS				
	(7,910)	89,765	81,855	(25,323)
CASH AND CASH EQUIVALENTS, June 30, 2011	<u>1,132,228</u>	<u>500,104</u>	<u>1,632,332</u>	<u>266,361</u>
CASH AND CASH EQUIVALENTS, June 30, 2012	<u>\$ 1,124,318</u>	<u>\$ 589,869</u>	<u>\$ 1,714,187</u>	<u>\$ 241,038</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental
	Wastewater Department	Solid Waste Fund	Total	Activity - Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	\$ 422,005	\$ 69,545	\$ 491,550	\$ 85,113
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	652,737	86,826	739,563	-
Changes in operating assets and liabilities				
Receivables, net	(138,465)	713	(137,752)	-
Unbilled receivables	46,307	(1,845)	44,462	-
Due from other funds	-	1,096	1,096	-
Inventories	11,903	-	11,903	-
Other current assets	(2,490)	(1,515)	(4,005)	-
Accounts payable	(17,926)	(2,818)	(20,744)	-
Accrued liabilities	(67,692)	(418)	(68,110)	(110,783)
Due to other funds	(2,981)	1,091	(1,890)	-
Total adjustments	481,393	83,130	564,523	(110,783)
Net cash provided by (used in) operating activities	\$ 903,398	\$ 152,675	\$ 1,056,073	\$ (25,670)

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 1,957,069	\$ 1,957,069	\$ 1,835,522	\$ 41,314	\$ 1,876,836
Intergovernmental revenues	5,388,713	5,424,430	4,335,694	(298,071)	4,037,623
Charges for services	88,175	88,175	110,951	-	110,951
Licenses and permits	247,050	247,050	254,933	(16,761)	238,172
Fines and forfeitures	149,350	149,350	163,531	-	163,531
Interest revenue	7,000	7,000	5,217	-	5,217
Miscellaneous	56,400	60,383	101,337	-	101,337
Total revenues	<u>7,893,757</u>	<u>7,933,457</u>	<u>6,807,185</u>	<u>(273,518)</u>	<u>6,533,667</u>
EXPENDITURES					
Current operations:					
General government	2,443,856	2,443,856	1,636,862	(76,960)	1,559,902
City court	79,727	79,727	76,148	-	76,148
Public safety	3,484,790	3,484,790	2,786,647	-	2,786,647
Streets	1,001,557	1,037,274	560,876	-	560,876
Library and museum	222,571	222,571	207,409	-	207,409
Parks and recreation	753,998	777,433	651,634	-	651,634
Planning and zoning	261,507	261,507	248,182	-	248,182
Senior citizen activities	34,665	34,665	27,209	-	27,209
City garage	-	-	-	-	-
Total expenditures	<u>8,282,671</u>	<u>8,341,823</u>	<u>6,194,967</u>	<u>(76,960)</u>	<u>6,118,007</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(388,914)</u>	<u>(408,366)</u>	<u>612,218</u>	<u>(196,558)</u>	<u>415,660</u>
OTHER FINANCING SOURCES					
Bonds issued	-	-	-	-	-
Transfers in	130,000	130,000	91,342	-	91,342
	<u>130,000</u>	<u>130,000</u>	<u>91,342</u>	<u>-</u>	<u>91,342</u>
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(19,315)</u>	<u>19,315</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(258,914)	(278,366)	684,245	(177,243)	507,002
FUND BALANCES, June 30, 2011, as restated	<u>4,818,648</u>	<u>4,818,648</u>	<u>4,818,648</u>	<u>(207,241)</u>	<u>4,611,407</u>
FUND BALANCES, June 30, 2012	<u>\$ 4,559,734</u>	<u>\$ 4,540,282</u>	<u>\$ 5,502,893</u>	<u>\$ (384,484)</u>	<u>\$ 5,118,409</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE - CONTINUED
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012

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	\$ 41,314
Change in intergovernmental receivables, net of deferred revenues	(298,071)
Changes in other receivables	(16,761)
Changes in other assets and liabilities	76,960
Changes in due to and due from other funds	<u>19,315</u>
	<u>\$ (177,243)</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
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 U.S. 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 and Accounting Principles Board issued on or before November 30, 1989 unless they conflict with GASB pronouncements. 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, 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, management has determined 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, 2012

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 are presented on a consolidated basis by column 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/expenses. 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, 2012

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:

The 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.

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

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 is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or 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, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Internal Service Fund is 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, dental and prescription drug insurance provided to employees of the City (See Note I).

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. The Governmental Accounting Standards Board 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 other funds are presented as nonmajor governmental funds.

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. Nonoperating revenues and expenses are items related to financing and investing activities.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

Restricted fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by external parties such as creditors or grantors or by law through constitutional provisions or enabling legislation. Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal legislative action of the Board of Mayor and Alderman. Assigned fund balances are amounts intended to be used for specific purposes as designated by management of the City. Unassigned fund balance is the residual classification for the General Fund and negative fund balances in other governmental funds. Authority to assign certain amounts is granted by the Board of Mayor and Alderman in the annual budget ordinance. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the City considers restricted amounts to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance amounts are available, the City considers committed fund balance to have been spent first, followed by assigned, then unassigned.

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 (\$2,787,802), intergovernmental revenues (\$1,083,732), and other receivables. Major receivable balances for the business-type activities consist of billed charges to wastewater and sanitation customers and \$402,709 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, 2012 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, 2012, but which were levied to finance fiscal year 2013 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, 2012

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, 2012

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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. In addition, 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 five years for Sumner County, Tennessee and every six years 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 2012 was \$.98 for Sumner County and \$1.01 for Robertson County on each \$100 of tax valuation.

Restatement of Net Assets and Fund Balance

During fiscal 2012, it was determined that the receivable related to a certain state grant was overstated by the City as of June 30, 2011. As a result, an adjustment of \$468,231 was made to decrease net assets for governmental activities, and fund balance for the general fund at June 30, 2011.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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, 2012

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Interfund Transactions

Interfund receivable and payable balances consist of the following:

	Major Funds				Nonmajor	
	General	Debt	Solid	Wastewater	Governmental	
	<u>Fund</u>	<u>Service</u>	<u>Waste</u>	<u>Department</u>	<u>Funds</u>	<u>Total</u>
Interfund Receivable	<u>\$30,341</u>	<u>\$600</u>	<u>\$55,361</u>	<u>\$1,687</u>	<u>\$61,794</u>	<u>\$149,783</u>
Interfund Payable:						
Major Funds:						
General Fund	\$ -	\$600	\$ -	\$ -	\$23,874	\$ 24,474
Wastewater Department	14,184	-	55,361	-	-	69,545
Solid Waste Fund	2,299	-	-	1,687	-	3,986
Debt Service Fund	-	-	-	-	37,920	37,920
Nonmajor Funds:						
Governmental Funds	<u>13,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,858</u>
	<u>\$30,341</u>	<u>\$600</u>	<u>\$55,361</u>	<u>\$1,687</u>	<u>\$61,794</u>	<u>\$149,783</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	\$91,342

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012, all deposits were insured or collateralized, as required by state statute. At June 30, 2012, the City's investments consist of the Tennessee Local Government Investment Pool (a cash equivalent), an unrated external investment pool that operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. 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 \$5,987,577 at June 30, 2012.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

D. CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 8,206,756	\$ 154,618	\$ -	\$ 8,361,374
Construction in progress	<u>2,808,502</u>	<u>398,466</u>	<u>(1,947,796)</u>	<u>1,259,172</u>
Subtotal	<u>11,015,258</u>	<u>553,084</u>	<u>(1,947,796)</u>	<u>9,620,546</u>
Other capital assets:				
Buildings and improvements	8,688,499	1,917,932	-	10,606,431
Machinery and equipment	3,214,709	267,813	(205,536)	3,276,986
Infrastructure assets	<u>5,240,734</u>	<u>1,055,358</u>	<u>-</u>	<u>6,296,092</u>
Subtotal	<u>17,143,942</u>	<u>3,241,103</u>	<u>(205,536)</u>	<u>20,179,509</u>
Less accumulated depreciation:				
Land improvements, buildings, machinery and equipment	(5,637,367)	(545,564)	165,244	(6,017,687)
Infrastructure assets	<u>(753,659)</u>	<u>(241,479)</u>	<u>-</u>	<u>(995,138)</u>
Subtotal	<u>(6,391,026)</u>	<u>(787,043)</u>	<u>165,244</u>	<u>(7,012,825)</u>
Other capital assets, net	<u>10,752,916</u>	<u>2,454,060</u>	<u>(40,292)</u>	<u>13,166,684</u>
Capital assets, net	<u>\$ 21,768,174</u>	<u>\$ 3,007,144</u>	<u>\$(1,988,088)</u>	<u>\$ 22,787,230</u>

The cost to complete construction in progress at June 30, 2012 was approximately \$1,380,000.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

D. CAPITAL ASSETS - Continued

Depreciation was charged to governmental activities as follows:

Public safety	\$236,449
Parks and recreation	141,581
General government	314,625
Public works	46,722
Library	23,597
Planning and zoning	<u>24,069</u>
	<u>\$787,043</u>

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

<u>Governmental Activities</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 792,760	\$ -	\$ -	\$ 792,760
Construction in progress	<u>1,186,643</u>	<u>31,834</u>	<u>(1,186,643)</u>	<u>31,834</u>
Subtotal	<u>1,979,403</u>	<u>31,834</u>	<u>(1,186,643)</u>	<u>824,594</u>
Other capital assets:				
Wastewater plant Machinery and equipment	20,704,789	1,396,655	-	22,101,444
Subtotal	<u>2,469,724</u>	<u>385,873</u>	<u>(195,242)</u>	<u>2,660,355</u>
Subtotal	<u>23,174,513</u>	<u>1,782,528</u>	<u>(195,242)</u>	<u>24,761,799</u>
Less accumulated depreciation:				
Wastewater plant Machinery and equipment	(7,006,493)	(458,812)	-	(7,465,305)
Subtotal	<u>(1,364,043)</u>	<u>(280,251)</u>	<u>156,225</u>	<u>(1,488,069)</u>
Subtotal	<u>(8,370,536)</u>	<u>(739,063)</u>	<u>156,225</u>	<u>(8,953,374)</u>
Other capital assets, net	<u>14,803,977</u>	<u>1,043,465</u>	<u>(39,017)</u>	<u>15,808,425</u>
Capital assets, net	<u>\$ 16,783,380</u>	<u>\$ 1,075,299</u>	<u>\$(1,225,660)</u>	<u>\$ 16,633,019</u>

Depreciation expense related to capital assets used in business-type activities totaled \$739,063.

The cost to complete construction in progress at June 30, 2012 was approximately \$5,000,000.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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.	\$ 1,480,000
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.	4,530,000
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.	160,000
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>12,179</u>
Total governmental activities debt	6,182,179
Plus accrued compensated absences	357,086
Less amounts due within one year	<u>(808,879)</u>
Long-term governmental activities liabilities	<u>\$ 5,730,386</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 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, 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, 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, 2012

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 \$2,970, including interest at 1.77%, through May 2031.	\$ 572,648
Note Payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in monthly installments of \$1,777, including interest at 1.74%, through April 2032.	357,488
Note Payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in equal monthly installments, including interest at 1.0%, through 2032. Payment on this note will begin once completion of the related grant and drawdown of funds has occurred.	266,441
Note Payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in equal monthly installments, including interest at 1.0%, through 2032. Payment on this note will begin once completion of the related grant and drawdown of funds has occurred.	28,650
General Obligation Refunding Bonds, Series 2012, maturing between June 1, 2014 and 2024, at fixed interest rates ranging from 1.00% to 2.00% payable semiannually on June 1 and December 1 and principal payable annually on June 1 of each year.	2,400,000
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.	45,000
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.	495,000
	4,165,227
Plus premium on bonds	12,422
Total business-type activities debt	4,177,649
Plus accrued compensated absences	46,927
Less amounts due within one year, net of current portion of premium on bonds and deferred loss on defeasance	(441,553)
Long-term business-type activities debt	\$ 3,783,023

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

E. LONG-TERM DEBT - Continued

On March 9, 2012, the City issued \$2,435,000 of its General Obligation Refunding Bonds, Series 2012 to refund its note payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund. The remainder of the proceeds from the sale of the bonds were used to pay the costs of issuance of the Series 2012 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 1.00% to 2.00%. The bonds mature from June 1, 2014 through June 1, 2024. The bonds are backed by the full faith and credit of the City and are payable from 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.

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
2013	\$ 616,089	\$ 237,893	\$ 853,982	\$ 404,341	\$ 70,462	\$ 474,803
2014	591,090	220,191	811,281	365,199	63,524	428,723
2015	520,000	200,230	720,230	376,077	56,095	432,172
2016	505,000	181,353	686,353	331,966	48,406	380,372
2017	520,000	162,560	682,560	337,865	42,507	380,372
2018-2022	2,095,000	521,242	2,616,242	1,348,422	146,723	1,495,145
2023-2027	950,000	229,386	1,179,386	688,364	48,227	736,591
2028-2033	<u>385,000</u>	<u>27,072</u>	<u>412,072</u>	<u>312,993</u>	<u>11,153</u>	<u>324,146</u>
	<u>\$6,182,179</u>	<u>\$1,779,927</u>	<u>\$7,962,106</u>	<u>\$4,165,227</u>	<u>\$487,097</u>	<u>\$4,652,324</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
General Obligation Refunding Bonds	\$6,735,000	\$ -	\$(565,000)	\$6,170,000	\$610,000
Loan payable to the State of Tennessee, Department of Economic and Community Development	18,268	-	(6,089)	12,179	6,089
Accrued compensated absences	<u>361,312</u>	<u>188,564</u>	<u>(192,790)</u>	<u>357,086</u>	<u>192,790</u>
	<u>\$7,114,580</u>	<u>\$188,564</u>	<u>\$(763,879)</u>	<u>\$6,539,265</u>	<u>\$808,879</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, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Notes payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund	\$ 3,245,862	\$ 499,660	\$(2,520,295)	\$1,225,227	\$ 54,341
Sewer Revenue and Tax Refunding Bonds, Series 2002	320,000	-	(320,000)	-	-
General Obligation Refunding Bonds	695,000	2,435,000	(190,000)	2,940,000	350,000
Accrued compensated absences	<u>56,621</u>	<u>38,527</u>	<u>(48,221)</u>	<u>46,927</u>	<u>30,280</u>
	4,317,483	2,973,187	(3,078,516)	4,212,154	434,621
Plus premium on bonds	12,281	7,073	(6,932)	12,422	6,932
Less deferred loss on defeasance	<u>(6,088)</u>	<u>-</u>	<u>6,088</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,323,676</u>	<u>\$2,980,260</u>	<u>\$(3,079,360)</u>	<u>\$4,224,576</u>	<u>\$441,553</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012

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 ending June 30, 2012 was 5.82% 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, 2012, the City's annual pension cost of \$166,868 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2009 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 3.00% annual rate of inflation, (c) 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), (d) projected 3.50% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.50% 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 ten-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, 2009 was 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

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>
2012	\$166,868	100.0%	\$ -
2011	174,387	100.0%	-
2010	153,113	100.0%	-

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

H. PENSION PLAN - Continued

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 95.39% funded. The actuarial accrued liability for benefits was \$4.6 million, and the actuarial value of assets was \$4.39 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.21 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.98 million, and the ratio of the UAAL to the covered payroll was 7.10%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

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, 2011	\$4,388,000	\$4,600,000	\$212,000	95.39%	\$2,984,000	7.10%
July 1, 2009	3,248,000	3,319,000	71,000	97.87%	2,839,000	2.49%
July 1, 2007	2,746,000	2,829,000	83,000	97.07%	2,448,000	3.39%

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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.

Through March 31, 2012, the City had a self-funded insurance plan for City employees and their covered dependents to minimize the total cost of medical, dental and prescription drug insurance to the City. This program was for the benefit of all City employees and their covered dependents. Employees contributed to the plan to cover a portion of the estimated cost of dependent medical, dental and prescription drug coverage. Generally, claims exceeding \$50,000 per individual per coverage period (April 1 to March 31) were reinsured through a private insurance carrier. The City also acquired \$2,000,000 in aggregate stop loss coverage from the reinsurer to cover claims during the coverage period that exceeded \$453,980. This plan was accounted for through the City’s only internal service fund, the Health Care Fund.

Effective April 1, 2012, the City terminated the portion of the self-funded plan for medical and prescription drug insurance and has contracted with a commercial insurance carrier to provide employee medical and prescription drug insurance for the benefit of the City’s employees. The City continues to maintain a self-funded plan for dental insurance, which is administered by a third party, and remains the only activity of the Health Care Fund (Internal Service Fund).

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

I. RISK MANAGEMENT - Continued

Changes in the City’s claims liability amount are as follows:

Year Ended <u>June 30,</u>	Liability Beginning of <u>of Year</u>	Incurred <u>Claims</u>	Claim <u>Payments</u>	Liability End <u>of Year</u>
2012	\$113,191	\$882,348	\$995,539	\$ -
2011	39,586	1,032,692	959,087	113,191
2010	131,651	433,829	525,894	39,586

J. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City’s management expects such amounts, if any, to be immaterial.

The City is subject to various claims and legal activities, which arise from time to time; however, the outcome of these claims and legal actions is not presently determinable. City Management, in consultation with legal counsel, does not expect any possible liability to materially exceed the City’s limits of insurance.

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. In September 2008, the City entered into an engineering design and inspection contract. The estimated cost of this project is approximately \$1,040,000 and will be 80% federally funded and 20% state funded. As of June 30, 2012, the construction phase of this project has not begun. This agreement is effective until December 31, 2013.

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, 2012 the construction phase of this project was underway, with approximately \$450,000 remaining in construction costs.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

J. COMMITMENTS AND CONTINGENCIES - Continued

In October 2010, the City entered into a loan agreement with the Tennessee Department of Environment and Conservation, State Revolving Loan Fund, for CG0 2011-278, Green - Collection System Rehabilitation/Replacement-South Palmer's Chapel, and Sage Road grinder pump replacements, and North Palmer's Chapel Vacuum Pumping station motor control center project loan in the amount of \$969,000. Internally, this project is referred to as the Sewer Rehab project. As of June 30, 2012, this project was in the design phase with expectation that design and easement acquisition would be completed during the following fiscal year and expend approximately \$250,000 of the loan amount, the remaining loan amounts will be drawn down in the subsequent fiscal year. The initial loan has \$193,800 in principal forgiveness.

In March 2012, the City entered into a loan agreement with the Tennessee Department of Environment and Conservation, State Revolving Loan Fund, for CGI 2012-302, Green - Infiltration and Inflow Correction project loan in the amount of \$4,500,000, and subsequently a companion loan CGI 2012-302 for \$500,000. Internally, this project is referred to as the Hobbs/Dawn Court project and will change-over a portion of the old, outdated vacuum wastewater collection system to a new gravity collection system. As of June 30, 2012, the project was in the design phase, and the construction phase of the project will begin during the subsequent fiscal year and expend approximately \$800,000 of the loan amount, the remaining loan amounts will be drawn down in the subsequent fiscal year. The initial loan has \$450,000 in principal forgiveness.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2012
 (UNAUDITED)

<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, 2011	\$4,388,000	\$4,600,000	\$212,000	95.39%	\$2,984,000	7.10%
July 1, 2009	3,248,000	3,319,000	71,000	97.87%	2,839,000	2.49%
July 1, 2007	2,746,000	2,829,000	83,000	97.07%	2,448,000	3.39%

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

See independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Balance July 1, 2011 (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>718</u>
U.S. DEPARTMENT TRANSPORTATION:			
Passed through Tennessee Department of Transportation			
Highway Planning and Construction Cluster			
Highway 76 Sidewalk Grant	20.205	060128	54,017
Calista Road (ARRA)	20.205	74LPLM-F3-006	(147,599)
Fiber Optic (ARRA)	20.205	74LPLM-F3-004	<u>(147,756)</u>
			<u>(241,338)</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	(16,870)
Federal portion loan forgiveness (ARRA)	66.458	CWA 09-246	(67,485)
Sewer Improvement Loan			
Federal portion loan (ARRA)	66.458	CGO 2011-278	-
Federal portion loan forgiveness (ARRA)	66.458	CGO 2011-278	-
Sewer Improvement Loan			
Federal portion loan (ARRA)	66.458	CGI 2012-302	-
Federal portion loan forgiveness (ARRA)	66.458	CGI 2012-302	<u>-</u>
			<u>(84,355)</u>

<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2012 (Receivable) <u>Payable</u>
\$ -	\$ 718	\$ -
-	69,633	(15,616)
144,506	3,941	(7,034)
<u>114,731</u>	<u>183,300</u>	<u>(216,325)</u>
<u>259,237</u>	<u>256,874</u>	<u>(238,975)</u>
<u>575</u>	<u>575</u>	<u>-</u>
24,035	7,165	-
96,138	28,653	-
36,280	81,027	(44,747)
32,002	73,860	(41,858)
-	23,162	(23,162)
-	<u>3,183</u>	<u>(3,183)</u>
<u>188,455</u>	<u>217,050</u>	<u>(112,950)</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2012

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Balance July 1, 2011 (Receivable) Payable</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through Tennessee Emergency Management Agency			
Disaster Grants – Public Assistance	97.036	N/A	(42,525)
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2007-FF-00432	<u>95,576</u>
			<u>53,051</u>
U.S. DEPARTMENT OF JUSTICE:			
Passed through the Tennessee Office of Criminal Justice JAG Program:			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	N/A	<u>(17,769)</u>
			<u>\$(289,693)</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 OMB Circular A-133 and the State of Tennessee.

<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2012 (Receivable) <u>Payable</u>
-	97,618	(140,143)
<u>59,033</u>	<u>295,436</u>	<u>(140,827)</u>
<u>59,033</u>	<u>393,054</u>	<u>(280,970)</u>
<u>-</u>	<u>10,244</u>	<u>(28,013)</u>
<u>\$ 507,300</u>	<u>\$878,515</u>	<u>\$(660,908)</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2012

<u>Grantor</u>	<u>State Contract Number</u>	<u>Balance July 1, 2011</u>	<u>Adjustments</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2012</u>
Department of Environment & Conservation						
SRF Loan	CWA 09-246	\$(84,357)	\$ 84,357	\$ -	\$ -	\$ -
SRF Loan	CWA 10-256	-	(84,357)	24,040	101,266	(161,583)
SRF Loan	G60 2011-278	-	-	96,730	219,417	(122,687)
SRF Loan	C61 2012-302	-	-	-	5,489	(5,489)
LPRF	GG-09-26733	<u>(468,231)</u>	<u>468,231(a)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$(552,588)</u>	<u>\$ 468,231</u>	<u>\$120,770</u>	<u>\$326,172</u>	<u>\$(289,759)</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.

(a)-amount represents adjustments to state expenditures for fiscal 2011 (See Note A to the financial statements).

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF REVENUES
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Debt Service Fund	Total Major Governmental Funds
REVENUES	<u> </u>	<u> </u>	<u> </u>
Taxes			
Property taxes	\$ 1,876,836	\$ 569,027	\$ 2,445,863
Intergovernmental revenues			
Local sales tax	2,084,037	-	2,084,037
Wholesale and state beer tax	278,880	-	278,880
Business taxes	146,758	-	146,758
Payments in lieu of taxes	118,482	-	118,482
State sales and income tax	637,404	-	637,404
Other taxes	36,300	-	36,300
Federal, state and county grants	735,762	-	735,762
Charges for services			
Park facility charges	110,951	-	110,951
Licenses and permits			
Building permits	24,272	-	24,272
Franchise fees	208,165	-	208,165
Other permits	5,735	-	5,735
Fines and forfeitures			
Court fines and costs	163,531	-	163,531
Interest revenue	5,217	149	5,366
Miscellaneous			
Insurance recoveries	26,765	-	26,765
Sale of equipment	14,269	-	14,269
Other revenues	60,303	-	60,303
Total revenues	<u>\$ 6,533,667</u>	<u>\$ 569,176</u>	<u>\$ 7,102,843</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Debt Service Fund	Total Major Governmental Funds
EXPENDITURES			
General government			
Payroll and payroll taxes	\$ 386,748	\$ -	\$ 386,748
Employee benefits	150,842	-	150,842
Supplies	36,305	-	36,305
Utilities	34,854	-	34,854
Insurance premium	164,332	-	164,332
Other operating expenses	284,731	-	284,731
Capital outlay	502,090	-	502,090
City court			
Payroll and payroll taxes	41,899	-	41,899
Employee benefits	30,235	-	30,235
Supplies	553	-	553
Other operating expenses	3,461	-	3,461
Public safety			
Payroll and payroll taxes	1,564,025	-	1,564,025
Employee benefits	526,949	-	526,949
Supplies	129,068	-	129,068
Utilities	40,723	-	40,723
Other operating expenses	298,053	-	298,053
Capital outlay	227,829	-	227,829
Streets			
Payroll and payroll taxes	80,690	-	80,690
Employee benefits	33,649	-	33,649
Supplies	50,187	-	50,187
Utilities	6,017	-	6,017
Other operating expenses	51,646	-	51,646
Capital outlay	338,687	-	338,687

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES - CONTINUED
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Debt Service Fund	Total Major Governmental Funds
EXPENDITURES - CONTINUED			
Library and museum			
Payroll and payroll taxes	\$ 105,096	\$ -	\$ 105,096
Employee benefits	51,291	-	51,291
Supplies	10,113	-	10,113
Utilities	7,159	-	7,159
Other operating expenses	19,734	-	19,734
Capital outlay	14,016	-	14,016
Parks and recreation			
Payroll and payroll taxes	237,031	-	237,031
Employee benefits	92,478	-	92,478
Supplies	62,941	-	62,941
Utilities	66,228	-	66,228
Other operating expenses	80,377	-	80,377
Capital outlay	112,579	-	112,579
Planning and zoning			
Payroll and payroll taxes	157,041	-	157,041
Employee benefits	70,319	-	70,319
Supplies	5,107	-	5,107
Other operating expenses	15,715	-	15,715
Senior citizen activities			
Payroll and payroll taxes	6,534	-	6,534
Employee benefits	561	-	561
Supplies	925	-	925
Other operating expenses	19,189	-	19,189
Miscellaneous			
Other operating expenses	-	1,107	1,107
Debt service			
Principal	-	404,809	404,809
Interest	-	153,999	153,999
Total expenditures	<u>\$ 6,118,007</u>	<u>\$ 559,915</u>	<u>\$ 6,677,922</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Cemetery Fund	Drug Fund	Impact Fee Fund
ASSETS			
Cash and cash equivalents	\$ 178,123	\$ 50,042	\$ 224,814
Receivables, net	-	-	-
Due from other funds	-	694	37,920
Total assets	<u>\$ 178,123</u>	<u>\$ 50,736</u>	<u>\$ 262,734</u>
LIABILITIES			
Accounts payable	\$ 526	\$ -	\$ -
Due to other funds	510	-	-
Total liabilities	<u>1,036</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	96,119	-	-
Committed	80,968	50,736	262,734
Total fund balances	177,087	50,736	262,734
Total liabilities and fund balances	<u>\$ 178,123</u>	<u>\$ 50,736</u>	<u>\$ 262,734</u>

See independent auditor's report.

Industrial Development Fund	Parks Sales Tax Fund	State Street Aid Fund	Total Nonmajor Governmental Funds
\$ 43,212	\$ 205,780	\$ 7,539	\$ 709,510
4,512	13,698	47,274	65,484
-	-	23,180	61,794
\$ 47,724	\$ 219,478	\$ 77,993	\$ 836,788
\$ -	\$ -	\$ 521	\$ 1,047
-	13,348	-	13,858
-	13,348	521	14,905
-	206,130	77,472	379,721
47,724	-	-	442,162
47,724	206,130	77,472	821,883
\$ 47,724	\$ 219,478	\$ 77,993	\$ 836,788

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Cemetery Fund	Drug Fund	Impact Fee Fund
REVENUES			
Taxes			
Park sales tax receipts	\$ -	\$ -	\$ -
Intergovernmental revenues			
Federal, state and county grants	-	1,700	-
Gasoline and motor fuel tax	-	-	-
Charges for services			
Cemetery and maintenance	38,422	-	-
Licenses and permits			
Impact fees	-	-	58,659
Fines and forfeitures			
Drug related fines and forfeitures	-	12,715	-
Contributions	-	-	-
Interest revenue	286	100	431
Miscellaneous			
Sale of equipment	-	-	-
Other revenues	-	-	-
Total revenues	38,708	14,515	59,090
EXPENDITURES			
Current operations:			
General government			
Capital outlay	-	-	4,080
Public safety			
Supplies	-	4,444	-
Other operating expenses	-	5,427	-
Capital outlay	-	-	-
Streets			
Utilities	-	-	-
Other operating expenses	-	-	-
Capital outlay	-	-	-

See independent auditor's report.

<u>Industrial Development Fund</u>	<u>Parks Sales Tax Fund</u>	<u>State Street Aid Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 81,385	\$ -	\$ 81,385
40,109	-	-	41,809
-	-	265,857	265,857
-	-	-	38,422
-	-	-	58,659
-	-	-	12,715
-	20,520	-	20,520
77	373	26	1,293
-	-	-	-
-	-	-	-
<u>40,186</u>	<u>102,278</u>	<u>265,883</u>	<u>520,660</u>

-	-	-	4,080
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-	-	-	4,444
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-	-	-	5,427
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-	-	-	-
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-	-	111,101	111,101
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-	-	13,067	13,067
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-	-	125,000	125,000
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CITY OF WHITE HOUSE, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - CONTINUED
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Cemetery Fund	Drug Fund	Impact Fee Fund
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES - CONTINUED			
Cemetery and maintenance			
Payroll and payroll taxes	\$ 3,657	\$ -	\$ -
Employee benefits	278	-	-
Supplies	314	-	-
Utilities	1,126	-	-
Other operating expenses	9,428	-	-
Parks and recreation			
Other operating expenses	-	-	-
Capital outlay	-	-	-
Miscellaneous			
Other operating expenses	-	-	257
Debt service			
Principal	-	-	66,280
Interest	-	-	68,009
Total expenditures	<u>14,803</u>	<u>9,871</u>	<u>138,626</u>
REVENUES OVER (UNDER)			
EXPENDITURES	23,905	4,644	(79,536)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	23,905	4,644	(79,536)
FUND BALANCES, June 30, 2011	<u>153,182</u>	<u>46,092</u>	<u>342,270</u>
FUND BALANCES, June 30, 2012	<u>\$ 177,087</u>	<u>\$ 50,736</u>	<u>\$ 262,734</u>

See independent auditor's report.

Industrial Development Fund	Parks Sales Tax Fund	State Street Aid Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 3,657
-	-	-	278
-	-	-	314
-	-	-	1,126
-	-	-	9,428
-	364	-	364
-	54,439	-	54,439
47,860	-	-	48,117
-	100,000	-	166,280
-	33,884	-	101,893
<u>47,860</u>	<u>188,687</u>	<u>249,168</u>	<u>649,015</u>
(7,674)	(86,409)	16,715	(128,355)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(7,674)	(86,409)	16,715	(128,355)
<u>55,398</u>	<u>292,539</u>	<u>60,757</u>	<u>950,238</u>
<u>\$ 47,724</u>	<u>\$ 206,130</u>	<u>\$ 77,472</u>	<u>\$ 821,883</u>

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 CEMETERY FUND
 YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Charges for services	\$ 29,778	\$ 29,778	\$ 38,422	\$ -	\$ 38,422
Interest revenue	380	380	286	-	286
Miscellaneous	-	-	-	-	-
Total revenues	<u>30,158</u>	<u>30,158</u>	<u>38,708</u>	<u>-</u>	<u>38,708</u>
EXPENDITURES					
Cemetery and maintenance	20,043	20,043	14,603	200	14,803
Capital outlay	-	-	-	-	-
Total expenditures	<u>20,043</u>	<u>20,043</u>	<u>14,603</u>	<u>200</u>	<u>14,803</u>
REVENUES OVER (UNDER) EXPENDITURES	10,115	10,115	24,105	(200)	23,905
NET PAYMENTS TO OTHER FUNDS	-	-	(413)	413	-
NET CHANGE IN FUND BALANCE	10,115	10,115	23,692	213	23,905
FUND BALANCES, June 30, 2011	<u>152,601</u>	<u>152,601</u>	<u>152,601</u>	<u>581</u>	<u>153,182</u>
FUND BALANCES, June 30, 2012	<u>\$ 162,716</u>	<u>\$ 162,716</u>	<u>\$ 176,293</u>	<u>\$ 794</u>	<u>\$ 177,087</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	\$ (200)
Change in due to other funds	<u>413</u>
	<u>\$ 213</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 auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 DRUG FUND
 YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ 1,200	\$ 1,200	\$ 1,700	\$ -	\$ 1,700
Fines and forfeitures	15,500	15,500	12,715	-	12,715
Contributions	-	-	-	-	-
Interest revenue	100	100	100	-	100
Miscellaneous	400	400	-	-	-
Total revenues	<u>17,200</u>	<u>17,200</u>	<u>14,515</u>	<u>-</u>	<u>14,515</u>
EXPENDITURES					
Public safety	9,450	9,450	8,771	1,100	9,871
Capital outlay	-	-	-	-	-
Total expenditures	<u>9,450</u>	<u>9,450</u>	<u>8,771</u>	<u>1,100</u>	<u>9,871</u>
REVENUES OVER (UNDER)					
EXPENDITURES	7,750	7,750	5,744	(1,100)	4,644
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(1,361)</u>	<u>1,361</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	7,750	7,750	4,383	261	4,644
FUND BALANCES, June 30, 2011	<u>45,759</u>	<u>45,759</u>	<u>45,759</u>	<u>333</u>	<u>46,092</u>
FUND BALANCES, June 30, 2012	<u>\$ 53,509</u>	<u>\$ 53,509</u>	<u>\$ 50,142</u>	<u>\$ 594</u>	<u>\$ 50,736</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
DRUG FUND
YEAR ENDED JUNE 30, 2012

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	\$ (1,100)
Change in due from other funds	<u>1,361</u>
	<u>\$ 261</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
 BUDGETARY COMPARISON SCHEDULE
 IMPACT FEE FUND
 YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ 298,000	\$ 298,000	\$ -	\$ -	\$ -
Licenses and permits	58,000	58,000	58,659	-	58,659
Interest revenue	1,700	1,700	431	-	431
Total revenues	<u>357,700</u>	<u>357,700</u>	<u>59,090</u>	<u>-</u>	<u>59,090</u>
EXPENDITURES					
Streets	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Miscellaneous	350	537	257	-	257
Capital outlay	380,000	380,000	4,080	-	4,080
Debt service					
Principal	53,742	66,280	66,280	-	66,280
Interest	68,009	68,009	68,009	-	68,009
Total expenditures	<u>502,101</u>	<u>514,826</u>	<u>138,626</u>	<u>-</u>	<u>138,626</u>
NET CHANGE IN FUND BALANCE	(144,401)	(157,126)	(79,536)	-	(79,536)
FUND BALANCES, June 30, 2011	<u>342,270</u>	<u>342,270</u>	<u>342,270</u>	<u>-</u>	<u>342,270</u>
FUND BALANCES, June 30, 2012	<u>\$ 197,869</u>	<u>\$ 185,144</u>	<u>\$ 262,734</u>	<u>\$ -</u>	<u>\$ 262,734</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
IMPACT FEE FUND
YEAR ENDED JUNE 30, 2012

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 \$79,536. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 INDUSTRIAL DEVELOPMENT FUND
 YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ 43,000	\$ 43,000	\$ 39,126	\$ 983	\$ 40,109
Interest revenue	175	175	77	-	77
Total revenues	<u>43,175</u>	<u>43,175</u>	<u>39,203</u>	<u>983</u>	<u>40,186</u>
EXPENDITURES					
Miscellaneous	54,500	54,500	47,860	-	47,860
Capital outlay	-	-	-	-	-
Total expenditures	<u>54,500</u>	<u>54,500</u>	<u>47,860</u>	<u>-</u>	<u>47,860</u>
REVENUES OVER (UNDER) EXPENDITURES					
	(11,325)	(11,325)	(8,657)	983	(7,674)
NET BORROWINGS FROM OTHER FUNDS					
	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(11,325)	(11,325)	(8,657)	983	(7,674)
FUND BALANCES, June 30, 2011	<u>51,534</u>	<u>51,534</u>	<u>51,534</u>	<u>3,864</u>	<u>55,398</u>
FUND BALANCES, June 30, 2012	<u>\$ 40,209</u>	<u>\$ 40,209</u>	<u>\$ 42,877</u>	<u>\$ 4,847</u>	<u>\$ 47,724</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 \$ 983

[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 \$8,657. The funding of this deficit is the responsibility of the City and was funded by using the prior year's fund balance.

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 PARKS SALES TAX FUND
 YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 79,000	\$ 79,000	\$ 76,458	\$ 4,927	\$ 81,385
Contributions	20,000	20,000	20,520	-	20,520
Interest revenue	1,200	1,200			373
Miscellaneous	-	-	-	-	-
Total revenues	<u>100,200</u>	<u>100,200</u>	<u>96,978</u>	<u>4,927</u>	<u>102,278</u>
EXPENDITURES					
Miscellaneous	1,100	1,100	364	-	364
Capital outlay	41,690	58,689	58,689	(4,250)	54,439
Debt service					
Principal	100,000	100,000	100,000	-	100,000
Interest	<u>33,884</u>	<u>33,884</u>	<u>33,884</u>	<u>-</u>	<u>33,884</u>
Total expenditures	<u>176,674</u>	<u>193,673</u>	<u>192,937</u>	<u>(4,250)</u>	<u>188,687</u>
REVENUES OVER (UNDER) EXPENDITURES	(76,474)	(93,473)	(95,959)	9,177	(86,409)
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>19,766</u>	<u>(19,766)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(76,474)	(93,473)	(76,193)	(10,589)	(86,409)
FUND BALANCES, June 30, 2011	<u>(80,145)</u>	<u>(80,145)</u>	<u>(80,145)</u>	<u>372,684</u>	<u>292,539</u>
FUND BALANCES, June 30, 2012	<u>\$ (156,619)</u>	<u>\$ (173,618)</u>	<u>\$ (156,338)</u>	<u>\$ 362,095</u>	<u>\$ 206,130</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
PARKS SALES TAX FUND
YEAR ENDED JUNE 30, 2012

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	\$ 4,927
Changes in other assets and liabilities	4,250
Changes in due to and due from other funds	<u>(19,766)</u>
	<u>\$ (10,589)</u>

[2] The amount reported as "net change in fund balance" on the actual budgetary basis of accounting reported a deficit of \$76,193. The funding of this deficit is the responsibility of the City and will be funded by future taxes and contributions.

[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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Gasoline and motor fuel tax	\$ 273,296	\$ 273,296	\$ 265,698	\$ 159	\$ 265,857
Interest revenue	<u>200</u>	<u>200</u>	<u>26</u>	<u>-</u>	<u>26</u>
Total revenues	<u>273,496</u>	<u>273,496</u>	<u>265,724</u>	<u>159</u>	<u>265,883</u>
EXPENDITURES					
Streets	133,900	133,900	124,168	-	124,168
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>127,366</u>	<u>(2,366)</u>	<u>125,000</u>
Total expenditures	<u>258,900</u>	<u>258,900</u>	<u>251,534</u>	<u>(2,366)</u>	<u>249,168</u>
REVENUES OVER (UNDER)					
EXPENDITURES	14,596	14,596	14,190	2,525	16,715
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>473</u>	<u>(473)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	14,596	14,596	14,663	2,052	16,715
FUND BALANCES, June 30, 2011	<u>(28,484)</u>	<u>(28,484)</u>	<u>(28,484)</u>	<u>89,241</u>	<u>60,757</u>
FUND BALANCES, June 30, 2012	<u>\$ (13,888)</u>	<u>\$ (13,888)</u>	<u>\$ (13,821)</u>	<u>\$ 91,293</u>	<u>\$ 77,472</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	\$ 159
Changes in other assets and liabilities	2,366
Change in due from/to other funds	<u>(473)</u>
	<u>\$ 2,052</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 auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 550,000	\$ 550,000	\$ 534,234	\$ 34,793	\$ 569,027
Interest revenue	800	800	149	-	149
Total revenues	<u>550,800</u>	<u>550,800</u>	<u>534,383</u>	<u>34,793</u>	<u>569,176</u>
EXPENDITURES					
Miscellaneous	1,250	1,250	1,107	-	1,107
Debt service					
Principal	417,347	417,347	404,809	-	404,809
Interest	153,999	153,999	153,999	-	153,999
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>572,596</u>	<u>572,596</u>	<u>559,915</u>	<u>-</u>	<u>559,915</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(21,796)</u>	<u>(21,796)</u>	<u>(25,532)</u>	<u>34,793</u>	<u>9,261</u>
NET BORROWINGS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>39,217</u>	<u>(39,217)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(21,796)	(21,796)	13,685	(4,424)	9,261
FUND BALANCES, June 30, 2011	<u>20,624</u>	<u>20,624</u>	<u>20,624</u>	<u>38,130</u>	<u>58,754</u>
FUND BALANCES, June 30, 2012	<u>\$ (1,172)</u>	<u>\$ (1,172)</u>	<u>\$ 34,309</u>	<u>\$ 33,706</u>	<u>\$ 68,015</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2012

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	\$ 34,793
Change in due from/to other funds	<u>(39,217)</u>
	<u>\$ (4,424)</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, 2012

	<u>Health Care Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 241,038
	<u>241,038</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	<u>3,723</u>
	<u>3,723</u>
NET ASSETS	
Unrestricted	<u>\$ 237,315</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2012

	Health Care Fund
OPERATING REVENUES	
Insurance premiums	\$ 746,272
	746,272
OPERATING EXPENSES	
Premiums	160,337
Claims, net of insurance recoveries	500,822
	661,159
OPERATING INCOME (LOSS)	85,113
NONOPERATING REVENUES (EXPENSES)	
Interest income	347
	347
CHANGE IN NET ASSETS	85,460
NET ASSETS, June 30, 2011	151,855
NET ASSETS, June 30, 2012	\$ 237,315

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2012

	Health Care Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 746,272
Claims paid, net of insurance recoveries	(611,605)
Premiums paid	(160,337)
Net cash used in operating activities	(25,670)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	347
Net cash provided by investing activities	347
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (25,323)
 CASH AND CASH EQUIVALENTS, June 30, 2011	 266,361
 CASH AND CASH EQUIVALENTS, June 30, 2012	 \$ 241,038
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income	\$ 85,113
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in operating assets and liabilities	
Accrued liabilities	(110,783)
 Net cash used in operating activities	 \$ (25,670)

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
 YEAR ENDED JUNE 30, 2012

Tax Year	Balance June 30, 2010	Tax Levy	Collections	Adjustments	Penalties and Interest	Balance June 30, 2011
2011	\$ -	\$2,312,867	\$(2,225,977)	\$ -	\$ 3,959	\$ 90,849
2010	97,046	-	(64,626)	-	4,210	36,630
2009	55,799	-	(37,650)	-	5,373	23,522
2008	61,616	-	(16,847)	-	5,878	50,647
2007	41,174	-	(16,571)	-	4,467	29,070
2006	40,733	-	(16,690)	-	3,812	27,855
2005	46,573	-	(866)	-	4,299	50,006
2004	30,371	-	(4,220)	-	3,711	29,862
2003	35,059	-	-	-	2,750	37,809
2002	14,460	-	-	-	3,092	17,552
	<u>\$422,831</u>	<u>\$2,312,867</u>	<u>\$ 2,383,447</u>	<u>\$ -</u>	<u>\$41,551</u>	393,802

Deferred property tax revenues for 2012 accrued 2,394,000

\$2,787,802

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

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULES OF LONG-TERM DEBT
JUNE 30, 2012

Governmental Activities Long-Term Debt

Year Ending June 30,	General Obligation Refunding Bonds, Series 2002		General Obligation Refunding Bonds, Series 2008		General Obligation Bonds, Series 2009		Tennessee Department of Economic and Community Development Loan		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	and Interest
2013	55,000	6,400	220,000	194,364	335,000	37,129	6,089	-	616,089	237,893	853,982	
2014	50,000	4,200	345,000	185,562	190,000	30,429	6,090	-	591,090	220,191	811,281	
2015	55,000	2,200	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	
			360,000	125,562	100,000	17,321	-	-	460,000	142,883	602,883	
			400,000	110,984	115,000	13,728	-	-	515,000	124,712	639,712	
			415,000	93,784	125,000	9,665	-	-	540,000	103,449	643,449	
			150,000	75,936	135,000	5,075	-	-	285,000	81,011	366,011	
			150,000	69,187	145,000	-	-	-	295,000	69,187	364,187	
			150,000	62,438	-	-	-	-	150,000	62,438	212,438	
			200,000	55,686	-	-	-	-	200,000	55,686	255,686	
			200,000	46,388	-	-	-	-	200,000	46,388	246,388	
			200,000	37,087	-	-	-	-	200,000	37,087	237,087	
			200,000	27,787	-	-	-	-	200,000	27,787	227,787	
			200,000	18,286	-	-	-	-	200,000	18,286	218,286	
			185,000	8,786	-	-	-	-	185,000	8,786	193,786	
			\$ 4,530,000	\$ 1,583,327	\$ 1,480,000	\$ 183,800	\$ 12,179	\$ -	\$ 6,182,179	\$ 1,779,927	\$ 7,962,106	

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULES OF LONG-TERM DEBT - CONTINUED
JUNE 30, 2012

Business-Type Activities Long-Term Debt

Year Ending June 30,	General Obligation Bonds, Series 2009		Sanitation Fund -General Obligation Refunding Bonds, Series 2008		Sewer Fund -General Obligation Refunding Bonds, Series 2008		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 Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2013	45,000	900	50,000	6,000	60,000	13,800	12,095	2,609	1,301	281	404,341	70,462	474,803		
2014	-	-	50,000	4,000	65,000	11,400	12,217	2,488	1,314	267	365,199	63,524	428,723		
2015	-	-	50,000	2,000	70,000	8,800	12,340	2,365	1,327	254	376,077	56,095	432,172		
2016	-	-	-	-	75,000	6,000	12,463	2,241	1,340	241	331,966	48,406	380,372		
2017	-	-	-	-	75,000	3,000	12,589	2,116	1,354	227	337,865	42,507	380,372		
	\$ 45,000	\$ 900	\$ 150,000	\$ 12,000	\$ 345,000	\$ 43,000	12,715	1,989	1,367	214	263,784	36,537	300,321		
							12,843	1,861	1,381	200	264,716	33,351	298,067		
							12,972	1,732	1,395	186	270,669	29,733	300,402		
							13,102	1,602	1,409	172	271,633	25,724	297,357		
							13,234	1,471	1,423	158	277,620	21,378	298,998		
							13,367	1,338	1,437	144	283,616	16,618	300,234		
							13,501	1,203	1,452	129	204,625	11,429	216,054		
							13,637	1,608	1,466	115	65,657	8,138	73,795		
							13,774	931	1,481	100	66,700	6,555	73,255		
							13,912	792	1,496	85	67,766	5,487	73,253		
							14,052	653	1,511	70	68,857	4,397	73,254		
							14,193	511	1,526	55	69,959	3,295	73,254		
							14,335	369	1,541	40	71,074	2,180	73,254		
							14,479	225	1,557	24	69,238	1,039	70,277		
							14,621	80	1,572	9	33,865	242	34,107		
	\$ 2,400,000	\$ 232,925	\$ 572,648	\$ 101,624	\$ 357,488	\$ 65,493	\$ 266,441	\$ 28,184	\$ 28,650	\$ 2,971	\$ 4,165,227	\$ 487,097	\$ 4,652,324		

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
(UNAUDITED)
YEAR ENDED JUNE 30, 2012

<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>
2012	Sumner and Robertson Counties	\$0.70	\$0.28	\$0.00	\$0.98	\$371,641,352	\$ 96,599,383
		0.72	0.29	0.00	1.01	453,984,383	136,674,122
2011	Sumner and Robertson Counties	0.74	0.24	0.00	0.98	380,383,044	99,713,359
		0.77	0.24	0.00	1.01	466,489,879	138,878,040
2010	Sumner and Robertson Counties	0.70	0.28	0.00	0.98	363,196,588	95,672,406
		0.71	0.30	0.00	1.01	449,350,483	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 and Robertson Counties	0.75	0.18	0.20	1.13	278,694,897	74,047,530
		0.84	0.20	0.24	1.28	304,948,865	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

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF WASTEWATER RATES AND NUMBER OF CUSTOMERS
(UNAUDITED)
JUNE 30, 2012

CUSTOMER RATES

Residential:

Minimum bill (0 - 1,000 gallons)	\$16.00
Over 1,000 gallons	6.90 per 1,000 gallons

Non-Residential:

Minimum bill (0 - 1,000 gallons)	35.00
Over 1,000 gallons	6.90 per 1,000 gallons

CAPACITY FEES 2,500.00 minimum

NUMBER OF CUSTOMERS 3,856

See independent auditor's report.



Independent Auditor's 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, 2012, which collectively comprise the City of White House, Tennessee's basic financial statements and have issued our report thereon dated March 21, 2013. 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

Management of the City is responsible for establishing and maintaining effective 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, 2013.

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, federal awarding agencies 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.

Crosslin & Associates, P.C.

March 21, 2013
Nashville, Tennessee

Independent Auditor's 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 Aldermen
City of White House, Tennessee

Compliance

We have audited the City of White House, Tennessee's (the "City") compliance 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, 2012. The City's major federal programs are identified in the summary of auditor's 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, 2012.



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 Aldermen, others within the City, federal awarding agencies 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.

Crosslin & Associates, P.C.

March 21, 2013
Nashville, Tennessee

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's 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 auditor's 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, including ARRA
66.458	Capitalization 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, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

Grant Cutoff

Criteria, Condition, Cause and Effect

The City should present all 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 \$207,000 of grant revenue and receivables related to certain federal and state grants, as well as \$325,000 of liability (revolving loan funds program) related to the same grant activity. As a result, an adjustment was required to the general fund and wastewater department fund financial statements in order for them to be properly stated at June 30, 2012.

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 make every effort to 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, 2012

The prior year audits included the finding summarized below:

Grant Revenue Cutoff

The City did not record grant revenue and receivables related to certain federal and state grants. This finding is repeated in the current year.