

CITY OF WHITE HOUSE, TENNESSEE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

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	Kerry Harville
Chief of Fire Department	Joe Palmer
Chief of Police Department	Pat Brady
Director of Finance	Charlotte Soporowski
Director of Human Resources	Amanda Brewton
Director of Library	Elizabeth Kozlowski
Director of Parks and Recreation	Ashley Smith
Director of Planning and Codes	Reed Hillen
Director of Public Services	Joe Moss

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of White House, Tennessee (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison schedule for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, and the schedule of funding progress – employee retirement system on page 50 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of White House, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules on pages 51 through 81, and the information listed as other supplementary schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.



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

The combining and individual nonmajor fund financial statements and schedules, and the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, and the other supplementary schedules marked “unaudited,” 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Crosslin & Associates, P.C.
Nashville, Tennessee
February 27, 2015

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, 2014. 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 \$5,037,000 in 2014 or 15.5%, while business-type activities total assets increased by \$2,330,000 or 11.5%, resulting in an increase in total primary government assets of \$7,367,000 or about 13.9%. Governmental activities total revenues for the City increased by \$1,803,000 or 25%, while business-type total revenues increased by \$284,000 or 7.7%, resulting in an increase in total primary government revenues of \$2,087,000, or 19.1%. The City's governmental activities total program costs for 2014 increased \$575,000 or 9.0%, while business-type activities total program costs increased by \$500,000 or 17.4%, resulting in an increase in total primary government program costs of \$1,075,000 or 11.6%. With respect to the City's governmental activities, total revenues increased by a greater amount than total program expenses increased. This resulted in an increase in the change in net position of \$1,320,000 compared to the prior fiscal year. For the General Fund there was a positive net change in fund balance of \$2,847,000. The General Fund - fund balance at fiscal year-end was approximately \$7,892,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position 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 16. 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 position 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 position (the difference between assets and liabilities) and the changes in net position 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 \$37,589,000 in 2014 versus \$32,552,000 in 2013, representing an increase of \$5,037,000 or 15.5%. Table 1 also shows that total assets of the City’s business-type activities were \$22,679,000 in 2014 versus \$20,349,000 in 2013, representing an increase of \$2,330,000 or 11.5%.

Table 1
Net Position
(in Thousands)

	Governmental Activities			Business-type Activities			Total Primary Government		
	2014	2013	Change	2014	2013	Change	2014	2013	Change
Current and other assets	\$ 12,639	\$ 9,340	\$ 3,299	\$ 4,324	\$ 3,616	\$ 708	\$ 16,963	\$ 12,956	\$ 4,007
Capital assets	24,950	23,212	1,738	18,355	16,733	1,622	43,305	39,945	3,360
Total assets	37,589	32,552	5,037	22,679	20,349	2,330	60,268	52,901	7,367
Long-term liabilities	8,526	5,948	2,578	6,078	4,495	1,583	14,604	10,443	4,161
Other liabilities	441	292	149	264	156	108	705	448	257
Total liabilities	8,967	6,240	2,727	6,342	4,651	1,691	15,309	10,891	4,418
Deferred inflows of resources	2,984	2,919	65	-	-	-	2,984	2,919	65
Net position:									
Net investment in capital assets	16,838	17,628	(790)	12,309	12,287	22	29,147	29,915	(768)
Restricted	2,991	366	2,625	-	-	-	2,991	366	2,625
Unrestricted	5,809	5,399	410	4,028	3,411	617	9,837	8,810	1,027
Total net position	\$ 25,638	\$ 23,393	\$ 2,245	\$ 16,337	\$ 15,698	\$ 639	\$ 41,975	\$ 39,091	\$ 2,884

The significant elements and causes for the changes in the City’s governmental activities total assets in 2014 were: (1) Current and other assets increased by \$3,299,000. (2) Capital assets net, including infrastructure additions, increased by \$1,738,000. This amount included an increase in land and construction in progress, machinery and equipment, and infrastructure, for a net increase of \$2,857,000 net of retirements of \$266,000 and depreciation expense of \$853,000. Major capital asset events affecting governmental activities during the current fiscal year included the following:

- The Highway 76 Sidewalk project continued for an addition of \$961,000.
- The New Library Building project continued for an addition of \$438,000.
- The new park restroom project was completed for an addition of \$155,000.

The significant aspects of the increase in the City’s business-type activities total assets in 2014 was an increase in current and other assets of \$708,000 and an increase in capital assets of \$1,622,000. The net increase is the result of an increase in construction in progress of \$2,005,000, a net increase in machinery and equipment of \$287,000, and depreciation expense of \$715,000. Major capital asset events affecting business-type activities during the current fiscal year included the following:

- Hobbs/Dawn Court conversion from vacuum continued for an addition of \$1,459,000.
- Improvements to the Meadowlark Lift Station resulted in an addition of \$248,000.

As shown in Table 1, total liabilities of the City's governmental activities increased by \$2,727,000 or 43.7% to \$8,967,000 in 2014 from \$6,240,000 in 2013. Table 1 also shows total liabilities of the City's business-type activities increased by \$1,691,000 or 36.4% to \$6,342,000 in 2014 from \$4,651,000 in 2013.

The significant elements and causes for the changes in the City's governmental activities total liabilities in 2014 were: (1) Other liabilities increased by \$149,000, and (2) long-term liabilities increased by \$2,578,000. This was comprised of an increase in accruals for compensated absences of \$50,000, an increase due to the issuance of long-term debt and its related bond premium of \$2,534,000, and a decrease due to capital lease principal payments of \$6,000.

The most significant aspect of the increase in the City's business-type activities total liabilities in 2014 was the increase in long-term debt primarily due to an additional debt issuance of \$1,901,000 drawn from State Revolving Fund Loans, offset by payments of long term debt in the amount of \$310,000.

Therefore, total net position of the City's governmental activities increased to \$25,638,000 in 2014 from \$23,393,000 in 2013 representing an increase of \$2,245,000 or 9.6%, and total net position of the City's business-type activities increased to \$16,337,000 in 2014 from \$15,698,000, representing an increase of \$639,000 or 4.1%.

The significant elements and causes for the increase in the City's governmental activities net position are: (1) Net investment in capital assets decreased by \$790,000; and (2) Restricted net position increased by \$2,625,000 and unrestricted net position increased by \$410,000. The increase in the City's business-type activities net position of \$639,000 was due to an increase in net position for net investment in capital assets of \$22,000, along with an increase of \$617,000 in unrestricted net position.

Table 2 illustrates the changes in net position. As stated earlier, the changes in net position over time provide an excellent opportunity to evaluate the financial health of the City. Total revenues for the City's governmental activities increased to \$9,010,000 in 2014 from \$7,207,000 in 2013, representing an increase of \$1,803,000 or 25.0%. Total revenues for the City's business-type activities increased to \$3,984,000 in 2014 from \$3,700,000 in 2013, representing an increase of \$284,000 or 7.7%.

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities			Business-type Activities			Total Primary Government	
	2014	2013	Change	2014	2013	Change	2014	2013
Revenues								
Program revenues:								
Charges for services	\$ 607	\$ 557	\$ 50	\$ 3,913	\$ 3,565	\$ 348	\$ 4,520	\$ 4,122
Grants and contributions:								
For operations	537	149	388	-	-	-	537	149
For capital projects	937	180	757	-	-	-	937	180
General revenues:								
Property taxes	2,957	2,270	687	-	-	-	2,957	2,270
Park sales tax	81	76	5	-	-	-	81	76
Impact fees	18	6	12	-	-	-	18	6
Intergovernmental revenues	4,009	3,888	121	-	-	-	4,009	3,888
Other revenues	(136)	81	(217)	71	135	(64)	(65)	216
Total revenues	9,010	7,207	1,803	3,984	3,700	284	12,994	10,907
Program expenses:								
General government	1,386	1,359	27	-	-	-	1,386	1,359
City court	76	74	2	-	-	-	76	74
Public safety	3,179	2,910	269	-	-	-	3,179	2,910
Streets	451	429	22	-	-	-	451	429
Cemetery and maintenance	23	16	7	-	-	-	23	16
Library and museum	256	232	24	-	-	-	256	232
Parks and recreation	756	708	48	-	-	-	756	708
Planning and zoning	342	311	31	-	-	-	342	311
Senior citizens activities	33	29	4	-	-	-	33	29
City garage	-	-	-	-	-	-	-	-
Miscellaneous	157	70	87	-	-	-	157	70
Interest on long-term debt	291	237	54	-	-	-	291	237
Wastewater department	-	-	-	2,703	2,173	530	2,703	2,173
Sanitation department	-	-	-	677	707	(30)	677	707
Total expenses	6,950	6,375	575	3,380	2,880	500	10,330	9,255
Excess before contributions and transfers	2,060	832	1,228	604	820	(216)	2,664	1,652
Contributions	-	-	-	220	124	96	220	124
Transfers	185	93	92	(185)	(93)	(92)	-	-
Net change in net assets	2,245	925	1,320	639	851	(212)	2,884	1,776
NET POSITION, June 30, 2013	23,393	22,468	925	15,698	14,847	851	39,091	37,315
NET POSITION, June 30, 2014	\$ 25,638	\$ 23,393	\$ 2,245	\$ 16,337	\$ 15,698	\$ 639	\$41,975	\$ 39,091

The increase in total revenues of the City's governmental activities for 2014 as compared to 2013 was primarily due to: (1) Program revenues for operations increased by \$388,000 (2) Property Tax revenues increased by \$687,000.

The increase in total revenues of the City's business-type activities was primarily due to an increase in Program Revenues for Charges for Services.

Table 2 shows that total program expenses for the City's governmental activities increased to \$6,950,000 in 2014 from \$6,375,000 in 2013, representing an increase of \$575,000 or 9.0%. Total program expenses for the City's business-type activities increased to \$3,380,000 in 2014 from \$2,880,000 in 2013, representing an increase of \$500,000 or 17.4%.

The increase in total program expenses for the City's governmental activities was primarily due to: (1) Public Safety expenses increased by \$269,000, primarily due to increases in salary and benefits, (2) Miscellaneous expenses also increased by \$87,000, primarily due to the increase in insurance premiums as compared to the prior year, and (3) Interest on long-term debt expenses increased by \$54,000.

The increase in total program expenses for the City's business-type activities was primarily due to an increase in supplies expense at the Wastewater Department.

The increase in the net position of the City's governmental activities in 2014 was \$2,245,000 as compared to an increase in net position in 2013 of \$925,000. This \$1,320,000 increase is primarily due to an increase in program revenues reduced by 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, 2014. The original budget revenue estimates total \$9,334,000, not including revenue from other financing sources of \$3,000,000 for a total of \$12,334,000. Final budget revenues for the period amounted to \$9,257,000 and revenue from other financing sources of \$3,000,000 for a total of \$12,257,000. Final actual (budgetary basis) revenues for the period amounted to \$11,052,000. The primary reason for the difference of actual to budget performance were that intergovernmental revenues were significantly less than anticipated. The City's original budgeted expenditures for the 2014 year-end were estimated to be \$13,258,000. Final budget expenditures for the period amounted to \$12,996,000. Final actual (budgetary basis) expenditures for the period amounted to \$8,177,000. 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 of \$2,852,000. At the end of this period the City's actual General Fund - fund balance on a cash budgetary basis was \$8,156,000.

Table 3
General Fund Budget Comparison
(in Thousands)

	Original Budget	Final Budget	Actual (Budgetary) Basis)	Variance with Final Budget - Over/(Under)
Revenues				
Taxes	\$ 2,122	\$ 2,122	\$ 2,152	\$ 30
Intergovernmental revenues	6,646	6,642	4,881	(1,761)
Other revenues	566	493	690	197
Total revenues	<u>9,334</u>	<u>9,257</u>	<u>7,723</u>	<u>(1,534)</u>
Expenditures				
General government	3,310	3,310	2,066	(1,244)
Public safety	3,885	3,855	3,130	(725)
Streets	728	723	661	(62)
Parks and recreation	1,105	878	1,165	287
Planning and zoning	275	275	263	(12)
Other activity expenditures	3,955	3,955	892	(3,063)
Total expenditures	<u>13,258</u>	<u>12,996</u>	<u>8,177</u>	<u>(4,819)</u>
Revenues over (under) expenditures	<u>(3,924)</u>	<u>(3,739)</u>	<u>(454)</u>	<u>3,285</u>
Other financing sources	3,000	3,000	3,327	327
Net payments to other funds	-	-	(23)	(23)
Net change in fund balance	<u>(924)</u>	<u>(739)</u>	<u>2,850</u>	<u>3,589</u>
FUND BALANCES, June 30, 2013	<u>4,489</u>	<u>4,479</u>	<u>5,304</u>	<u>825</u>
FUND BALANCES, June 30, 2014	<u><u>\$ 3,565</u></u>	<u><u>\$ 3,740</u></u>	<u><u>\$ 8,154</u></u>	<u><u>\$ 4,414</u></u>

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

Business-type Activities

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

CAPITAL ASSETS

Table 4 provides a comparative view of the capital assets of the General Fund governmental and business-type activities in five major categories: land and construction in progress; buildings and improvements; machinery and equipment; utility plant in service; and infrastructure. Also noted are the amounts of accumulated depreciation applicable to these capital assets.

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

	Governmental Activities			Business-type Activities			Total		
	2014	2013	Change	2014	2013	Change	2014	2013	Change
Land and construction in progress	\$11,585	\$ 10,204	\$1,381	\$ 3,649	\$ 1,644	\$ 2,005	\$ 15,234	\$ 11,848	\$3,386
Buildings and improvements	11,125	10,537	588	-	-	-	11,125	10,537	588
Machinery and equipment	3,841	3,534	307	2,522	2,235	287	6,363	5,769	594
Utility plant in service	-	-	-	22,072	22,072	-	22,072	22,072	-
Infrastructure	6,846	6,804	42	-	-	-	6,846	6,804	42
Total capital assets	33,397	31,079	2,318	28,243	25,951	2,292	61,640	57,030	4,610
Accumulated depreciation	(8,447)	(7,867)	(580)	(9,888)	(9,218)	(670)	(18,335)	(17,085)	(1,250)
Net capital assets	\$24,950	\$ 23,212	\$1,738	\$ 18,355	\$ 16,733	\$ 1,622	\$ 43,305	\$ 39,945	\$3,360

Governmental Activities

In June 2013, the City's governmental activities had \$23,212,000 (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 2014 capital assets, were \$24,950,000 (net of accumulated depreciation), representing a net increase of \$1,738,000 or 7.5%. The increase in capital assets was comprised of two significant components: Land and construction in progress increase of \$1,381,000, and Building and improvements increase of \$588,000. Capital asset additions in 2014 consisted primarily of buildings and improvements including the newly constructed park restroom and the preparation for the construction of the new library.

Business-type Activities

In June 2013, the City's business-type activities, consisting of the Wastewater and Sanitation Departments, had \$16,733,000 (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 2014 capital assets were \$18,355,000 (net of accumulated depreciation), representing a net increase of \$1,622,000 or 9.7% from 2013. The net increase in capital assets included depreciation of \$715,000, net of the following: an increase in land and construction in progress of \$2,005,000, a net increase in machinery and equipment of \$287,000.

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 2014 and 2013.

	Outstanding Debt at Year-End (in Thousands)								
	Governmental Activities			Business-type Activities			Total		
	2014	2013	Change	2014	2013	Change	2014	2013	Change
Bonds payable	\$ 8,060	\$ 5,560	\$ 2,500	\$ 2,280	\$ 2,590	\$ (310)	\$10,340	\$ 8,150	\$ 2,190
Capital outlay notes	-	-	-	-	-	-	-	-	-
Loan payable	-	6	(6)	3,747	1,846	1,901	3,747	1,852	1,895
Capital leases	-	-	-	-	-	-	-	-	-
Total notes and bonds	8,060	5,566	2,494	6,027	4,436	1,591	14,087	10,002	4,085
Compensated absences	432	382	50	42	48	(6)	474	430	44
Premium on bonds	34	-	34	9	11	(2)	43	11	32
Loss on defeasance	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 8,526	\$ 5,948	\$ 2,578	\$ 6,078	\$ 4,495	\$ 1,583	\$14,604	\$10,443	\$ 4,161

Governmental Activities

At the end of the current fiscal year, the City's governmental activities had outstanding long-term debt of \$8,526,000 including accrued compensated absences. The prior year total of long-term liabilities amounted to \$5,948,000; consequently long-term liabilities increased during the year by \$2,578,000 or 43.3%.

The accrual for compensated absences increased by \$50,000 in 2014. 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 \$6,078,000 related primarily to the Wastewater Department, with \$52,000 related to the Sanitation Department. The prior year total of long-term liabilities amounted to \$4,495,000; consequently long-term liabilities increased during the year by \$1,583,000 or 35.2%.

The Wastewater Department has outstanding Notes Payable to the State of Tennessee, Revolving Loan Fund due in monthly installments through 2034. Also outstanding is a portion of the General Obligation Refunding Bond, Series, 2008 and 2012 due annually through 2024. 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. In addition, 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 as of June 30, 2014 on these obligations totaled \$3,747,000.

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.

Over the past few years, we have built a solid financial position through a gradual and consistent increase in fund balance. Our departments have been very conservative in keeping their costs within or below their budgets. Workplace changes along with fiscal conservatism in operational budgets have allowed us to end the year with a strong fund balance.

The housing market continued to grow at a moderate pace. There were 49 new single-family home permits issued compared to 30 the prior year. Our rental units continued with the previous year-end at 98% occupancy. Two apartment complexes were under construction at year end with a total of 120 units. Site plans for an additional 144-unit complex was approved for construction.

Our retail and industrial spaces are more than 95% occupied. A new strip center with three new businesses opened. A Murphy USA fuel station and a Speedway fuel/convenient center opened. New retail and restaurant openings this past year added to the sales tax base and will have a significant impact on the City's revenues in the upcoming years.

Walton Global purchased a 420 acre parcel and is beginning the planning process for a future planned unit development. Love's Travel Center is planning a new travel center at the I-65/SR76 interchange. A million dollar sewer project to expand economic growth in the southeast corridor was under construction at year-end.

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, or (615) 672-4350.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,093,086	\$ 3,065,157	\$ 11,158,243
Receivables, net	4,390,258	860,850	5,251,108
Unbilled receivables	-	273,868	273,868
Internal balances	14,926	(14,926)	-
Inventories	-	97,364	97,364
Other current assets	140,938	41,537	182,475
Capital assets:			
Land and construction in progress	11,585,193	3,649,179	15,234,372
Other capital assets, net	<u>13,364,402</u>	<u>14,705,683</u>	<u>28,070,085</u>
Total assets	<u>37,588,803</u>	<u>22,678,712</u>	<u>60,267,515</u>
LIABILITIES			
Accounts payable	249,240	216,540	465,780
Accrued liabilities	131,637	37,113	168,750
Accrued interest	16,686	10,923	27,609
Performance bonds payable	43,366	-	43,366
Noncurrent liabilities:			
Due within one year	822,766	531,112	1,353,878
Due in more than one year	<u>7,703,490</u>	<u>5,546,640</u>	<u>13,250,130</u>
Total liabilities	<u>8,967,185</u>	<u>6,342,328</u>	<u>15,309,513</u>
DEFERRED INFLOWS OF RESOURCES			
Assessed and unlevied property taxes	<u>2,984,000</u>	-	<u>2,984,000</u>
Total deferred inflows of resources	<u>2,984,000</u>	-	<u>2,984,000</u>
NET POSITION			
Net investment in capital assets	16,838,247	12,308,579	29,146,826
Restricted for:			
Cemetery	107,596	-	107,596
Parks and recreation	121,410	-	121,410
Street maintenance and improvements	137,637	-	137,637
Other	2,623,856	-	2,623,856
Unrestricted	<u>5,808,872</u>	<u>4,027,805</u>	<u>9,836,677</u>
Total net position	<u>\$ 25,637,618</u>	<u>\$ 16,336,384</u>	<u>\$ 41,974,002</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 1,385,861	\$ 223,662	\$ -	\$ -	\$ (1,162,199)
City court	75,727	136,574	-	-	60,847
Public safety	3,178,787	5,934	12,000	-	(3,160,853)
Streets	451,491	-	-	937,023	485,532
Cemetery and maintenance	23,336	34,142	-	-	10,806
Library and museum	256,265	-	501,586	-	245,321
Parks and recreation	756,294	135,694	14,272	-	(606,328)
Planning and zoning	342,194	71,346	-	-	(270,848)
Senior citizen activities	32,774	-	9,500	-	(23,274)
Miscellaneous	156,935	-	-	-	(156,935)
Interest on long-term debt	290,564	-	-	-	(290,564)
	<u>6,950,228</u>	<u>607,352</u>	<u>537,358</u>	<u>937,023</u>	<u>(4,868,495)</u>
BUSINESS-TYPE ACTIVITIES:					
Wastewater Department	2,703,047	3,205,261	-	219,757	721,971
Sanitation Department	676,763	708,048	-	-	31,285
	<u>3,379,810</u>	<u>3,913,309</u>	<u>-</u>	<u>219,757</u>	<u>753,256</u>
TOTAL GOVERNMENT	<u>\$ 10,330,038</u>	<u>\$ 4,520,661</u>	<u>\$ 537,358</u>	<u>\$ 1,156,780</u>	<u>\$ (4,115,239)</u>
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET (EXPENSE) / REVENUE			<u>\$ (4,868,495)</u>	<u>\$ 753,256</u>	<u>\$ (4,115,239)</u>
GENERAL REVENUES:					
Property taxes			2,956,597	-	2,956,597
Park sales tax			80,668	-	80,668
Impact fees			17,768	-	17,768
Intergovernmental revenues			4,009,301	-	4,009,301
Interest and investment earnings			12,747	3,330	16,077
Other revenue			116,155	67,630	183,785
Loss on disposition of capital assets			(265,319)	-	(265,319)
Total general revenues			<u>6,927,917</u>	<u>70,960</u>	<u>6,998,877</u>
NET TRANSFERS			<u>185,385</u>	<u>(185,385)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS			<u>7,113,302</u>	<u>(114,425)</u>	<u>6,998,877</u>
CHANGE IN NET POSITION			<u>2,244,807</u>	<u>638,831</u>	<u>2,883,638</u>
NET POSITION, June 30, 2013			<u>23,392,811</u>	<u>15,697,553</u>	<u>39,090,364</u>
NET POSITION, June 30, 2014			<u>\$ 25,637,618</u>	<u>\$ 16,336,384</u>	<u>\$ 41,974,002</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 7,108,672	\$ 89,359	\$ 652,764	\$ 7,850,795
Receivables, net	3,499,895	805,441	84,922	4,390,258
Due from other funds	18,671	1,816	29,994	50,481
Other assets	<u>140,938</u>	<u>-</u>	<u>-</u>	<u>140,938</u>
Total assets	<u>\$ 10,768,176</u>	<u>\$ 896,616</u>	<u>\$ 767,680</u>	<u>\$ 12,432,472</u>
LIABILITIES				
Accounts payable	\$ 245,459	\$ -	\$ 1,436	\$ 246,895
Accrued liabilities	131,637	-	-	131,637
Due to other funds	35,557	-	-	35,557
Performance bonds payable	<u>43,366</u>	<u>-</u>	<u>-</u>	<u>43,366</u>
Total liabilities	<u>456,019</u>	<u>-</u>	<u>1,436</u>	<u>457,455</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,413,392	804,466	-	3,217,858
Unavailable revenue - other	<u>7,159</u>	<u>-</u>	<u>-</u>	<u>7,159</u>
Total deferred inflows of resources	<u>2,420,551</u>	<u>804,466</u>	<u>-</u>	<u>3,225,017</u>
FUND BALANCES				
Restricted	2,623,856	-	366,643	2,990,499
Committed	-	92,150	399,601	491,751
Unassigned	<u>5,267,750</u>	<u>-</u>	<u>-</u>	<u>5,267,750</u>
Total fund balances	<u>7,891,606</u>	<u>92,150</u>	<u>766,244</u>	<u>8,750,000</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,768,176</u>	<u>\$ 896,616</u>	<u>\$ 767,680</u>	<u>\$ 12,432,472</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2014

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

Total governmental fund balances above	\$ 8,750,000
Capital assets not reported above	24,948,972
Certain deferred inflows, from property and intergovernmental taxes reported above, reported as revenues in the government-wide statement of net assets	241,017
Long-term liabilities not reported above	(8,526,256)
Accrued interest not reported above	(16,686)
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 position	<u>240,571</u>
Net position of governmental activities in the statement of net position	<u>\$ 25,637,618</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, 2014

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,005,331	\$ 786,737	\$ 80,668	\$ 2,872,736
Intergovernmental revenues	5,141,594	-	342,088	5,483,682
Charges for services	135,694	-	34,142	169,836
Licenses and permits	295,008	-	17,768	312,776
Fines and forfeitures	136,574	-	5,934	142,508
Interest revenue	11,764	216	767	12,747
Miscellaneous	111,555	-	5,245	116,800
Total revenues	<u>7,837,520</u>	<u>786,953</u>	<u>486,612</u>	<u>9,111,085</u>
EXPENDITURES				
Current operations:				
General government	2,206,921	-	-	2,206,921
City court	74,973	-	-	74,973
Public safety	3,129,529	-	2,409	3,131,938
Streets	660,548	-	148,141	808,689
Cemetery and maintenance	-	-	23,336	23,336
Library and museum	666,484	-	-	666,484
Parks and recreation	1,164,596	-	374	1,164,970
Planning and zoning	262,760	-	-	262,760
Senior citizen activities	32,609	-	-	32,609
Miscellaneous	120,185	1,341	35,409	156,935
Capital outlay	-	-	82,726	82,726
Debt service				
Principal	-	483,589	107,500	591,089
Interest	-	262,193	30,034	292,227
Total expenditures	<u>8,318,605</u>	<u>747,123</u>	<u>429,929</u>	<u>9,495,657</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(481,085)	39,830	56,683	(384,572)
OTHER FINANCING SOURCES (USES)				
Bonds issued	3,120,282	-	-	3,120,282
Transfers	207,285	-	(21,900)	185,385
NET CHANGE IN FUND BALANCES	2,846,482	39,830	34,783	2,921,095
FUND BALANCES, June 30, 2013	<u>5,045,124</u>	<u>52,320</u>	<u>731,461</u>	<u>5,828,905</u>
FUND BALANCES, June 30, 2014	<u>\$ 7,891,606</u>	<u>\$ 92,150</u>	<u>\$ 766,244</u>	<u>\$ 8,750,000</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, 2014

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

Net change in fund balances as reported in the governmental funds statements	\$ 2,921,095
Some revenues for governmental activities do not provide current financial resources and are not reported as revenues for governmental funds.	164,529
Issuance of bonds recorded as revenue in the governmental fund statements, but reflected as long-term debt in the government-wide statements.	(3,120,282)
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.	(645)
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Capital outlays	2,856,220
Principal payments on long-term debt	591,089
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(852,870)
Decrease in accrued interest	1,663
Increase in compensated absences	(49,380)
Loss on disposal of capital assets	(265,319)
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.	(1,293)
Change in net position of governmental activities	\$ 2,244,807

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Wastewater	Solid Waste	Total	
	Department	Fund		
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,466,666	\$ 598,491	\$ 3,065,157	\$ 242,291
Receivables, net	824,022	36,828	860,850	-
Unbilled receivables	207,839	66,029	273,868	-
Due from other funds	5,118	59,942	65,060	-
Inventories	97,364	-	97,364	-
Other current assets	33,639	7,898	41,537	-
Total current assets	<u>3,634,648</u>	<u>769,188</u>	<u>4,403,836</u>	<u>242,291</u>
CAPITAL ASSETS, NET	<u>18,338,812</u>	<u>16,050</u>	<u>18,354,862</u>	<u>-</u>
Total assets	<u>21,973,460</u>	<u>785,238</u>	<u>22,758,698</u>	<u>242,291</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	171,450	45,090	216,540	1,720
Accrued liabilities	35,638	1,475	37,113	-
Accrued interest	10,756	167	10,923	-
Due to other funds	76,348	3,638	79,986	-
Current maturities of long-term debt	473,702	57,410	531,112	-
Total current liabilities	<u>767,894</u>	<u>107,780</u>	<u>875,674</u>	<u>1,720</u>
LONG-TERM DEBT, less current maturities	<u>5,541,794</u>	<u>4,846</u>	<u>5,546,640</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	12,342,696	(34,117)	12,308,579	-
Unrestricted	3,321,076	706,729	4,027,805	240,571
Total net position	<u>\$ 15,663,772</u>	<u>\$ 672,612</u>	<u>\$ 16,336,384</u>	<u>\$ 240,571</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activity - Internal Service Fund
	<u>Wastewater Department</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
OPERATING REVENUES				
Charges for services	\$ 3,205,261	\$ 708,048	\$ 3,913,309	\$ 59,681
Other operating revenues	57,536	10,094	67,630	-
	<u>3,262,797</u>	<u>718,142</u>	<u>3,980,939</u>	<u>59,681</u>
OPERATING EXPENSES				
Salaries and payroll taxes	460,757	92,901	553,658	-
Employee benefits	185,732	26,208	211,940	-
Supplies	578,383	28,846	607,229	-
Utilities	185,079	359	185,438	-
Other operating expenses	495,415	519,604	1,015,019	8,413
Claims, net of insurance recoveries	-	-	-	52,778
Depreciation and amortization	707,470	5,011	712,481	-
	<u>2,612,836</u>	<u>672,929</u>	<u>3,285,765</u>	<u>61,191</u>
OPERATING INCOME (LOSS)	<u>649,961</u>	<u>45,213</u>	<u>695,174</u>	<u>(1,510)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	2,708	622	3,330	217
Interest expense	(90,211)	(3,834)	(94,045)	-
	<u>(87,503)</u>	<u>(3,212)</u>	<u>(90,715)</u>	<u>217</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS AND TRANSFERS	562,458	42,001	604,459	(1,293)
CAPITAL GRANTS AND CONTRIBUTIONS TRANSFERS OUT	219,757	-	219,757	-
	<u>(148,885)</u>	<u>(36,500)</u>	<u>(185,385)</u>	<u>-</u>
CHANGE IN NET POSITION	633,330	5,501	638,831	(1,293)
NET POSITION, June 30, 2013	<u>15,030,442</u>	<u>667,111</u>	<u>15,697,553</u>	<u>241,864</u>
NET POSITION, June 30, 2014	<u>\$ 15,663,772</u>	<u>\$ 672,612</u>	<u>\$ 16,336,384</u>	<u>\$ 240,571</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	<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	\$ 2,758,078	\$ 705,150	\$ 3,463,228	\$ 90,415
Payments to suppliers	(1,153,538)	(550,453)	(1,703,991)	-
Payments to or on behalf of employees	(647,181)	(124,287)	(771,468)	-
Internal activity from (to) other funds	(174,714)	164,095	(10,619)	-
Claims paid, net of insurance recoveries	-	-	-	(51,730)
Premiums paid	-	-	-	(8,413)
Net cash provided by operating activities	<u>782,645</u>	<u>194,505</u>	<u>977,150</u>	<u>30,272</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	<u>(148,885)</u>	<u>(36,500)</u>	<u>(185,385)</u>	<u>-</u>
Net cash used in noncapital financing activities	<u>(148,885)</u>	<u>(36,500)</u>	<u>(185,385)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of equipment	(2,350,231)	(12,450)	(2,362,681)	-
Loss (proceeds) from sale of equipment	26,675	-	26,675	-
Proceeds from capital debt	1,964,112	-	1,964,112	-
Capital contributions	219,757	-	219,757	-
Payments on long-term debt	(323,105)	(50,000)	(373,105)	-
Interest paid	<u>(80,854)</u>	<u>(4,000)</u>	<u>(84,854)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(543,646)</u>	<u>(66,450)</u>	<u>(610,096)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>2,708</u>	<u>622</u>	<u>3,330</u>	<u>217</u>
Net cash provided by investing activities	<u>2,708</u>	<u>622</u>	<u>3,330</u>	<u>217</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS				
	92,822	92,177	184,999	30,489
CASH AND CASH EQUIVALENTS, June 30, 2013	<u>2,373,844</u>	<u>506,314</u>	<u>2,880,158</u>	<u>211,802</u>
CASH AND CASH EQUIVALENTS, June 30, 2014	<u>\$ 2,466,666</u>	<u>\$ 598,491</u>	<u>\$ 3,065,157</u>	<u>\$ 242,291</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	<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>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	\$ 649,961	\$ 45,213	\$ 695,174	\$ (1,510)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	707,470	5,011	712,481	-
Changes in operating assets and liabilities				
Receivables, net	(508,885)	(4,339)	(513,224)	-
Unbilled receivables	4,166	(8,653)	(4,487)	-
Due from other funds	-	174,646	174,646	-
Inventories	11,853	-	11,853	-
Other current assets	(3,390)	(3,350)	(6,740)	-
Accounts payable	83,287	1,261	84,548	1,048
Accrued liabilities	12,897	(4,734)	8,163	30,734
Due to other funds	(174,714)	(10,550)	(185,264)	-
Total adjustments	<u>132,684</u>	<u>149,292</u>	<u>281,976</u>	<u>31,782</u>
Net cash provided by operating activities	<u>\$ 782,645</u>	<u>\$ 194,505</u>	<u>\$ 977,150</u>	<u>\$ 30,272</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 2,121,506	\$ 2,121,506	\$ 2,151,531	\$ (146,200)	\$ 2,005,331
Intergovernmental revenues	6,646,166	6,641,546	4,881,118	260,476	5,141,594
Charges for services	118,000	118,000	135,694	-	135,694
Licenses and permits	243,300	243,300	295,008	-	295,008
Fines and forfeitures	150,300	150,300	136,574	-	136,574
Interest revenue	5,700	5,700	11,764	-	11,764
Miscellaneous	48,400	(23,925)	111,555	-	111,555
Total revenues	<u>9,333,372</u>	<u>9,256,427</u>	<u>7,723,244</u>	<u>114,276</u>	<u>7,837,520</u>
EXPENDITURES					
Current operations:					
General government	3,310,468	3,310,468	2,065,803	141,118	2,206,921
City court	77,537	77,537	74,973	-	74,973
Public safety	3,885,439	3,854,719	3,129,529	-	3,129,529
Streets	727,843	723,223	660,548	-	660,548
Library and museum	3,833,458	3,833,458	666,484	-	666,484
Parks and recreation	1,105,193	878,180	1,164,596	-	1,164,596
Planning and zoning	275,486	275,486	262,760	-	262,760
Senior citizen activities	42,614	42,614	32,609	-	32,609
Miscellaneous	-	-	120,185	-	120,185
Total expenditures	<u>13,258,038</u>	<u>12,995,685</u>	<u>8,177,487</u>	<u>141,118</u>	<u>8,318,605</u>
REVENUES UNDER EXPENDITURES	<u>(3,924,666)</u>	<u>(3,739,258)</u>	<u>(454,243)</u>	<u>(26,842)</u>	<u>(481,085)</u>
OTHER FINANCING SOURCES					
Bonds issued	3,000,000	3,000,000	3,120,282	-	3,120,282
Transfers in	-	-	207,285	-	207,285
	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,327,567</u>	<u>-</u>	<u>3,327,567</u>
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(22,897)</u>	<u>22,897</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(924,666)	(739,258)	2,850,427	(3,945)	2,846,482
FUND BALANCES, June 30, 2013	<u>4,489,089</u>	<u>4,479,089</u>	<u>5,303,561</u>	<u>(258,437)</u>	<u>5,045,124</u>
FUND BALANCES, June 30, 2014	<u>\$ 3,564,423</u>	<u>\$ 3,739,831</u>	<u>\$ 8,153,988</u>	<u>\$ (262,382)</u>	<u>\$ 7,891,606</u>

See notes to financial statements.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE - CONTINUED
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

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	\$ (146,200)
Change in intergovernmental receivables, net of deferred revenues	260,476
Changes in other receivables	-
Changes in other assets and liabilities	(141,118)
Changes in due to and due from other funds	<u>22,897</u>
	<u>\$ (3,945)</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, 2014

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, as promulgated by the Governmental Accounting Standards Board (“GASB”).

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, 2014

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 position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual basis and economic resources measurement focus. Revenues are reported when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and other restricted revenues are recognized as revenue when all eligibility requirements imposed by the provider have been met. It also recognizes all long-term assets and receivables as well as long-term debt and obligations.

The statement of net position presents the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 position 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 and deferred outflows, liabilities and deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The City uses the following fund types:

Governmental funds

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

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, 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.

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 dental 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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Principal and interest on general obligation long-term debt, if any, is recognized when due.

Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, 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.

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. Committed fund balances are established and can only be modified or received by resolution approved by 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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 of \$3,221,762, intergovernmental revenues of \$1,168,496, and other receivables. Major receivable balances for the business-type activities consist of billed charges to wastewater and sanitation customers and \$676,768 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, 2014 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, 2014, but which were levied to finance fiscal year 2015 operations, have been recorded as deferred inflows. In the governmental funds financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows.

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.

CITY OF WHITE HOUSE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 position.

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resource (expense) until then. The City has no items that qualify for reporting in this category at June 30, 2014.

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.

Long-term Obligations

The City reports long-term debt and other long-term obligations in the applicable activities in the government-wide financial statements and the proprietary fund type fund financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Deferred Inflows of Resources

In addition to liabilities, the balance sheets and statements of net position will sometimes report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. The City has one item that qualifies for reporting in this category. The *unavailable revenue* reported in the balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. The *assessed and unlevied property taxes* reported in the statement of net position, arises from imposed nonexchange revenues (property taxes) which are assessed prior to the end of the fiscal year but levied in the subsequent year.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 (based on the assessed valuation 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 2014 for Sumner County and 2013 for Robertson County. The City's tax rate applicable to 2014 was \$1.2139 for both Sumner County and Robertson County on each \$100 of tax valuation.

Estimates

Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets, liabilities and deferred inflows 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.

Accounting Pronouncements

The City plans to adopt GASB Statement No. 66, Technical Corrections- 2012- an amendment of GASB Statements No. 10 and No. 62, required for fiscal periods beginning after December 15, 2012, in fiscal 2014. This Statement improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of Statements No. 54 and No. 62.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City plans to adopt GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, required for fiscal periods beginning after June 15, 2014, in fiscal 2015. This Statement improves accounting and financial reporting by state and local governments for pensions.

The City plans to adopt GASB Statement No. 69, Government Operations and Disposals of Government Operations, required for fiscal periods beginning after December 15, 2013, in fiscal 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

The City adopted GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, required for fiscal periods beginning after June 15, 2013, in fiscal 2014. This Statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The City plans to adopt GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, required for fiscal period beginning after June 15, 2014, in fiscal 2015. This Statement improves accounting and financial reporting by state and local governments for pensions by addressing an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement.

Unless otherwise noted, management is in the process of determining the effects that the adoption of these Statements will have on the City's financial statements.

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Control

The City's fiscal operating year is the 12-month period beginning each July 1. An annual operating budget is submitted to the Board of Mayor and Aldermen prior to the commencement of the related fiscal year, and a budget resolution for the year is subsequently adopted. Any revisions or amendments require Board action. All annual appropriations not expended lapse at fiscal year-end. The budgetary appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the Board of Mayor and Aldermen. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level for the General Fund, the account level for the Drug Fund and the fund level for all other funds.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Interfund Transactions

Interfund receivable and payable balances consist of the following:

	Major Funds				Nonmajor Governmental Funds	Total
	General Fund	Debt Service Fund	Solid Waste Fund	Wastewater Department		
Interfund Receivable	<u>\$18,671</u>	<u>\$1,816</u>	<u>\$59,945</u>	<u>\$5,117</u>	<u>\$29,994</u>	<u>\$115,543</u>
Interfund Payable:						
Major Funds:						
General Fund	\$ -	\$1,816	\$ 722	\$3,025	\$29,994	\$ 35,557
Wastewater Department	17,125	-	59,223	-	-	76,348
Solid Waste Fund	1,546	-	-	2,092	-	3,638
Debt Service Fund	-	-	-	-	-	-
Nonmajor Funds:						
Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$18,671</u>	<u>\$1,816</u>	<u>\$59,945</u>	<u>\$5,117</u>	<u>\$29,994</u>	<u>\$115,543</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	\$148,885
Payment in-lieu of taxes	General Fund	Solid Waste Fund	36,500
Payment of impact fees	General Fund	Impact Fee Fund	21,900

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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, 2014, all deposits were insured or collateralized, as required by state statute. At June 30, 2014, 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 \$7,621,063 at June 30, 2014.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

D. CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 8,464,185	\$ 130	\$(180,000)	\$ 8,284,315
Construction in progress	<u>1,739,437</u>	<u>1,561,441</u>	<u>-</u>	<u>3,300,878</u>
Subtotal	<u>10,203,622</u>	<u>1,561,571</u>	<u>(180,000)</u>	<u>11,585,193</u>
Other capital assets:				
Buildings and improvements	10,536,540	873,495	(285,500)	11,124,535
Machinery and equipment	3,533,919	330,791	(23,684)	3,841,026
Infrastructure assets	<u>6,804,417</u>	<u>90,364</u>	<u>(49,227)</u>	<u>6,845,554</u>
Subtotal	<u>20,874,876</u>	<u>1,294,650</u>	<u>(358,411)</u>	<u>21,811,115</u>
Less accumulated depreciation:				
Land improvements, buildings, machinery and equipment	(6,578,301)	(553,120)	272,447	(6,858,974)
Infrastructure assets	<u>(1,287,989)</u>	<u>(299,750)</u>	<u>-</u>	<u>(1,587,739)</u>
Subtotal	<u>(7,866,290)</u>	<u>(852,870)</u>	<u>272,447</u>	<u>(8,446,713)</u>
Other capital assets, net	<u>13,008,586</u>	<u>441,780</u>	<u>(85,964)</u>	<u>13,364,402</u>
Capital assets, net	<u>\$ 23,212,208</u>	<u>\$ 2,003,351</u>	<u>\$(265,964)</u>	<u>\$ 24,949,595</u>

The cost to complete construction in progress at June 30, 2014 was approximately \$4,323,000.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

D. CAPITAL ASSETS - Continued

Depreciation was charged to governmental activities as follows:

Public safety	\$255,861
Parks and recreation	153,517
General government	341,148
Public works	50,575
Library	25,586
Planning and zoning	<u>26,183</u>
	<u>\$852,870</u>

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

Business-Type Activities	Balance June 30, 2013	Additions	Retirements and Transfers	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 792,760	\$ -	\$ -	\$ 792,760
Construction in progress	<u>851,433</u>	<u>2,004,986</u>	<u>-</u>	<u>2,856,419</u>
Subtotal	<u>1,644,193</u>	<u>2,004,986</u>	<u>-</u>	<u>3,649,179</u>
Other capital assets:				
Wastewater plant	22,072,391	-	-	22,072,391
Machinery and equipment	<u>2,235,143</u>	<u>357,695</u>	<u>(74,196)</u>	<u>2,518,642</u>
Subtotal	<u>24,307,534</u>	<u>357,695</u>	<u>(74,196)</u>	<u>24,591,033</u>
Less accumulated depreciation:				
Wastewater plant	(7,949,723)	(503,826)	-	(8,453,549)
Machinery and equipment	<u>(1,268,644)</u>	<u>(210,678)</u>	<u>47,521</u>	<u>(1,431,801)</u>
Subtotal	<u>(9,218,367)</u>	<u>(714,504)</u>	<u>47,521</u>	<u>(9,885,350)</u>
Other capital assets, net	<u>15,089,167</u>	<u>(356,809)</u>	<u>(26,675)</u>	<u>14,705,683</u>
Capital assets, net	<u>\$ 16,733,360</u>	<u>\$ 1,648,177</u>	<u>\$(26,675)</u>	<u>\$ 18,354,862</u>

Depreciation expense related to capital assets used in business-type activities totaled \$714,504.

The cost to complete construction in progress at June 30, 2014 was approximately \$4,945,000.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 Public Improvement Bonds, Series 2013, maturing between June 1, 2015 and June 1, 2043, a fixed rates ranging form 2.00% to 4.25%, with interest payable semiannually on June 1 and December 1 and principal payable annually on June 1 of each year.	\$ 3,085,000
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.	955,000
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.	3,965,000
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.	<u>55,000</u> 8,060,000
Plus premium on bonds	<u>34,662</u>
Total governmental activities debt	8,094,662
Plus accrued compensated absences	431,594
Less amounts due within one year, net of current portion of premium on bonds	<u>(822,766)</u>
Long-term governmental activities liabilities	<u>\$ 7,703,490</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

E. LONG-TERM DEBT - Continued

On October 8, 2013, the City issued \$3,085,000 of its General Obligation Public Improvement Bonds, Series 2013 to be used primarily to fund construction of the City's new library. 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 4.25%. The bonds mature from June 1, 2015 through June 1, 2043. 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 Bonds, Series 2009 and 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, 2014

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.	\$ 520,756
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.	326,756
Note Payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in equal monthly installments, including interest at 1.88%, through 2033. Payment on this note will begin once completion of the related grant and drawdown of funds has occurred.	753,776
Note Payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in equal monthly installments, including interest at 1.0%, through 2033. Payment on this note will begin once completion of the related grant and drawdown of funds has occurred.	1,984,650
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.	2,010,000
Note Payable to State of Tennessee, Wastewater Facility Revolving Loan Fund, due in equal monthly installments, including interest at 0.75%, through 2033. Payment on this note will begin once completion of the related grant and drawdown of funds has occurred.	161,076
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.	270,000
	6,027,014
Plus premium on bonds	8,346
Total business-type activities debt	6,035,360
Plus accrued compensated absences	42,392
Less amounts due within one year, net of current portion of premium on bonds	(531,112)
Long-term business-type activities debt	\$ 5,546,640

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

E. LONG-TERM DEBT - Continued

The General Obligation Refunding Bonds Series 2012 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.

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
2015	\$ 585,000	\$ 313,291	\$ 898,291	\$ 492,636	\$ 87,988	\$ 580,624
2016	575,000	293,114	868,114	449,974	78,851	528,825
2017	590,000	272,922	862,922	457,340	71,484	528,824
2018	530,000	251,845	781,845	384,737	64,038	448,775
2019-2023	2,170,000	962,653	3,132,653	1,995,998	241,327	2,237,325
2024-2028	1,440,000	645,615	2,085,615	1,141,642	109,693	1,251,335
2029-2033	720,000	373,567	1,093,567	971,724	37,714	1,009,438
2034-2038	650,000	249,182	899,182	132,963	678	133,641
2039-2043	800,000	104,398	904,398	-	-	-
	<u>\$8,060,000</u>	<u>\$3,466,587</u>	<u>\$11,526,587</u>	<u>\$6,027,014</u>	<u>\$691,773</u>	<u>\$6,718,787</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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>	Balance June 30, 2013	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2014	Amounts Due Within One Year
General Obligation Refunding Bonds	\$5,560,000	\$ -	\$(585,000)	\$4,975,000	\$520,000
General Obligation Public Improvements Bonds	-	3,085,000	-	3,085,000	65,000
Loan payable to the State of Tennessee, Department of Economic and Community Development	6,090	-	(6,090)	-	-
Accrued compensated absences	<u>382,214</u>	<u>286,319</u>	<u>(236,939)</u>	<u>431,594</u>	<u>236,939</u>
	5,948,304	3,371,319	(828,029)	8,491,594	821,939
Plus premium on bonds	<u>-</u>	<u>35,282</u>	<u>(620)</u>	<u>34,662</u>	<u>827</u>
	<u>\$5,948,304</u>	<u>\$3,406,601</u>	<u>\$(828,649)</u>	<u>\$8,526,256</u>	<u>\$822,766</u>

The 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>	Balance June 30, 2013	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2014	Amounts Due Within One Year
Notes payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund	\$1,846,005	\$1,964,114	\$(63,105)	\$3,747,014	\$172,636
General Obligation Refunding Bonds	2,590,000	-	(310,000)	2,280,000	320,000
Accrued compensated absences	<u>48,261</u>	<u>34,608</u>	<u>(40,477)</u>	<u>42,392</u>	<u>37,347</u>
	4,484,266	1,998,722	(413,582)	6,069,406	529,983
Plus premium on bonds	<u>10,370</u>	<u>-</u>	<u>(2,024)</u>	<u>8,346</u>	<u>1,129</u>
	<u>\$4,494,636</u>	<u>\$1,998,722</u>	<u>\$(415,606)</u>	<u>\$6,077,752</u>	<u>\$531,112</u>

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 financial statements. 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, 2014

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, 2014 was 5.89% 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, 2014, the City's annual pension cost of \$186,991 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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, 2011 was 4 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>
2014	\$186,991	100.0%	\$ -
2013	168,706	100.0%	-
2012	166,868	100.0%	-

CITY OF WHITE HOUSE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

H. PENSION PLAN - Continued

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 97.44% funded. The actuarial accrued liability for benefits was \$5.28 million, and the actuarial value of assets was \$5.15 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.14 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.85 million, and the ratio of the UAAL to the covered payroll was 4.74%.

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, 2013	\$5,149,000	\$5,285,000	\$135,000	97.44%	\$2,851,000	4.74%
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%

I. RISK MANAGEMENT

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

CITY OF WHITE HOUSE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

I. RISK MANAGEMENT - Continued

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).

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

Year Ended <u>June 30,</u>	Liability <u>Beginning of of Year</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Liability End of Year</u>
2014	\$ -	\$ -	\$ -	\$ -
2013	-	-	-	-
2012	113,191	882,348	995,539	-

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.

CITY OF WHITE HOUSE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

J. COMMITMENTS AND CONTINGENCIES - Continued

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, 2014, the construction phase of this project was near completion, with approximately \$250,000 remaining in construction costs. This agreement is effective until December 31, 2015.

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 changeover a portion of the old, outdated vacuum wastewater collection system to a new gravity collection system. As of June 30, 2014, the project was in the construction phase, which will continue through the next fiscal year and expend the remainder of the loan amount available.

In April 2013, the City entered into a loan agreement with the Tennessee Department of Environment and Conservation, State Revolving Loan Fund, for CG2 2013-326, Green-Wastewater Treatment Plant improvements - Advanced Treatment (Influent screens, EQ basins modifications and new spray irrigation disposal system) project loan in the amount of \$2,000,000. Internally, this project is referred to as the Wastewater Treatment Plant Headworks Improvements. As of June 30, 2014, this project was in the design phase with expectation that design would be completed during the following fiscal year, at which point construction would commence and expend the remaining loan amount. The initial loan has \$400,000 in principal forgiveness.

In January 2013, the City entered into a construction contract with the State of Tennessee, Department of Transportation to install bike lanes and sidewalks along section of State route 31W. In February 2013, the City entered into an engineering design and inspection contract. The estimated cost of this project is \$450,000, which will be 80% federally funded, and 20% state funded. As of June 30, 2014, the project was in the construction phase, which is anticipated to be completed in the next fiscal year. This agreement is effective until December 31, 2017.

In December 2013, the City entered into an engineering design and inspection contract for Tyree Springs / South Palmers Chapel turn lanes improvement. In January 2014, the city entered into a construction contract with the State of Tennessee, Department of Transportation for installation of this project. The estimated cost of this project is \$360,000, which will be 90% federally funded, and 10% state funded. As of June 30, 2014, the construction phase has not begun. This agreement is effective until December 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2014
 (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, 2013	\$5,149,000	\$5,285,000	\$135,000	97.44%	\$2,851,000	4.74%
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%

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, 2014

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	Balance July 1, 2013 (Receivable) <u>Payable</u>
U.S. DEPARTMENT TRANSPORTATION:			
Passed through Tennessee Department of Transportation			
Highway Planning and Construction Cluster			
Highway 76 Sidewalk Grant	20.205	060128	\$(7,170)
Fiber Optic (ARRA)	20.205	74LPLM-F3-004	(29,396)
31W Bike Lanes	20.205	83LPLM-F3-072	<u>(24,630)</u>
			<u>(61,196)</u>
Recreation Trail Grant	20.219	13RT005	<u>-</u>
			<u>(61,196)</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	66.458	CG0 2011-278	57,396
Federal portion loan forgiveness	66.458	CG0 2011-278	(77,972)
Sewer Improvement Loan			
Federal portion loan	66.458	CG1 2012-302	(42,144)
Federal portion loan forgiveness	66.458	CG1 2012-302	(5,292)
Sewer Improvement Loan			
Federal portion loan	66.458	CG2 2013-326	<u>(62,202)</u>
			<u>(130,214)</u>

<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2014 (Receivable) <u>Payable</u>
\$ 513,335	\$ 909,723	\$(403,558)
11,970	4,620	(22,046)
<u>34,312</u>	<u>22,680</u>	<u>(12,998)</u>
<u>559,617</u>	<u>937,023</u>	<u>(438,602)</u>
<u>10,679</u>	<u>14,272</u>	<u>(3,593)</u>
<u>570,296</u>	<u>951,295</u>	<u>(442,195)</u>
<u>1,586</u>	<u>1,586</u>	<u>-</u>
74,068	43,815	87,649
18,517	33,123	(92,578)
1,015,134	1,403,028	(430,038)
112,782	155,892	(48,402)
<u>107,510</u>	<u>104,431</u>	<u>(59,123)</u>
<u>1,328,011</u>	<u>1,740,289</u>	<u>(542,492)</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
 YEAR ENDED JUNE 30, 2014

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Balance July 1, 2013 (Receivable) Payable</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through Tennessee Emergency Management Agency			<u>\$(140,143)</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>(41,404)</u>
			<u>\$(372,957)</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-13, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Tennessee.

<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2014 (Receivable) <u>Payable</u>
<u>79,233</u>	<u>-</u>	<u>(60,910)</u>
<u>-</u>	<u>-</u>	<u>(41,404)</u>
<u>\$1,979,126</u>	<u>\$2,693,170</u>	<u>\$(1,087,001)</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2014

<u>Grantor</u>	<u>State Contract Number</u>	<u>Balance July 1, 2013</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2014</u>
Department of Environment & Conservation					
SRF Loan	CG0 2011-278	\$(29,148)	\$131,159	\$ 97,083	\$ 4,928
SRF Loan	CG1 2012-302	(10,647)	230,998	324,744	(104,393)
SRF Loan	GG2 2013-326	(12,958)	-	21,754	(34,712)
Governors Highway Safety Grant					
		<u>-</u>	<u>13,767</u>	<u>13,767</u>	<u>-</u>
		<u>\$(52,753)</u>	<u>\$375,924</u>	<u>\$457,348</u>	<u>\$(134,177)</u>

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

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF REVENUES
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service Fund	Total Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes			
Property taxes	\$ 2,005,331	\$ 786,737	\$ 2,792,068
Intergovernmental revenues			
Local sales tax	2,333,602	-	2,333,602
Wholesale and state beer tax	297,553	-	297,553
Business taxes	155,584	-	155,584
Payments in lieu of taxes	129,091	-	129,091
State sales and income tax	706,827	-	706,827
Other taxes	44,538	-	44,538
Federal, state and county grants	1,474,399	-	1,474,399
Charges for services			
Park facility charges	135,694	-	135,694
Licenses and permits			
Building permits	64,846	-	64,846
Franchise fees	223,662	-	223,662
Other permits	6,500	-	6,500
Fines and forfeitures			
Court fines and costs	136,574	-	136,574
Interest revenue	11,764	216	11,980
Miscellaneous			
Insurance recoveries	74,330	-	74,330
Sale of equipment	1,004	-	1,004
Other revenues	36,221	-	36,221
Total revenues	<u>\$ 7,837,520</u>	<u>\$ 786,953</u>	<u>\$ 8,624,473</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service Fund	Total Major Governmental Funds
EXPENDITURES			
General government			
Payroll and payroll taxes	\$ 424,869	\$ -	\$ 424,869
Employee benefits	141,568	-	141,568
Supplies	31,520	-	31,520
Utilities	31,792	-	31,792
Insurance premium	154,738	-	154,738
Other operating expenses	279,804	-	279,804
Capital outlay	1,142,630	-	1,142,630
City court			
Payroll and payroll taxes	44,255	-	44,255
Employee benefits	26,425	-	26,425
Supplies	515	-	515
Other operating expenses	3,778	-	3,778
Public safety			
Payroll and payroll taxes	1,799,457	-	1,799,457
Employee benefits	577,369	-	577,369
Supplies	148,182	-	148,182
Utilities	43,449	-	43,449
Other operating expenses	321,385	-	321,385
Capital outlay	239,687	-	239,687
Streets			
Payroll and payroll taxes	150,101	-	150,101
Employee benefits	37,440	-	37,440
Supplies	53,464	-	53,464
Utilities	6,303	-	6,303
Other operating expenses	53,484	-	53,484
Capital outlay	359,756	-	359,756

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF EXPENDITURES - CONTINUED
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service Fund	Total Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES - CONTINUED			
Library and museum			
Payroll and payroll taxes	\$ 123,477	\$ -	\$ 123,477
Employee benefits	47,433	-	47,433
Supplies	23,174	-	23,174
Utilities	8,047	-	8,047
Other operating expenses	26,443	-	26,443
Capital outlay	437,910	-	437,910
Parks and recreation			
Payroll and payroll taxes	263,785	-	263,785
Employee benefits	90,220	-	90,220
Supplies	57,657	-	57,657
Utilities	56,089	-	56,089
Other operating expenses	130,155	-	130,155
Capital outlay	566,690	-	566,690
Planning and zoning			
Payroll and payroll taxes	157,003	-	157,003
Employee benefits	55,587	-	55,587
Supplies	5,064	-	5,064
Other operating expenses	28,563	-	28,563
Capital outlay	16,543	-	16,543
Senior citizen activities			
Payroll and payroll taxes	9,662	-	9,662
Employee benefits	891	-	891
Supplies	3,989	-	3,989
Other operating expenses	18,067	-	18,067
Miscellaneous			
Other operating expenses	120,185	1,341	121,526
Debt service			
Principal	-	483,589	483,589
Interest	-	262,193	262,193
Total expenditures	<u>\$ 8,318,605</u>	<u>\$ 747,123</u>	<u>\$ 9,065,728</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Cemetery Fund	Drug Fund	Impact Fee Fund
ASSETS			
Cash and cash equivalents	\$ 167,880	\$ 29,153	\$ 210,110
Receivables, net	-	-	-
Due from other funds	-	475	-
Total assets	<u>\$ 167,880</u>	<u>\$ 29,628</u>	<u>\$ 210,110</u>
LIABILITIES			
Accounts payable	\$ 375	\$ 140	\$ -
Due to other funds	-	-	-
Total liabilities	<u>375</u>	<u>140</u>	<u>-</u>
FUND BALANCES			
Restricted	107,596	-	-
Committed	59,909	29,488	210,110
Total fund balances	167,505	29,488	210,110
Total liabilities and fund balances	<u>\$ 167,880</u>	<u>\$ 29,628</u>	<u>\$ 210,110</u>

See independent auditor's report.

Industrial Development Fund	Parks Sales Tax Fund	State Street Aid Fund	Total Nonmajor Governmental Funds
\$ 78,622	\$ 100,805	\$ 66,194	\$ 652,764
22,393	14,367	48,162	84,922
<u>-</u>	<u>6,238</u>	<u>23,281</u>	<u>29,994</u>
<u>\$ 101,015</u>	<u>\$ 121,410</u>	<u>\$ 137,637</u>	<u>\$ 767,680</u>
\$ 921	\$ -	\$ -	\$ 1,436
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>921</u>	<u>-</u>	<u>-</u>	<u>1,436</u>
-	121,410	137,637	366,643
<u>100,094</u>	<u>-</u>	<u>-</u>	<u>399,601</u>
<u>100,094</u>	<u>121,410</u>	<u>137,637</u>	<u>766,244</u>
<u>\$ 101,015</u>	<u>\$ 121,410</u>	<u>\$ 137,637</u>	<u>\$ 767,680</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Cemetery Fund</u>	<u>Drug Fund</u>	<u>Impact Fee Fund</u>
REVENUES			
Taxes			
Park sales tax receipts	\$ -	\$ -	\$ -
Intergovernmental revenues			
Federal, state and county grants	-	200	-
Gasoline and motor fuel tax	-	-	-
Gas 1989	-	-	-
Gas 3cent	-	-	-
Charges for services			
Cemetery and maintenance	34,142	-	-
Licenses and permits			
Impact fees	-	-	17,768
Fines and forfeitures			
Drug related fines and forfeitures	-	5,934	-
Contributions	-	-	-
Interest revenue	178	48	217
Miscellaneous			
Sale of equipment	5,110	-	-
Other revenues	-	-	-
Total revenues	<u>39,430</u>	<u>6,182</u>	<u>17,985</u>
EXPENDITURES			
General government			
Capital outlay	8,442	6,369	-
Public safety			
Supplies	-	1,937	-
Other operating expenses	-	472	-
Capital outlay	-	-	-
Streets			
Utilities	-	-	-
Other operating expenses	-	-	-
Capital outlay	-	-	-

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Cemetery Fund</u>	<u>Drug Fund</u>	<u>Impact Fee Fund</u>
REVENUES			
Taxes			
Park sales tax receipts	\$ -	\$ -	\$ -
Intergovernmental revenues			
Federal, state and county grants	-	200	-
Gasoline and motor fuel tax	-	-	-
Gas 1989	-	-	-
Gas 3cent	-	-	-
Charges for services			
Cemetery and maintenance	34,142	-	-
Licenses and permits			
Impact fees	-	-	17,768
Fines and forfeitures			
Drug related fines and forfeitures	-	5,934	-
Contributions	-	-	-
Interest revenue	178	48	217
Miscellaneous			
Sale of equipment	5,110	-	-
Other revenues	-	-	-
Total revenues	<u>39,430</u>	<u>6,182</u>	<u>17,985</u>
EXPENDITURES			
General government			
Capital outlay	8,442	6,369	-
Public safety			
Supplies	-	1,937	-
Other operating expenses	-	472	-
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>
\$ -	\$ 80,668	\$ -	\$ 80,668
76,570	-	-	76,770
-	-	181,945	181,945
-	-	29,192	29,192
-	-	54,181	54,181
-	-	-	34,142
-	-	-	17,768
-	-	-	5,934
-	-	-	-
94	149	81	767
-	-	-	5,110
-	-	135	135
<u>76,664</u>	<u>80,817</u>	<u>265,534</u>	<u>486,612</u>
-	-	-	14,811
-	-	-	1,937
-	-	-	472
-	-	-	-
-	-	120,002	120,002
-	-	28,139	28,139
-	-	67,915	67,915

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - CONTINUED
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Cemetery Fund	Drug Fund	Impact Fee Fund
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES - CONTINUED			
Cemetery and maintenance			
Payroll and payroll taxes	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Supplies	1,157	-	-
Utilities	1,136	-	-
Other operating expenses	21,043	-	-
Parks and recreation			
Other operating expenses	-	-	-
Capital outlay	-	-	-
Miscellaneous			
Other operating expenses	-	-	77
Debt service			
Principal	-	-	7,500
Interest	-	-	150
Total expenditures	<u>31,778</u>	<u>8,778</u>	<u>7,727</u>
REVENUES OVER (UNDER)			
EXPENDITURES	7,652	(2,596)	10,258
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>-</u>	<u>(21,900)</u>
NET CHANGE IN FUND BALANCES	7,652	(2,596)	(11,642)
FUND BALANCES, June 30, 2013	<u>159,853</u>	<u>32,084</u>	<u>221,752</u>
FUND BALANCES, June 30, 2014	<u>\$ 167,505</u>	<u>\$ 29,488</u>	<u>\$ 210,110</u>

See independent auditor's report.

Industrial Development Fund	Parks Sales Tax Fund	State Street Aid Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	1,157
-	-	-	1,136
-	-	-	21,043
-	374	-	374
-	-	-	-
35,332	-	-	35,409
-	100,000	-	107,500
-	29,884	-	30,034
<u>35,332</u>	<u>130,258</u>	<u>216,056</u>	<u>429,929</u>
41,332	(49,441)	49,478	56,683
<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,900)</u>
41,332	(49,441)	49,478	34,783
<u>58,762</u>	<u>170,851</u>	<u>88,159</u>	<u>731,461</u>
<u>\$ 100,094</u>	<u>\$ 121,410</u>	<u>\$ 137,637</u>	<u>\$ 766,244</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 CEMETERY FUND
 YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Charges for services	\$ 25,575	\$ 25,575	\$ 34,142	\$ -	\$ 34,142
Interest revenue	300	300	178	-	178
Miscellaneous	-	-	5,110	-	5,110
Total revenues	<u>25,875</u>	<u>25,875</u>	<u>39,430</u>	<u>-</u>	<u>39,430</u>
EXPENDITURES					
Cemetery and maintenance	25,857	25,857	29,984	(6,648)	23,336
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>8,442</u>	<u>-</u>	<u>8,442</u>
Total expenditures	<u>40,857</u>	<u>40,857</u>	<u>38,426</u>	<u>(6,648)</u>	<u>31,778</u>
REVENUES OVER (UNDER) EXPENDITURES					
	(14,982)	(14,982)	1,004	6,648	7,652
NET PAYMENTS TO OTHER FUNDS					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE					
	(14,982)	(14,982)	1,004	6,648	7,652
FUND BALANCES, June 30, 2013					
	<u>166,152</u>	<u>166,152</u>	<u>165,047</u>	<u>(5,194)</u>	<u>159,853</u>
FUND BALANCES, June 30, 2014					
	<u>\$ 151,170</u>	<u>\$ 151,170</u>	<u>\$ 166,051</u>	<u>\$ 1,454</u>	<u>\$ 167,505</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	\$ 6,648
Change in due to other funds	<u>-</u>
	<u>\$ 6,648</u>

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

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 DRUG FUND
 YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ 900	\$ 900	\$ 200	\$ -	\$ 200
Fines and forfeitures	11,300	11,300	5,934	-	5,934
Contributions	-	-	-	-	-
Interest revenue	80	80	48	-	48
Miscellaneous	-	-	-	-	-
Total revenues	<u>12,280</u>	<u>12,280</u>	<u>6,182</u>	<u>-</u>	<u>6,182</u>
EXPENDITURES					
Public safety	6,933	6,933	2,409	-	2,409
Capital outlay	9,000	9,000	6,369	-	6,369
Total expenditures	<u>15,933</u>	<u>15,933</u>	<u>8,778</u>	<u>-</u>	<u>8,778</u>
REVENUES OVER (UNDER)					
EXPENDITURES	(3,653)	(3,653)	(2,596)	-	(2,596)
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>372</u>	<u>(372)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(3,653)	(3,653)	(2,224)	(372)	(2,596)
FUND BALANCES, June 30, 2013	<u>40,542</u>	<u>40,542</u>	<u>31,337</u>	<u>747</u>	<u>32,084</u>
FUND BALANCES, June 30, 2014	<u>\$ 36,889</u>	<u>\$ 36,889</u>	<u>\$ 29,113</u>	<u>\$ 375</u>	<u>\$ 29,488</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
DRUG FUND
YEAR ENDED JUNE 30, 2014

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

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

Change in due from other funds	<u>\$ (372)</u>
--------------------------------	-----------------

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

[3] The amount reported as "net change in fund balance" on the actual budgetary basis of accounting reported a deficit of \$2,224. The funding of this deficit is the responsibility of the City.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 IMPACT FEE FUND
 YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	7,730	7,730	17,768	-	17,768
Interest revenue	<u>500</u>	<u>500</u>	<u>217</u>	<u>-</u>	<u>217</u>
Total revenues	<u>8,230</u>	<u>8,230</u>	<u>17,985</u>	<u>-</u>	<u>17,985</u>
EXPENDITURES					
Streets	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Miscellaneous	130	130	77	-	77
Capital outlay	141,227	119,327	-	-	-
Debt service					
Principal	7,500	7,500	7,500	-	7,500
Interest	<u>150</u>	<u>150</u>	<u>150</u>	<u>-</u>	<u>150</u>
Total expenditures	<u>149,007</u>	<u>127,107</u>	<u>7,727</u>	<u>-</u>	<u>7,727</u>
REVENUES OVER (UNDER) EXPENDITURES	(140,777)	(118,877)	10,258	-	10,258
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(21,900)</u>	<u>-</u>	<u>(21,900)</u>
NET CHANGE IN FUND BALANCE	(140,777)	(118,877)	(11,642)	-	(11,642)
FUND BALANCES, June 30, 2013	<u>264,939</u>	<u>264,939</u>	<u>259,671</u>	<u>(37,919)</u>	<u>221,752</u>
FUND BALANCES, June 30, 2014	<u>\$ 124,162</u>	<u>\$ 146,062</u>	<u>\$ 248,029</u>	<u>\$ (37,919)</u>	<u>\$ 210,110</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CONTINUED
IMPACT FEE FUND
YEAR ENDED JUNE 30, 2014

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

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

Changes in due from other funds	\$ <u> </u> -
---------------------------------	------------------------

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

[3] The amount reported as "net change in fund balance" on the actual budgetary basis of accounting reported a deficit of \$11,642. The funding of this deficit is the responsibility of the City.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 INDUSTRIAL DEVELOPMENT FUND
 YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Intergovernmental revenues	\$ 43,000	\$ 43,000	\$ 71,387	\$ 5,183	\$ 76,570
Interest revenue	<u>80</u>	<u>80</u>	<u>94</u>	<u>-</u>	<u>94</u>
Total revenues	<u>43,080</u>	<u>43,080</u>	<u>71,481</u>	<u>5,183</u>	<u>76,664</u>
EXPENDITURES					
Miscellaneous	50,490	50,490	36,413	(1,081)	35,332
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>50,490</u>	<u>50,490</u>	<u>36,413</u>	<u>(1,081)</u>	<u>35,332</u>
REVENUES OVER (UNDER) EXPENDITURES					
	(7,410)	(7,410)	35,068	6,264	41,332
NET BORROWINGS FROM OTHER FUNDS					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(7,410)	(7,410)	35,068	6,264	41,332
FUND BALANCES, June 30, 2013	<u>31,527</u>	<u>31,527</u>	<u>43,218</u>	<u>15,544</u>	<u>58,762</u>
FUND BALANCES, June 30, 2014	<u>\$ 24,117</u>	<u>\$ 24,117</u>	<u>\$ 78,286</u>	<u>\$ 21,808</u>	<u>\$ 100,094</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	\$ 5,183
Change in accounts payable	<u>1,081</u>
	<u>\$ 6,264</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
 PARKS SALES TAX FUND
 YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 79,000	\$ 79,000	\$ 80,469	\$ 199	\$ 80,668
Contributions	-	-	-	-	-
Interest revenue	400	400	149		149
Miscellaneous	-	-	-	-	-
Total revenues	<u>79,400</u>	<u>79,400</u>	<u>80,618</u>	<u>199</u>	<u>80,817</u>
EXPENDITURES					
Miscellaneous	600	600	374	-	374
Capital outlay	-	-	-	-	-
Debt service					
Principal	100,000	100,000	100,000	-	100,000
Interest	29,884	29,884	29,884	-	29,884
Total expenditures	<u>130,484</u>	<u>130,484</u>	<u>130,258</u>	<u>-</u>	<u>130,258</u>
REVENUES OVER (UNDER) EXPENDITURES	(51,084)	(51,084)	(49,640)	199	(49,441)
NET PAYMENTS TO OTHER FUNDS	<u>-</u>	<u>-</u>	<u>6,640</u>	<u>(6,640)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(51,084)	(51,084)	(43,000)	(6,441)	(49,441)
FUND BALANCES, June 30, 2013	<u>(199,322)</u>	<u>(199,322)</u>	<u>(218,313)</u>	<u>389,164</u>	<u>170,851</u>
FUND BALANCES, June 30, 2014	<u>\$ (250,406)</u>	<u>\$ (250,406)</u>	<u>\$ (261,313)</u>	<u>\$ 382,723</u>	<u>\$ 121,410</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE - CONTINUED
 PARKS SALES TAX FUND
 YEAR ENDED JUNE 30, 2014

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	\$ 199
Changes in due to and due from other funds	<u>(6,640)</u>
	<u>\$ (6,441)</u>

[2] The amount reported as "net change in fund balance" on the actual budgetary basis of accounting reported a deficit of \$43,000. The funding of this deficit is the is the responsibility of the City.

[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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Gasoline tax	\$ 265,707	\$ 265,707	\$ 265,222	\$ 96	\$ 265,318
Interest revenue	60	60	81	-	81
Miscellaneous	-	-	135	-	135
Total revenues	<u>265,767</u>	<u>265,767</u>	<u>265,438</u>	<u>96</u>	<u>265,534</u>
EXPENDITURES					
Miscellaneous	-	-	-	-	-
Streets	138,000	126,000	148,141	-	148,141
Capital outlay	<u>125,000</u>	<u>137,000</u>	<u>71,093</u>	<u>(3,178)</u>	<u>67,915</u>
Total expenditures	<u>263,000</u>	<u>263,000</u>	<u>219,234</u>	<u>(3,178)</u>	<u>216,056</u>
REVENUES OVER (UNDER) EXPENDITURES					
	2,767	2,767	46,204	3,274	49,478
NET PAYMENTS TO OTHER FUNDS					
	<u>-</u>	<u>-</u>	<u>(1,818)</u>	<u>1,818</u>	<u>-</u>
NET CHANGE IN FUND BALANCE					
	2,767	2,767	44,386	5,092	49,478
FUND BALANCES, June 30, 2013					
	<u>3,095</u>	<u>3,095</u>	<u>447</u>	<u>87,712</u>	<u>88,159</u>
FUND BALANCES, June 30, 2014					
	<u>\$ 5,862</u>	<u>\$ 5,862</u>	<u>\$ 44,833</u>	<u>\$ 92,804</u>	<u>\$ 137,637</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	\$ 96
Changes in other assets and liabilities	3,178
Change in due from/to other funds	<u>1,818</u>
	<u>\$ 5,092</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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Budget to GAAP Differences	Actual Amounts GAAP Basis
REVENUES					
Taxes	\$ 800,000	\$ 620,000	\$ 801,816	\$ (15,079)	\$ 786,737
Interest revenue	300	300	216	-	216
Total revenues	<u>800,300</u>	<u>620,300</u>	<u>802,032</u>	<u>(15,079)</u>	<u>786,953</u>
EXPENDITURES					
Miscellaneous	1,170	1,170	1,341	-	1,341
Debt service					
Principal	560,217	570,252	483,589	-	483,589
Interest	252,158	242,123	262,193	-	262,193
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>813,545</u>	<u>813,545</u>	<u>747,123</u>	<u>-</u>	<u>747,123</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(13,245)</u>	<u>(193,245)</u>	<u>54,909</u>	<u>(15,079)</u>	<u>39,830</u>
NET BORROWINGS FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>(332)</u>	<u>332</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(13,245)	(193,245)	54,577	(14,747)	39,830
FUND BALANCES, June 30, 2013	<u>17,187</u>	<u>17,030</u>	<u>(23,706)</u>	<u>76,026</u>	<u>52,320</u>
FUND BALANCES, June 30, 2014	<u>\$ 3,942</u>	<u>\$ (176,215)</u>	<u>\$ 30,871</u>	<u>\$ 61,279</u>	<u>\$ 92,150</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2014

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	\$ (15,079)
Change in due from/to other funds	<u>332</u>
	<u>\$ (14,747)</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 POSITION
INTERNAL SERVICE FUND
JUNE 30, 2014

	Health Care Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 242,291
Due from other funds	-
	242,291
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	1,720
	1,720
NET POSITION	
Unrestricted	\$ 240,571

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2014

	<u>Health Care Fund</u>
OPERATING REVENUES	
Insurance premiums	\$ 59,681
	<u>59,681</u>
 OPERATING EXPENSES	
Premiums	8,413
Claims, net of insurance recoveries	<u>52,778</u>
	<u>61,191</u>
 OPERATING INCOME (LOSS)	 (1,510)
 NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>217</u>
 CHANGE IN NET ASSETS	 (1,293)
 NET POSITION, June 30, 2013	 <u>241,864</u>
 NET POSITION, June 30, 2014	 <u>\$ 240,571</u>

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2014

	Health Care Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 90,415
Claims paid, net of insurance recoveries	(51,730)
Premiums paid	(8,413)
Net cash provided by operating activities	30,272
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	217
Net cash provided by investing activities	217
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,489
CASH AND CASH EQUIVALENTS, June 30, 2013	211,802
CASH AND CASH EQUIVALENTS, June 30, 2014	\$ 242,291
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ (1,510)
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in operating assets and liabilities	
Due from other funds	30,734
Accounts payable	1,048
Net cash provided by operating activities	\$ 30,272

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
 YEAR ENDED JUNE 30, 2014

Tax Year	Balance June 30, 2013	Tax Levy	Collections	Adjustments	Penalties and Interest	Balance June 30, 2014
2013	\$ -	\$2,937,665	\$2,861,419	\$(5,800)	\$ 4,575	\$ 75,021
2012	71,158	-	55,073	-	4,795	20,880
2011	35,520	-	11,179	-	6,633	30,974
2010	14,109	-	1,382	-	5,507	18,234
2009	12,695	-	1,115	-	8,840	20,420
2008	12,378	-	256	-	7,117	19,239
2007	7,347	-	127	-	8,083	15,303
2006	5,684	-	-	-	7,336	13,020
2005	5,656	-	-	-	8,484	14,140
2004	3,930	-	-	-	6,601	10,531
	<u>\$168,477</u>	<u>\$2,937,665</u>	<u>\$ 2,930,551</u>	<u>\$(5,800)</u>	<u>\$67,971</u>	237,762

Deferred property tax revenues for 2014 accrued 2,984,000

\$3,221,762

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, 2014

Governmental Activities Long-Term Deb

Year Ending June 30,	General Obligation Refunding Bonds, Series 2002										
	Principal	Interest									
2015	55,000	2,200									
	<u>\$ 55,000</u>	<u>\$ 2,200</u>									
			General Obligation Refunding Bonds, Series 2008		General Obligation Bonds, Series 2009		General Obligation Bonds, Series 2013		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal and Interest
2015	350,000	171,764	115,000	26,266	65,000	113,061	585,000	313,291	898,291		898,291
2016	395,000	157,762	110,000	23,591	70,000	111,761	575,000	293,114	868,114		868,114
2017	410,000	141,964	110,000	20,596	70,000	110,362	590,000	272,922	862,922		862,922
2018	360,000	125,562	100,000	17,321	70,000	108,962	530,000	251,845	781,845		781,845
2019	400,000	110,984	115,000	13,728	75,000	107,561	590,000	232,273	822,273		822,273
2020	415,000	93,784	125,000	9,665	75,000	106,061	615,000	209,510	824,510		824,510
2021	150,000	75,936	135,000	5,075	75,000	104,561	360,000	185,572	545,572		545,572
2022	150,000	69,187	145,000	-	80,000	102,837	375,000	172,024	547,024		547,024
2023	150,000	62,438	-	-	80,000	100,836	230,000	163,274	393,274		393,274
2024	200,000	55,686	-	-	80,000	98,836	280,000	154,522	434,522		434,522
2025	200,000	46,388	-	-	85,000	95,636	285,000	142,024	427,024		427,024
2026	200,000	37,087	-	-	90,000	92,237	290,000	129,324	419,324		419,324
2027	200,000	27,787	-	-	90,000	88,636	290,000	116,423	406,423		406,423
2028	200,000	18,286	-	-	95,000	85,036	295,000	103,322	398,322		398,322
2029	185,000	8,786	-	-	100,000	81,236	285,000	90,022	375,022		375,022
2030	-	-	-	-	105,000	77,237	105,000	77,237	182,237		182,237
2031	-	-	-	-	105,000	73,036	105,000	73,036	178,036		178,036
2032	-	-	-	-	110,000	68,836	110,000	68,836	178,836		178,836
2033	-	-	-	-	115,000	64,436	115,000	64,436	179,436		179,436
2034	-	-	-	-	120,000	59,837	120,000	59,837	179,837		179,837
2035	-	-	-	-	125,000	55,036	125,000	55,036	180,036		180,036
2036	-	-	-	-	130,000	50,036	130,000	50,036	180,036		180,036
2037	-	-	-	-	135,000	44,836	135,000	44,836	179,836		179,836
2038	-	-	-	-	140,000	39,437	140,000	39,437	179,437		179,437
2039	-	-	-	-	145,000	33,661	145,000	33,661	178,661		178,661
2040	-	-	-	-	155,000	27,680	155,000	27,680	182,680		182,680
2041	-	-	-	-	160,000	21,170	160,000	21,170	181,170		181,170
2042	-	-	-	-	165,000	14,450	165,000	14,450	179,450		179,450
2043	-	-	-	-	175,000	7,437	175,000	7,437	182,437		182,437
	<u>\$ 3,965,000</u>	<u>\$ 1,203,401</u>	<u>\$ 955,000</u>	<u>\$ 116,242</u>	<u>\$ 3,085,000</u>	<u>\$ 2,144,744</u>	<u>\$ 8,060,000</u>	<u>\$ 3,466,587</u>	<u>\$ 11,526,587</u>		<u>\$ 11,526,587</u>

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
(UNAUDITED)
YEAR ENDED JUNE 30, 2014

<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>
2014	Sumner and Robertson Counties	\$0.91	\$0.30	\$0.00	\$1.21	\$365,586,398	\$ 94,909,602
		\$0.91	\$0.30	\$0.00	\$1.21	460,660,636	140,074,389
2013	Sumner and Robertson Counties	0.74	0.24	0.00	.98	375,339,589	96,775,783
		0.76	0.25	0.00	1.01	453,970,826	137,894,264
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

See independent auditor's report.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF WASTEWATER RATES AND NUMBER OF CUSTOMERS
(UNAUDITED)
JUNE 30, 2014

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	3,986

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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of White House, Tennessee (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Section II of the accompanying schedule of findings and questioned costs as items IC 14-1 and 14-2, to be material weaknesses.



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's financial statements are free from 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*.

City's Responses to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin & Associates, P.C.

February 27, 2015
Nashville, Tennessee



Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of White House, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.



Opinion on Each Major Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

On consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item IC 14-1 to be a material weakness.



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

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin & Associates, P.C.

February 27, 2015
Nashville, Tennessee

CITY OF WHITE HOUSE, TENNESSEE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

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? x yes 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: Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with Section 510(a) of Circular A-133? x yes 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, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

IC 14-1

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 in the general ledger all grant revenue and receivables related to certain federal and state grants, as well as certain liabilities (revolving loan funds program) related to a federal assistance program. As a result, adjustments were required to the general fund and wastewater department fund financial statements in order for them to be properly stated at June 30, 2014.

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 and recording for grant revenues in the respective funds and government-wide financial statements.

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.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

IC 14-2

Accounting System and Processes

Criteria, Condition, Cause and Effect

Certain material adjustments were required to be made during the audit process to the following accounts and financial statement areas:

- Capital assets for the Wastewater Department and Solid Waste Fund (business-type activities)
- Issuance of bonds and related bond issue cost
- Grant revenue and the related receivables and/or deferred revenue
- Government-wide financial statements

Recommendation

We recommend that the City continue to improve and monitor the accounting and information systems, and modify accounting procedures and policies to facilitate the recording and adjustment of the accounts and areas discussed above on a periodic basis throughout the year. Continued training of the staff in governmental accounting and the use of the City's accounting software products and system is essential, and the development over time of a well-structured accounting policies and procedures manual that defines proper procedures and documentation for the various accounting processes, reconciliations and review would also be beneficial.

Management's Response

Management concurs that the City's accounting and information systems, procedures, and policies should be reviewed to identify the specific causes of the concerns and recommendations listed above and formally adopted accordingly. Some of the countermeasures planned to address these issues include filling an open staff position, educating members of staff through the Certified Municipal Finance Officer (CMFO) course and various other continuing professional education courses, and exploring new systems upgrades.

CITY OF WHITE HOUSE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2014

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Federal Program:

U.S. Department of Transportation
CFDA No. 20.205
Highway Planning and Construction Cluster

Environmental Protection Agency
CFDA No. 66.458
Capitalization Grants for Clean Water State Revolving Funds (ARRA)

See Item IC 14-1 in Section II above.

CITY OF WHITE HOUSE, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

The prior year audits included the finding summarized below:

Grant Revenue Cutoff

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