

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.



**PRELIMINARY OFFICIAL STATEMENT**

Dated June 2, 2015

Rating:  
S&P: "AA-"  
(See "Other Information - Ratings" herein)

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.

**THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**



**\$3,665,000\***  
**CITY OF WHITE SETTLEMENT, TEXAS**  
(Tarrant County)  
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015**

**Dated Date: June 1, 2015**  
Interest Accrues from Delivery Date

**Due: February 15, as shown below**

**PAYMENT TERMS** . . . Interest on the \$3,665,000\* City of White Settlement General Obligation Refunding Bonds, Series 2015 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable August 15 and February 15 of each year, commencing August 15, 2015, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued by the City of White Settlement, Texas (the "City"), pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Chapter 1207, Texas Government Code, as amended.

**SECURITY AND SOURCE OF PAYMENT** . . . The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City as provided in the Bond Ordinance (defined herein) authorizing the Bonds (see "The Obligations - Authority for Issuance" and "The Obligations - Security and Source of Payment").

**PURPOSE** . . . Proceeds of the Bonds are expected to be used for (i) refunding certain outstanding obligations of the City described on Schedule I attached hereto (the "Refunded Obligations"); (ii) to refund an outstanding capital lease; and (iii) paying the costs associated with the issuance of the Bonds (see "Plan of Financing - Purpose of the Bonds").

**MATURITY SCHEDULE\***

**CUSIP Prefix: 964542<sup>(1)</sup>**

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix<sup>(1)</sup></u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix<sup>(1)</sup></u>
\$ 45,000	2016				\$ 230,000	2025			
180,000	2017				240,000	2026			
180,000	2018				245,000	2027			
185,000	2019				260,000	2028			
195,000	2020				200,000	2029			
200,000	2021				205,000	2030			
205,000	2022				215,000	2031			
210,000	2023				220,000	2032			
220,000	2024				230,000	2033			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**REDEMPTION** . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

**SEPARATE ISSUES** . . . The Bonds are being offered by the City concurrently with the "City of White Settlement Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015" (the "Certificates"), under a common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter of the Bonds subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Dallas, Texas, Counsel for the Underwriter.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on July 14, 2015.

**RAYMOND JAMES**

\* Preliminary, subject to change.

**THIS PAGE LEFT BLANK INTENTIONALLY**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.



**PRELIMINARY OFFICIAL STATEMENT**

**Dated June 2, 2015**

**Rating:**  
**S&P: "AA-"**  
**(See "Other Information - Ratings" herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.

**THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**



**\$10,085,000\***  
**CITY OF WHITE SETTLEMENT, TEXAS**  
**(Tarrant County)**  
**COMBINATION TAX AND LIMITED SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2015**

**Dated Date: June 1, 2015**  
**Interest Accrues from Delivery Date**

**Due: February 15, as shown below**

**PAYMENT TERMS . . .** Interest on the \$10,085,000\* City of White Settlement Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2016, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and Texas Government Code, Chapter 1502, as amended (see "The Obligations - Authority for Issuance").

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates constitute direct obligations of the City of White Settlement, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's Waterworks and Sewer System, as provided in the Certificate Ordinance (defined herein) (see "The Obligations - Authority for Issuance").

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related drainage, signalization, landscaping, screening walls, lighting and signage for said projects; (ii) major repairs and renovations to existing municipal buildings, including primarily City Hall, Police Department building, Animal Control building, fire station, municipal library building, recreation center building and park maintenance building; (iii) acquisition of equipment and vehicles for street department, public works department, animal control department, fire department, parks department, and other municipal departments; (iv) acquisition and installation of technology equipment and computer equipment and software for various municipal departments; (v) construction and installation of stormwater drainage improvements; (vi) constructing, acquiring installing and equipping additions, extensions and improvements to the City's water and wastewater system, including a customer drive through service facility; (vii) acquisition of land and interests in land necessary for such projects; and (viii) paying the costs associated with the issuance of the Certificates (see "Plan of Financing - Purpose of the Certificates").

**MATURITY SCHEDULE\***

**CUSIP Prefix: 964542<sup>(1)</sup>**

Principal Amount	Maturity	Interest Rate	Yield	CUSIP Suffix <sup>(1)</sup>	Principal Amount	Maturity	Interest Rate	Yield	CUSIP Suffix <sup>(1)</sup>
\$ 200,000	2016				\$ 375,000	2026			
275,000	2017				385,000	2027			
300,000	2018				395,000	2028			
305,000	2019				475,000	2029			
305,000	2020				750,000	2030			
315,000	2021				770,000	2031			
330,000	2022				800,000	2032			
345,000	2023				825,000	2033			
355,000	2024				1,085,000	2034			
365,000	2025				1,130,000	2035			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

**SEPARATE ISSUES . . .** The Certificates are being offered by the City concurrently with the "City of White Settlement General Obligation Refunding Bonds, Series 2015" (the "Bonds"), and such Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

**LEGALITY . . .** The Certificates are offered for delivery when, as and if issued and received by the Underwriter of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Dallas, Texas, Counsel for the Underwriter.

**DELIVERY . . .** It is expected that the Certificates will be available for delivery through The Depository Trust Company on July 14, 2015.

**RAYMOND JAMES**

\* Preliminary, subject to change.

**THIS PAGE LEFT BLANK INTENTIONALLY**

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Obligations that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover pages and the Schedule and Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation, promise or guarantee of the Financial Advisor or the Underwriter.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE OBLIGATIONS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.

**TABLE OF CONTENTS**

<b>OFFICIAL STATEMENT SUMMARY</b> .....	6	TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY .....	27
<b>CITY OFFICIALS, STAFF AND CONSULTANTS</b> .....	8	TABLE 13 - MUNICIPAL SALES TAX HISTORY .....	28
ELECTED OFFICIALS .....	8	TABLE 14 - CURRENT INVESTMENTS.....	30
SELECTED ADMINISTRATIVE STAFF.....	8	<b>TAX MATTERS</b> .....	31
CONSULTANTS AND ADVISORS.....	8	<b>CONTINUING DISCLOSURE OF INFORMATION</b> .....	33
<b>INTRODUCTION</b> .....	9	<b>OTHER INFORMATION</b> .....	34
<b>PLAN OF FINANCING</b> .....	9	RATINGS .....	34
<b>THE OBLIGATIONS</b> .....	10	LITIGATION.....	34
<b>TAX INFORMATION</b> .....	16	REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE .....	34
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT.....	19	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS .....	34
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY .....	20	LEGAL OPINIONS .....	34
TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY .....	21	AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION .....	35
TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY .....	21	FINANCIAL ADVISOR.....	35
TABLE 5 - TEN LARGEST TAXPAYERS .....	21	VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS .....	35
TABLE 6 - ESTIMATED OVERLAPPING DEBT.....	22	UNDERWRITING .....	36
<b>DEBT INFORMATION</b> .....	23	FORWARD-LOOKING STATEMENTS DISCLAIMER.....	36
TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS .....	23	MISCELLANEOUS .....	36
TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION.....	24	<b>SCHEDULE OF REFUNDED OBLIGATIONS</b> .....	Schedule I
TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT .....	24	<b>APPENDICES</b>	
TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS .....	24	GENERAL INFORMATION REGARDING THE CITY.....	A
TABLE 11 - OTHER OBLIGATIONS.....	24	EXCERPTS FROM THE CITY'S ANNUAL COMPREHENSIVE FINANCIAL REPORT .....	B
<b>FINANCIAL INFORMATION</b> .....	26	FORMS OF BOND COUNSEL'S OPINIONS .....	C
TABLE 12 - CHANGES IN NET POSITION .....	26		

The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

**OFFICIAL STATEMENT SUMMARY**

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds and Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY**..... The City of White Settlement (the "City") is a political subdivision and municipal corporation of the State, located in Tarrant County, Texas. The City covers approximately 4.87 square miles (see "Introduction - Description of the City").
  
- THE BONDS** ..... The \$3,665,000\* City of White Settlement General Obligation Refunding Bonds, Series 2015 are to mature on February 15 in the years 2016 through 2033 (see "The Obligations - Description of the Obligations").
  
- THE CERTIFICATES** ..... The \$10,085,000\* City of White Settlement Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015 are to mature on February 15 in the years 2016 through 2035 (see "The Obligations - Description of the Obligations").
  
- PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from the Delivery Date (defined herein) and is payable August 15, 2015 and each February 15 and August 15 thereafter until maturity or prior redemption. Interest on the Certificates accrues from the Delivery Date and is payable February 15, 2016 and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Obligations - Description of the Obligations" and "The Obligations - Optional Redemption").
  
- AUTHORITY FOR ISSUANCE**..... The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and the ordinance (the "Bond Ordinance") passed by the City Council (the "Council") of the City authorizing the issuance of the Bonds (see "The Obligations – Authority for Issuance").  
  
The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, V.T.C.A. Local Government Code (the Certificate of Obligation Act of 1971), as amended, Texas Government Code Chapter 1502, as amended, and an ordinance (the "Certificate Ordinance") passed by the City Council of the City (see "The Obligations - Authority for Issuance").
  
- SECURITY FOR THE BONDS** ..... The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "The Obligations - Security and Source of Payment").
  
- SECURITY FOR THE CERTIFICATES** ..... The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's Waterworks and Sewer System (see "The Obligations - Security and Source of Payment").
  
- REDEMPTION** ..... The City reserves the right, at its option, to redeem Bonds and Certificates, as the case may be, having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").
  
- TAX EXEMPTION** ..... In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.
  
- USE OF PROCEEDS** ..... Proceeds of the Bonds are expected to be used for (i) refunding certain outstanding obligations of the City described on Schedule I attached hereto (the "Refunded Obligations"); (ii) to refund an outstanding capital lease; and (iii) paying the costs associated with the issuance of the Bonds (see "Plan of Financing – Purpose of the Bonds").

\* Preliminary, subject to change.

Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related drainage, signalization, landscaping, screening walls, lighting and signage for said projects; (ii) major repairs and renovations to existing municipal buildings, including primarily City Hall, Police Department building, Animal Control building, fire station, municipal library building, recreation center building and park maintenance building; (iii) acquisition of equipment and vehicles for street department, public works department, animal control department, fire department, parks department, and other municipal departments; (iv) acquisition and installation of technology equipment and computer equipment and software for various municipal departments; (v) construction and installation of stormwater drainage improvements; (vi) constructing, acquiring installing and equipping additions, extensions and improvements to the City's water and wastewater system, including a customer drive through service facility; (vii) acquisition of land and interests in land necessary for such projects; and (viii) paying the costs associated with the issuance of the Certificates.

**RATINGS** ..... The Obligations and presently outstanding unenhanced tax supported debt of the City are rated "AA-", by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P").

**BOOK-ENTRY-ONLY SYSTEM**..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System").

**PAYMENT RECORD** ..... The City has not defaulted in payment of its general obligation tax debt.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation <sup>(3)</sup>	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Fiscal Year	Per Capita Net Funded Tax Debt	Ratio Net Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2011	16,240 <sup>(1)</sup>	\$ 491,801,982	\$ 30,283	\$ 6,925,000	\$ 426	1.41%	99.40%
2012	16,260 <sup>(1)</sup>	475,804,381	29,262	6,110,000	376	1.28%	99.52%
2013	16,460 <sup>(1)</sup>	583,459,508	35,447	8,945,000	543	1.53%	99.25%
2014	16,800 <sup>(1)</sup>	547,793,362	32,607	8,455,000	503	1.54%	98.56%
2015	16,968 <sup>(2)</sup>	551,700,707	32,514	16,210,000 <sup>(4)</sup>	955	2.94%	99.97% <sup>(5)</sup>

(1) Source: North Central Texas Council of Governments.

(2) Estimated, provided by City staff.

(3) As reported by Tarrant Appraisal District.

(4) Projected, includes the Bonds and a portion of the Certificates. Excludes the Refunded Obligations and self-supporting debt. Preliminary, subject to change.

(5) Collections through March 31, 2015.

For additional information regarding the City, please contact:

Phil Bray  
 Director of Finance  
 City of White Settlement  
 214 Meadow Park Drive  
 White Settlement, Texas 76108  
 (817) 246-4971

or

David Medanich  
 Laura Alexander  
 First Southwest Company  
 777 Main Street, Suite 1200  
 Fort Worth, Texas 76102  
 (817) 332-9710

**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Ronald A. White Mayor	4 Months	November, 2017	Retired
Steve Ott Mayor Pro-Tem	3 Years	November, 2015	US Postal Service
Paul Moore Councilmember, Place 1	4 Months	November, 2017	Retired
Elzie Clements Councilmember, Place 2	4 Years	November, 2016	Retired
Mike Arnold, Sr. Councilmember, Place 3	4 Years	November, 2016	Retired
Danny Anderson Councilmember, Place 4	3 Years	November, 2015	Lockheed Martin

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service With the City</u>	<u>Length of Service in Current Position</u>
Jim Ryan	City Manager	6 1/2 Years	4 Months
Philip Bray	Director of Finance	3 Years	3 Years
Amy Arnold	City Secretary	7 Years	7 Years
Warren Spencer	City Attorney	4 Years	4 Years

**CONSULTANTS AND ADVISORS**

Certified Public Accountants .....George, Morgan & Sneed, P.C.  
Weatherford, Texas

Bond Counsel .....McCall, Parkhurst & Horton L.L.P.  
Dallas, Texas

Financial Advisor .....First Southwest Company, LLC  
Fort Worth, Texas

**PRELIMINARY OFFICIAL STATEMENT**

**RELATING TO**

**CITY OF WHITE SETTLEMENT, TEXAS**

**\$3,665,000\***

**GENERAL OBLIGATION REFUNDING  
BONDS, SERIES 2015**

**\$10,085,000\***

**COMBINATION TAX AND LIMITED SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2015**

**INTRODUCTION**

This Preliminary Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$3,665,000\* City of White Settlement, Texas, General Obligation Refunding Bonds, Series 2015, (the "Bonds") and \$10,085,000\* City of White Settlement, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015 (the "Certificates" and together with the Bonds, the "Obligations"). The Bonds and the Certificates (collectively the "Obligations") are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance" and the "Certificate Ordinance", respectively, each as defined below, and collectively the "Ordinances"), adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, LLC, Dallas, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and a municipal corporation of the State, duly organized and existing under the laws of the State of Texas, including the City's Home Rule Charter. The City was incorporated in 1848, and first adopted its Home Rule Charter in 1954, which was last amended November 6, 2012. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers who are elected for staggered three-year terms. The Council formulates the policies while the City Manager is the chief administrative officer for the City. Some of the services that the City provides are public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 U.S. Census population for the City was 16,116, while the estimated 2015 population is 16,968. The City covers approximately 4.87 square miles.

**PLAN OF FINANCING**

**PURPOSE OF THE BONDS . . .** Proceeds of the Bonds are expected to be used for (i) refunding certain outstanding obligations of the City described on Schedule I attached hereto (the "Refunded Obligations"); (ii) to refund an outstanding capital lease; and (iii) paying the costs associated with the issuance of the Bonds (see "Plan of Financing – Purpose of the Bonds").

**PURPOSE OF THE CERTIFICATES . . .** Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related drainage, signalization, landscaping, screening walls, lighting and signage for said projects; (ii) major repairs and renovations to existing municipal buildings, including primarily City Hall, Police Department building, Animal Control building, fire station, municipal library building, recreation center building and park maintenance building; (iii) acquisition of equipment and vehicles for street department, public works department, animal control department, fire department, parks department, and other municipal departments; (iv) acquisition and installation of technology equipment and computer equipment and software for various municipal departments; (v) construction and installation of stormwater drainage improvements; (vi) constructing, acquiring installing and equipping additions, extensions and improvements to the City's water and wastewater system, including a customer drive through service facility; (vii) acquisition of land and interests in land necessary for such projects; and (viii) paying the costs associated with the issuance of the Certificates.

**REFUNDED OBLIGATIONS . . .** Proceeds from the sale of the Bonds will be used to refund certain outstanding obligations of the City described on Schedule I attached hereto (the "Refunded Obligations"). The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and redemption date of such Refunded Obligations as shown in Schedule I, from funds to be deposited pursuant to an escrow agreement with respect to the Bonds (the "Escrow Agreement") between the City and BOKF, NA dba Bank of Texas, Dallas, Texas (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter, together with other funds of the City, if

\* Preliminary, subject to change.

necessary, the City will deposit with the Escrow Agent an amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct noncallable obligations of the United States of America or noncallable obligations of an agency or instrumentality of the United States of America that are that are guaranteed or insured the United States of America, or a combination thereof (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Grant Thornton LLP, certified public accountants, a nationally recognized accounting firm, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriter thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Obligations (see "Other Information – Verification of Arithmetical and Mathematical Computations").

By deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all the Refunded Obligations in accordance with State law and in reliance upon the Report. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Report, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes or other revenues received by the City, as the case may be, or for the purpose of applying any limitation on the issuance of debt, and the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment when due on the Escrowed Securities.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Obligations will be applied as follows:

<u>Sources of Funds</u>	<u>The Bonds</u>	<u>The Certificates</u>
Par Amount	\$ -	\$ -
Original Issue Premium	-	-
Transfer from Prior Issue Debt Service Funds	-	-
<b>Total Sources of Funds</b>	<b>\$ -</b>	<b>\$ -</b>
<u>Uses of Funds</u>		
Deposit to Project Fund	\$ -	\$ -
Deposit to Escrow Fund	-	-
Cost of Issuance <sup>(1)</sup>	-	-
<b>Total Uses of Funds</b>	<b>\$ -</b>	<b>\$ -</b>

(1) Including Underwriters' Discount.

### **THE OBLIGATIONS**

**DESCRIPTION OF THE OBLIGATIONS . . .** The Obligations are dated June 1, 2015, and mature on February 15 in each of the years and in the amounts shown on the cover page and page 3 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing August 15, 2015 for the Bonds and February 15, 2016 for the Certificates, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, and the Bond Ordinance.

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1502, as amended, and the Certificate Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .**

*The Bonds . . .* The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the as provided in the Bond Ordinance.

*The Certificates . . .* The principal of and interest on the Certificates is payable from a direct and continuing ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the Certificates are payable from a limited pledge (not to exceed \$1,000) of the surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system, all as provided in the Certificate Ordinance.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, including the Obligations, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$1.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$0.94 of the \$1.50 maximum tax rate for all general obligation debt, based on 90% tax collection factor.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2026 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds or Certificates are to be redeemed, the City may select the maturities of Bonds or Certificates, as the case may be, to be redeemed. If less than all the Bonds or Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds or Certificates, as the case may be, are in Book-Entry-Only form) shall determine by lot the Bonds or Certificates, or portions thereof, within such maturity to be redeemed. If a Bond or Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond or Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds or Certificates, as the case may be, unless certain prerequisites to such redemption required by the respective Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds or Certificates, as the case may be, to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds or Certificates, as the case may be, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds or Certificates, as the case may be, have not been redeemed.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF AN OBLIGATION (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH OBLIGATION (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

**DEFEASANCE . . .** The Ordinances provide that any Obligation and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Obligation") within the meaning of such Ordinance when payment of the principal of such Obligation, plus interest thereon to the due date either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Obligations shall

have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Obligation, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Escrowed Securities. At such time as an Obligation shall be deemed to be a Defeased Obligation hereunder, as aforesaid, such Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes and, with respect to the Certificates, surplus net revenues of the City's waterworks and sewer system, pledged as provided in the Ordinances, and such principal and interest shall be payable solely from such money or Government Obligations.

Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing to the City. The Ordinances provide that "Government Obligations" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council approves such defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council approves such defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that any particular rating for U.S. Treasury securities used as Government Obligations or the rating for any other Government Obligations will be maintained at any particular rating category.

Upon such deposit as described above, such Defeased Obligations shall no longer be regarded to be outstanding obligations payable from ad valorem taxes levied by the City or from the other revenues pledged to their payment in the Ordinances, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for any purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; and (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The City and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of each series of the Obligations in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments

(from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participant to whose account such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Obligations will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered.

*Use of Certain Terms in Other Sections of this Official Statement.* In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Underwriter.

**Effect of Termination of Book-Entry-Only System** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar for the Bonds and the Certificates is BOKF, NA dba Bank of Texas, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds and Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds and Certificates. Upon any change in the Paying Agent/Registrar for the Bonds and Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds and Certificates, as applicable, by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Bonds and Certificates is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Bonds and Certificates for payment. Interest on the Bonds and Certificates is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds and Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed Obligations will be delivered to the Registered Owners and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Obligations to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Obligation.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Bonds and Certificates on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five

business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond and Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**AMENDMENTS . . .** In each Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the respective Obligation for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

Each Ordinance further provides that the holders of the Bonds or Certificates, as applicable, aggregating in principal amount a majority of the outstanding Bonds or Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the applicable Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds or Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds or Certificates; (ii) reducing the rate of interest borne by any of the outstanding Bonds or Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds or Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds or Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds or Certificates necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

**REMEDIES . . .** Each Ordinance establishes specific events of default with respect to the respective series of Obligations. If the City defaults in the payment of the principal of or interest on the Bonds or Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, each Ordinance provides that any registered owner of a respective Obligation is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the respective Obligations or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the owners of the respective Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Obligations may not be able to bring such a suit against the City for breach of the Obligations or Ordinance covenants in the absence of City action. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds or the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Bonds and Certificates will be The Depository Trust Company. See "The Obligations - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Bonds and Certificates.

## TAX INFORMATION

**AD VALOREM TAX LAW . . .** The appraisal of property within the City is the responsibility of the Tarrant Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and are prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value the preceding year plus (b) the property's appraised value in the preceding year plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board within each Appraisal District, consisting of members appointed by the Board of Directors of each respective Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the appropriate Appraisal Review Board.

Reference is made to Title I of the Texas Tax Code (the "Property Tax Code") for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

As of January 1, 2004, under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established such freeze cannot be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its

successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, effective January 1, 2012, surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Under Section 11.253 of the Texas Tax Code, "Goods-in-Transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-Transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

The City may create one or more tax increment financing districts ("TIF") within the City and freeze the taxable values of property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under tax abatement agreement, a property owner typically agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and 1 tax increment financing zone for tax increment financing purposes. See "Tax Information - Tax Abatement Policy" and "- Tax Increment Financing" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

Municipalities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs or promote state or local economic development and to stimulate business and commercial activity in the city. In accordance with a program established pursuant to Chapter 380, a city may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the city. Any agreement into which the City has entered pursuant to Chapter 380 is hereinafter referred to as a "Chapter 380 Agreement". The City has entered into several Chapter 380 Agreements. See "Tax Information - Chapter 380 Agreements".

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . .** Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60<sup>th</sup> day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of February 15. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 15 of each year and the final installment due on August 15.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee that exceeds 20% of the amount of delinquent tax, penalty, and interest collected, and such fee may be added to the total tax penalty and interest charged to the taxpayer. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$37,000; the disabled are also granted an exemption of \$10,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Tarrant County collects taxes for the City.

The City does permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does collect the additional one-half cent sales tax for economic development.

The City does collect the additional one-half cent sales tax for a crime district program.

The City does not tax goods in transit.

The City has adopted a tax abatement policy.

**TAX ABATEMENT POLICY . . .** The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 100% in real and personal property tax reductions of investment by the business in eligible property for a period of 10 years. Currently the city does not have any tax abatements outstanding.

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2014/15 Market Valuation Established by Tarrant Appraisal District		\$ 627,833,940
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead, Over 65 and Disabled	\$ 71,909,717	
Disabled Veterans	3,238,697	
Agricultural and Open-Space Land Use	277,142	
Nominal Value Accounts	328,810	
Prorated Absolute	57,746	
Freeport Inventory	321,121	76,133,233
		<u>76,133,233</u>
2014/15 Taxable Assessed Valuation		<u>\$ 551,700,707</u>
General Obligation Debt Payable from Ad Valorem Taxes (as of 3-31-15)		
General Obligation Debt	\$ 12,435,000 <sup>(1)</sup>	
The Certificates	10,085,000 <sup>(2)</sup>	
The Bonds	<u>3,665,000 <sup>(2)</sup></u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 26,185,000
Less: Self Supporting Debt <sup>(3)</sup>		
Water and Sewer Certificates of Obligation		<u>9,975,000 <sup>(4)</sup></u>
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 16,210,000
Interest and Sinking Fund (as of 3-31-15)		\$ 781,582
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation . . . . .		2.94%

2015 Estimated Population - 16,968  
Per Capita Taxable Assessed Valuation - \$32,514  
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$955

- (1) Excludes the Refunded Obligations. Preliminary, subject to change.
- (2) Preliminary, subject to change.
- (3) General obligation debt in the amounts shown for which repayment is provided from revenues of the water and sewer system. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from system revenues; this policy is subject to change in the future.
- (4) Includes a portion of the Certificates. Preliminary, subject to change.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2015		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 298,518,798	47.55%	\$ 279,972,341	45.06%	\$ 274,587,341	35.32%
Real, Residential, Multi-Family	53,261,944	8.48%	48,171,461	7.75%	44,191,872	5.68%
Real, Vacant Lots/Tracts	11,491,009	1.83%	7,372,271	1.19%	7,866,868	1.01%
Real, Acreage (Land Only)	278,348	0.04%	3,116,921	0.50%	2,787,792	0.36%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%	47,000	0.01%
Real, Commercial	135,714,323	21.62%	136,496,627	21.97%	132,674,850	17.07%
Real, Industrial	9,410,436	1.50%	1,399,400	0.23%	1,328,200	0.17%
Real Property, Oil, Gas and Other Minerals	13,725,930	2.19%	5,593,230	0.90%	6,486,540	0.83%
Real and Tangible Personal, Utilities	15,149,166	2.41%	12,212,468	1.97%	13,213,923	1.70%
Tangible Personal, Commercial	38,648,700	6.16%	34,110,633	5.49%	30,203,679	3.89%
Tangible Personal, Industrial	49,327,557	7.86%	89,868,298	14.47%	260,540,550	33.51%
Tangible Personal, Aircraft	-	0.00%	-	0.00%	-	0.00%
Tangible Personal, Mobile Homes	1,000,250	0.16%	975,400	0.16%	1,119,400	0.14%
Tangible Personal, Other	1,307,479	0.21%	1,976,696	0.32%	2,355,380	0.30%
Total Appraised Value Before Exemptions	\$ 627,833,940	100.00%	\$ 621,265,746	100.00%	\$ 777,403,395	100.00%
Less: Total Exemptions/Reductions	(76,133,233)		(73,472,384)		(193,943,887)	
Taxable Assessed Value	<u>\$ 551,700,707</u>		<u>\$ 547,793,362</u>		<u>\$ 583,459,508</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 274,014,062	44.81%	\$ 280,341,380	47.80%
Real, Residential, Multi-Family	44,173,780	7.22%	46,265,096	7.89%
Real, Vacant Lots/Tracts	7,288,128	1.19%	8,779,658	1.50%
Real, Acreage (Land Only)	2,354,396	0.39%	1,920,274	0.33%
Real, Farm and Ranch Improvements	47,000	0.01%	-	0.00%
Real, Commercial	129,906,323	21.24%	129,797,494	22.13%
Real, Industrial	1,328,200	0.22%	1,150,100	0.20%
Real Property, Oil, Gas and Other Minerals	5,253,160	0.86%	-	0.00%
Real and Tangible Personal, Utilities	12,489,076	2.04%	12,416,780	2.12%
Tangible Personal, Commercial	31,446,735	5.14%	43,846,406	7.48%
Tangible Personal, Industrial	98,956,453	16.18%	55,336,791	9.44%
Tangible Personal, Aircraft	-	0.00%	2,000,000	0.34%
Tangible Personal, Mobile Homes	1,129,300	0.18%	1,126,786	0.19%
Tangible Personal, Other	3,137,866	0.51%	3,499,866	0.60%
Total Appraised Value Before Exemptions	\$ 611,524,479	100.00%	\$ 586,480,631	100.00%
Less: Total Exemptions/Reductions	(135,720,098)		(94,678,649)	
Taxable Assessed Value	<u>\$ 475,804,381</u>		<u>\$ 491,801,982</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Tarrant Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9-30	Estimated Population	Taxable Assessed Valuation <sup>(3)</sup>	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2011	16,240 <sup>(1)</sup>	\$ 491,801,982	\$ 30,283	\$ 6,925,000	1.41%	\$ 426
2012	16,260 <sup>(1)</sup>	475,804,381	29,262	6,110,000	1.28%	376
2013	16,460 <sup>(1)</sup>	583,459,508	35,447	8,945,000	1.53%	543
2014	16,800 <sup>(1)</sup>	547,793,362	32,607	8,455,000	1.54%	503
2015	16,968 <sup>(2)</sup>	551,700,707	32,514	16,210,000 <sup>(4)</sup>	2.94%	955

(1) Source: North Central Texas Council of Governments.

(2) Estimated, provided by City staff.

(3) As reported by Tarrant Appraisal District.

(4) Projected, includes the Bonds and a portion of the Certificates. Excludes self-supporting debt. Excludes the Refunded Obligations. Preliminary, subject to change.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2011	\$ 0.686037	\$ 0.459853	\$ 0.226184	\$ 3,436,632	97.72%	99.40%
2012	0.742135	0.501238	0.240897	3,752,309	98.31%	99.52%
2013	0.614715	0.449738	0.164977	3,810,645	98.65%	99.25%
2014	0.670653	0.535754	0.134899	3,846,840	98.56%	98.56%
2015	0.690660	0.550295	0.140365	3,844,234 <sup>(1)</sup>	93.59% <sup>(2)</sup>	99.97% <sup>(2)</sup>

(1) Collections through March 31, 2015.

(2) Collections for part year only, through March 31, 2015.

**TABLE 5 - TEN LARGEST TAXPAYERS <sup>(1)</sup>**

Name of Taxpayer	Nature of Property	2014/15 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
SPM Flow Control Inc.	Petroleum	\$ 57,401,926	10.40%
Lowe's Home Centers Inc.	Home Improvement	12,078,856	2.19%
Chesapeake Operating	Personal Property	10,193,690	1.85%
Lowrance Properties	Industrial	9,608,768	1.74%
Graham Realty Investments LTD	Real Estate	5,960,000	1.08%
ESS Prisa II TX LP	Real Estate	5,858,004	1.06%
Oncor Electric Delivery Co LLC	Utility	5,827,815	1.06%
Deepdale Investments LTD	Real Estate	5,456,000	0.99%
Manitoba Management Inc	Real Estate	5,450,000	0.99%
Co-Operative Industries	Manufacturing	4,764,717	0.86%
		<u>\$ 122,599,776</u>	<u>22.22%</u>

The City has a concentration of taxable assessed valuation in oil and gas and energy related activities. Among other things, adverse developments in economic conditions or changes in the regulatory environment could adversely impact the businesses that own such properties and the tax values of the City. If any major taxpayer of the City were to default in the payment of taxes, the ability of the City to make timely payment of debt service on its outstanding bonds could be affected.

**GENERAL OBLIGATION DEBT LIMITATION . . .** No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (however, see "The Obligations – Tax Rate Limitation").

**TABLE 6 - ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2014/15	2014/15	Total	Estimated	City's	Authorized
	Taxable Assessed Value				Tax Rate	Funded Debt
City of White Settlement	\$ 551,700,707	\$ 0.690660	\$ 16,210,000 <sup>(1)</sup>	100.00%	\$ 16,210,000	\$ -
Fort Worth Independent School District	28,323,965,759	1.322000	832,019,995	0.07%	582,414	239,870,000
Tarrant County	132,971,955,288	0.264000	317,820,000	0.45%	1,430,190	96,520,000
Tarrant County College District	133,754,637,419	0.149500	-	0.45%	-	-
Tarrant County Hospital District	133,230,920,130	0.227897	23,440,000	0.45%	105,480	-
White Settlement Independent School District	1,526,944,695	1.540000	166,718,318	42.22%	<u>70,388,474</u>	-
Total Direct and Overlapping G.O. Debt . . . . .					\$ 88,716,558	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation . . . . .					16.08%	
Per Capita Overlapping G.O. Debt . . . . .					\$ 5,228	

(1) Includes the Bonds and a portion of the Certificates. Excludes the Refunded Obligations. Net of self-supporting debt. Preliminary, subject to change.

**TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended	Outstanding Debt Service <sup>(1)</sup>			The Bonds <sup>(2)</sup>			The Certificates <sup>(3)</sup>			Total	Less: Self-	Total	% of
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Outstanding	Supporting	Debt Service	Principal
										Debt Service	Debt Service <sup>(4)</sup>	Requirements	Retired
2015	\$ 915,000	\$ 534,813	\$ 1,449,813	\$ -	\$ 13,013	\$ 13,013	\$ -	\$ -	\$ -	\$ 1,462,825	\$ 787,182	\$ 675,643	
2016	940,000	481,163	1,421,163	45,000	122,795	167,795	200,000	394,208	594,208	2,183,166	976,713	1,206,453	
2017	800,000	455,963	1,255,963	180,000	120,376	300,376	275,000	351,259	626,259	2,182,598	970,237	1,212,360	
2018	830,000	429,150	1,259,150	180,000	116,506	296,506	300,000	343,578	643,578	2,199,234	975,803	1,223,431	
2019	865,000	398,663	1,263,663	185,000	111,658	296,658	305,000	334,049	639,049	2,199,369	978,262	1,221,107	22.21%
2020	895,000	365,288	1,260,288	195,000	105,673	300,673	305,000	324,441	629,441	2,190,401	973,980	1,216,422	
2021	935,000	330,588	1,265,588	200,000	99,451	299,451	315,000	313,101	628,101	2,193,140	978,244	1,214,897	
2022	765,000	297,563	1,062,563	205,000	93,073	298,073	330,000	299,718	629,718	1,990,353	778,950	1,211,403	
2023	800,000	265,763	1,065,763	210,000	85,486	295,486	345,000	285,711	630,711	1,991,960	781,396	1,210,565	
2024	835,000	231,519	1,066,519	220,000	76,564	296,564	355,000	271,186	626,186	1,989,269	782,253	1,207,016	47.71%
2025	870,000	195,288	1,065,288	230,000	67,226	297,226	365,000	256,246	621,246	1,983,760	781,774	1,201,987	
2026	910,000	156,325	1,066,325	240,000	58,674	298,674	375,000	242,766	617,766	1,982,765	780,281	1,202,484	
2027	955,000	114,363	1,069,363	245,000	50,882	295,882	385,000	230,796	615,796	1,981,041	782,663	1,198,378	
2028	995,000	70,488	1,065,488	260,000	42,450	302,450	395,000	218,018	613,018	1,980,955	783,581	1,197,375	
2029	1,040,000	24,050	1,064,050	200,000	34,630	234,630	475,000	203,228	678,228	1,976,908	782,666	1,194,242	77.01%
2030	-	-	-	205,000	27,617	232,617	750,000	181,934	931,934	1,164,551	188,971	975,580	
2031	-	-	-	215,000	20,214	235,214	770,000	155,144	925,144	1,160,358	188,419	971,939	
2032	-	-	-	220,000	12,410	232,410	800,000	126,973	926,973	1,159,383	187,588	971,795	
2033	-	-	-	230,000	4,198	234,198	825,000	97,316	922,316	1,156,514	186,474	970,040	
2034	-	-	-	-	-	-	1,085,000	62,459	1,147,459	1,147,459	185,178	962,281	95.83%
2035	-	-	-	-	-	-	1,130,000	21,329	1,151,329	1,151,329	188,492	962,837	100.00%
	<u>\$ 13,350,000</u>	<u>\$ 4,350,981</u>	<u>\$ 17,700,981</u>	<u>\$ 3,665,000</u>	<u>\$ 1,262,895</u>	<u>\$ 4,927,895</u>	<u>\$ 10,085,000</u>	<u>\$ 4,713,458</u>	<u>\$ 14,798,458</u>	<u>\$ 37,427,334</u>	<u>\$ 14,019,102</u>	<u>\$ 23,408,233</u>	

DEBT INFORMATION

(1) Excludes the Refunded Obligations. Preliminary, subject to change.

(2) Average life of the issue - 9.813 years. Interest on the Bonds has been calculated at the average rate of 3.38% for purposes of illustration. Preliminary, subject to change.

(3) Average life of the issue - 12.889 years. Interest on the Certificates has been calculated at the average rate of 3.59% for purposes of illustration. Preliminary, subject to change.

(4) Includes a portion of the Certificates. Preliminary, subject to change.

**TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Budgeted Tax Supported Debt Service Requirements, Fiscal Year Ended, 9/30/15 . . . . .	\$	675,643
Budgeted Interest and Sinking Fund Balance, 9/30/14 . . . . .	\$	770,765
2014/15 Budgeted Interest and Sinking Fund Tax Levy . . . . .	<u>1,061,525</u>	<u>1,832,290</u>
Estimated Balance, 9/30/15 . . . . .		<u><u>\$ 1,156,647</u></u>

**TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT**

Net Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-14. . . . .	\$	2,384,232
Less: Revenue Bond Requirements, 2015 Fiscal Year . . . . .		<u>-</u>
Balance Available for Other Purposes . . . . .	\$	2,384,232
System General Obligation Bond Requirements, 2015 Fiscal Year . . . . .		<u>787,182</u>
Balance . . . . .		<u><u>\$ 1,597,050</u></u>
Percentage of Waterworks & Sewer System General Obligation Bonds Self-Supporting . . . . .		100.00%

(1) Does not include depreciation and interest expense.

**TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City does not have any authorized but unissued general obligation debt.

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . .** The City does not anticipate the issuance of additional debt in the next twelve month period.

**TABLE 11 - OTHER OBLIGATIONS**

The City has entered into various capital leases. The City is required to make future minimum payments as follows:

Fiscal Year Payable	<u>Amount</u>
2015	\$ 93,480
2016	93,480
2017	93,480
2018	93,480
2019	93,480
2020-2024	<u>467,400</u>
Total Future Lease Payments	\$ 934,800
Less Amount Representing Interest	<u>136,464</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 798,336</u></u>

**PENSION FUND . . .** The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense.

**Plan Description . . .** The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS: the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System.

**FUNDING STATUS AND FUNDING PROGRESS** . . . In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation.

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2013	\$ 19,159,451	\$ 23,009,625	83.27%	\$ 3,850,174	\$ 5,437,734	70.80%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

See Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" – Note 10 for additional information.

**OTHER POSTEMPLOYMENT BENEFITS** . . . The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$1,705, \$1,589, and \$1,533, respectively, which equaled the required contributions each year.

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.03%	0.03%	100.00%
2013	0.03%	0.03%	100.00%
2014	0.03%	0.03%	100.00%

See Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" – Note 11 for additional information.

**FINANCIAL INFORMATION**

**TABLE 12 – CHANGES IN NET POSITION**

Revenues:	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
<u>Program Revenues</u>					
Charges for Services	\$ 1,159,455	\$ 1,294,734	\$ 1,111,834	\$ 867,582	\$ 710,901
Operating Grants and Contributions	67,809	53,723	13,762	59,407	26,868
Capital Grants and Contributions	6,642,294 <sup>(1)</sup>	-	-	174,806	591,989
<u>General Revenues</u>					
Property Taxes	3,919,467	3,954,575	3,797,676	3,475,352	4,208,683
Sales Taxes	3,979,692	3,615,774	4,655,270	4,162,050	3,250,703
Franchise Taxes	1,247,023	1,168,219	1,189,497	1,210,396	1,115,058
Hotel Occupancy Taxes	206,043	185,394	194,549	133,505	113,712
Oil and Gas Royalties	178,041	126,346	498,998	349,979	63,080
Interest Earnings	31,932	25,035	15,823	16,119	33,442
Gain on Sale of Assets	(90,969)	25,265	3,839	6,710	9,781
Other Revenue	56,160	102,580	93,982	51,677	150,750
Total Revenues	<u>\$17,396,947</u>	<u>\$ 10,551,645</u>	<u>\$11,575,230</u>	<u>\$ 10,507,583</u>	<u>\$ 10,274,967</u>
Expenses:					
General Government	\$ 2,622,855	\$ 1,467,221	\$ 1,419,423	\$ 1,362,135	\$ 1,581,559
Public Safety	5,908,877	5,768,084	5,499,077	5,136,644	5,214,067
Public Works	1,349,597	1,196,989	1,203,843	986,818	1,019,006
Public Health	227,709	206,776	198,373	214,829	214,752
Culture and Recreation	1,489,447	1,458,161	1,467,194	1,412,396	1,432,284
Interest on Long-Term Debt	303,809	275,917	292,201	303,458	373,587
Total Expenses	<u>\$11,902,294</u>	<u>\$ 10,373,148</u>	<u>\$10,080,111</u>	<u>\$ 9,416,280</u>	<u>\$ 9,835,255</u>
Increase in Net Position					
before Transfers	\$ 5,494,653	\$ 178,497	\$ 1,495,119	\$ 1,091,303	\$ 439,712
Transfers	670,000	584,700	584,700	1,452,933	690,347
Increase (Decrease) in Net Position	\$ 6,164,653	\$ 763,197	\$ 2,079,819	\$ 2,544,236	\$ 1,130,059
Net Position October 1	26,837,182	26,236,397	24,156,578	21,612,342	20,482,283
Prior Period Adjustment		(162,412)	-	-	-
Net Position September 30	<u>\$33,001,835</u>	<u>\$ 26,837,182</u>	<u>\$26,236,397</u>	<u>\$ 24,156,578</u>	<u>\$ 21,612,342</u>

(1) Includes \$6,533,000 for Farmers Branch Flood Reduction Improvements funded by the U.S. Corps of Engineers.

**TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
<u>Taxes:</u>					
Ad Valorem	\$ 3,111,733	\$ 2,915,658	\$ 2,580,393	\$ 2,333,588	\$ 3,165,760
Sales	2,695,789	2,456,233	3,150,212	2,828,623	2,225,321
Franchise	962,473	905,973	945,941	931,713	843,565
Fines and Forfeitures	498,862	488,501	400,481	279,934	254,318
Licenses and Permits	446,404	552,803	436,309	342,630	247,562
Intergovernmental Revenue	99,419	69,847	86,943	194,232	73,459
Charges for Services	160,882	191,455	164,229	174,879	158,449
Oil and Gas Royalties	178,041	126,346	498,998	349,979	63,080
Investment Earnings	15,940	18,933	11,574	10,969	24,117
Other Revenue	26,652	19,931	12,526	6,328	59,236
Total Revenues	<u>\$ 8,196,195</u>	<u>\$ 7,745,680</u>	<u>\$ 8,287,606</u>	<u>\$ 7,452,875</u>	<u>\$ 7,114,867</u>
<u>Expenditures</u>					
<u>Current:</u>					
General Government	\$ 2,540,547	\$ 1,437,870	\$ 1,357,354	\$ 1,279,852	\$ 1,485,075
Public Safety	5,119,154	5,812,395	4,829,689	4,560,580	5,210,588
Public Works	568,797	622,595	600,613	586,341	633,289
Public Health	220,462	199,625	183,025	201,574	210,076
Culture and Recreation	1,274,713	1,190,652	1,244,713	1,131,758	1,174,730
Total Expenditures	<u>\$ 9,723,673</u>	<u>\$ 9,263,137</u>	<u>\$ 8,215,394</u>	<u>\$ 7,760,105</u>	<u>\$ 8,713,758</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,527,478)	\$ (1,517,457)	\$ 72,212	\$ (307,230)	\$ (1,598,891)
<u>Other Financing Sources (Uses):</u>					
Proceeds from Insurance Recoveries	\$ 3,234	\$ 30,341	\$ 59,449	\$ 24,343	\$ 26,949
Proceeds from Sale of General Capital Assets	54,999	25,265	16,341	213,578	13,381
Proceeds from Capital Lease	-	798,336	-	-	689,326
Transfers In	1,500,024	1,561,872	1,328,558	1,350,442	1,244,022
Transfers Out	-	-	-	-	(56,250.00)
Total Other Financing Sources (Uses)	<u>\$ 1,558,257</u>	<u>\$ 2,415,814</u>	<u>\$ 1,404,348</u>	<u>\$ 1,588,363</u>	<u>\$ 1,917,428</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 30,779	\$ 898,357	\$ 1,476,560	\$ 1,281,133	\$ 318,537
Fund Balance - October 1	10,899,922	10,001,565	8,525,005	7,240,981	6,922,444
Prior Period Adjustments	-	-	-	2,891	-
Fund Balance - September 30	<u>\$10,930,701</u> <sup>(1)</sup>	<u>\$10,899,922</u>	<u>\$10,001,565</u>	<u>\$8,525,005</u>	<u>\$7,240,981</u>

(1) \$10,308,848 of the fund balance is unassigned.

Note: The City anticipates that its general fund balance will decrease by approximately \$1.2 million in fiscal year 2014-15, primarily due to the forgiveness of a loan with the White Settlement Economic Development Corporation.

**TABLE 13 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The City has entered into various agreements to pay sales tax grants to certain developers based on sales tax collections.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2011	\$ 2,828,623	82.31%	\$ 0.5752	\$ 174
2012	3,150,212	83.95%	0.6621	194
2013	2,456,233	64.46%	0.4210	149
2014	2,695,789	70.08%	0.4921	160
2015 <sup>(1)</sup>	1,304,869	33.94%	0.2365	77

On July 1, 1994, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development ("4B Sales Tax"). The sales tax is collected solely for the benefit of White Settlement Economic Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation. The voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for crime control. Collection for the additional tax went into effect on July 1, 1996. The sales tax is collected solely for the benefit of the White Settlement Crime Control District.

Fiscal Year Ended 9/30	Crime Control District Collected	4B Sales Tax Collected
2011	\$ 1,333,427	\$ 1,392,499
2012	1,505,058	1,553,787
2013	1,159,541	1,202,312
2014	1,283,903	1,331,070
2015 <sup>(1)</sup>	626,429	652,435

(1) Collections through March 31, 2015.

The sales tax breakdown for the City is as follows:

Crime Control District	0.50%
Economic Development	0.50%
City Sales & Use Tax	1.00%
State Sales & Use Tax	<u>6.25%</u>
Total	8.25%

**FINANCIAL POLICIES**

Basis of Accounting . . . All governmental funds, the expendable trust fund and the agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become measurable and available as net current assets, that is, when they become susceptible to accrual. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

All proprietary fund and pension trust fund revenues and expenses are recognized on the accrual basis of accounting, whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period on which they are incurred.

General Fund Balance . . . According to City Policy, the minimum unassigned fund balance acceptable in the General Fund is the equivalent of one-hundred forty-four (144) days expenditure. The General Fund has a four-hundred and four days (404) reserve as of September 30, 2014.

Use of Bond Proceeds, Grants, etc. . . . The City's policy is to use bond proceeds or other non-recurring revenues for capital expenditures only. Such revenues are never to be used to fund City operations.

Budgetary Procedures . . . The City adheres to the following procedures in establishing the operating budgets reflected in the general purpose financial statements:

- (1) Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning October 1.
- (2) Public hearings are conducted at which all interested persons may comment concerning the proposed budget.
- (3) Council adopts the budget on or before the last day of the month of the fiscal year currently ending through passage of an appropriation ordinance and tax levying ordinance. If the City Council fails to adopt the budget at that time, the budget of the previous year is deemed to be adopted.

## **INVESTMENTS**

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS** . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the Public Funds Investment Act; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State; (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**INVESTMENT POLICIES . . .** Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 14 - CURRENT INVESTMENTS**

As of March 31, 2015, the City's investable funds were invested in the following categories:

<u>Description</u>	<u>Percent</u>	<u>Book Value</u>	<u>Market Value</u>
Demand Accounts	8.14%	\$ 2,635,338	\$ 2,635,338
Monney Market Accounts	31.75%	10,275,496	10,275,496
BBVA Libor	27.91%	9,034,836	9,034,836
CDARS	6.19%	2,003,206	2,003,206
Certificates of Deposit	9.35%	3,026,340	3,026,340
TexPool	16.66%	5,392,004	5,392,004
	<u>100.00%</u>	<u>\$ 32,367,220</u>	<u>\$ 32,367,220</u>

## TAX MATTERS

**OPINION** . . . On the date of initial delivery of the Obligations, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinions that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (i) interest on the Obligations will be excludable from the "gross income" of the holders thereof for federal income tax purposes, and (ii) the Obligations will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations. See Appendix C -- Forms of Bond Counsel's Opinions.

In rendering its opinions, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificates, (b) covenants of the City contained in the Obligation documents relating to certain matters, including arbitrage and the use of the proceeds of the Obligations and the Refunded Obligations and the property financed or refinanced therewith, and (c) the verification report of Grant Thornton LLP. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Obligations to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinion of Bond Counsel to the City is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the property financed or refinanced with proceeds of the Obligations. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Obligationholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT** . . . The initial public offering price to be paid for one or more maturities of the Obligations may be less than the maturity amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Obligations"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Obligation in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Obligation is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close

of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Obligation.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

**COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . .** The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Interest on the Obligations will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

**STATE, LOCAL AND FOREIGN TAXES . . .** Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

**FUTURE AND PROPOSED LEGISLATION . . .** Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the Electronic Municipal Market Access System ("EMMA") at [www.emma.msrb.org](http://www.emma.msrb.org). The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14 and in Appendix B. The City will update and provide the information in Tables 1 through 5 and 7 through 14 within six months after the end of each fiscal year ending in and after 2015. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2015. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified below or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Tables 1 through 5 and 7 through 14 by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

**NOTICE OF CERTAIN EVENTS . . .** The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the last five years the City believes it has complied in all material respects with its previous continuing disclosure undertakings entered into pursuant to SEC Rule 15c2-12.

## **OTHER INFORMATION**

### **RATINGS**

The Obligations and the presently outstanding tax supported debt of the City are rated "AA-" by S&P. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations.

### **LITIGATION**

At the time of the initial delivery of the Obligations, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Obligations or that affects the payment and security of the Obligations or in any other manner questioning the issuance, sale or delivery of the Obligations.

### **REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE**

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

### **LEGAL OPINIONS**

The City will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of each series of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the

Initial Certificate and the Initial Bond and to the effect that such Obligations are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, including the alternative minimum tax on corporations. Though it may represent the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions or subcaptions "PLAN OF FINANCING" (exclusive of the subcaption "Sources and Uses of Proceeds"), "THE OBLIGATIONS" (excluding the last sentence of the subcaption "Tax Rate Limitations" and exclusive of the subcaptions "Book-Entry-Only System" and "Remedies"), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Obligations for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER INFORMATION - Legal Opinions" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Dallas, Texas, Counsel for the Underwriter, whose legal fees are contingent upon the sale and delivery of the Obligations.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

#### **FINANCIAL ADVISOR**

First Southwest Company, LLC is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. First Southwest Company, LLC, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

#### **VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS**

Grant Thornton LLP, a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by First Southwest Company, LLC on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company, LLC on behalf of the City and has not evaluated or examined the assumptions or information used in the computations.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the tax-exemption of interest on the Obligations and with respect to the defeasance of the Refunded Obligations.

#### **UNDERWRITING**

The Underwriter have agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of \$\_\_\_\_\_. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter have agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of \$\_\_\_\_\_. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter have provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

#### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

#### **MISCELLANEOUS**

The Ordinances authorizing the issuance of the Obligations will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Underwriter.

---

RONALD A. WHITE  
Mayor  
City of White Settlement, Texas

ATTEST:

---

AMY ARNOLD  
City Secretary

## SCHEDULE OF REFUNDED OBLIGATIONS\*

## Tax Notes, Series 2013

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
8/27/2013	2/1/2017	2.000%	\$ 165,000	\$ 165,000
	2/1/2018	2.000%	170,000	170,000
	2/1/2019	2.000%	170,000	170,000
	2/1/2020	2.000%	<u>2,400,000</u>	<u>2,400,000</u>
			\$ 2,905,000	\$ 2,905,000

The 2017 - 2020 maturities will be redeemed prior to original maturity on February 1, 2016, at par.

---

\* Preliminary, subject to change.

**THIS PAGE LEFT BLANK INTENTIONALLY**

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

**THIS PAGE LEFT BLANK INTENTIONALLY**

**LOCATION** . . . The City is located in northwest Tarrant County and abuts the City of Fort Worth ("Fort Worth"). The City is conveniently located within a network of freeways which makes it accessible to all parts of Texas and the nation. The City is bound on the south by Interstate Highway 30; on the west by the Jim Wright Freeway (more commonly known as Loop 820, a multi-lane highway which loops Fort Worth) and on the north by the Lockheed Aircraft assembly plant, Lake Worth and the City of Westworth Village. The City has no extra-territorial jurisdiction.

The City is a political subdivision of the State of Texas and was incorporated in 1952. The current charter was approved by the voters in 1954 and last amended in 2005. The City is a home rule city and operates under the Council/Manager form of government. The Council is composed of a mayor and five councilmembers. All City residents vote for all six places. Councilmembers are elected for three year staggered terms and elections are held annually in May.

Policy-making and oversight functions are the responsibility of, and are vested in, the City Council. The City Council is required by the charter to appoint a City Manager to serve as the chief administrative and executive officer of the City. The duties of the City Manager include the appointment of City department heads and the daily conduct of City affairs.

The City has approximately 120 full-time and 40 part-time employees. This includes 34 sworn policemen. The City provides the following services: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. The City covers approximately 4.87 square miles.

**POPULATION** . . . The City was initially settled in the early 1840's as a trading post and supply point for a series of forts established in north and west Texas. After approximately 110 years of existence, the City was incorporated in 1951 with an estimated population of 10,800. Since that time, the City has grown to a currently estimated population of 16,968.

<u>Year</u>	<u>Population</u>
2006	15,750
2007	15,900
2008	16,000
2009	16,150
2010	16,400
2011	16,200
2012	16,116
2013	16,390
2014	16,800
2015	16,968

**MAJOR BUSINESSES AND INDUSTRIES LOCATED IN WHITE SETTLEMENT**

<u>Name</u>	<u>Product</u>	<u>Number of Employees</u>
Weir SPM	Oil field equipment	1,300
White Settlement I.S.D.	Education	613
Courtyards at Fort Worth	Rehabilitation/nursing	215
Education Service Center Region XI	Resource Provider for School Districts	175
PDX Inc.	Software Development	175
City of White Settlement	Municipal government	130
Co-Operative Industries	Electrical wiring harnesses mfg.	125
Lowe's Home Center	Building materials/hardware retail	112
Southside Bank	Financial institution	95
Academy Sports & Outdoors	Retail	85
Toys R Us	Retail	35
Tech Tool Plastics	Fiberglass & Plastic Products	21

**THIS PAGE LEFT BLANK INTENTIONALLY**

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF WHITE SETTLEMENT, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2014

The information contained in this Appendix consists of excerpts from the City of White Settlement, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2014, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

**THIS PAGE LEFT BLANK INTENTIONALLY**

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of White Settlement, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of White Settlement, Texas, (the "City") as of and for the year ended September 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, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-16 and budgetary comparison information and Texas Municipal Retirement System Schedule of Funding Progress on pages 56-79 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's financial statements. The introductory section, combining nonmajor funds financial statements, individual fund schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the City White Settlement, Texas' 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.

*George, Morgan & Sneed, P.C.*

George, Morgan & Sneed, P.C.  
Weatherford, Texas  
February 24, 2015

**THIS PAGE INTENTIONALLY LEFT BLANK**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of White Settlement, Texas, we offer readers of The City of White Settlement's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of White Settlement exceeded its liabilities at the close of the most recent fiscal year by \$57,003,128 (*net position*) compared to \$48,925,671 for the prior year. Of this amount, \$19,199,244 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$8,077,457. The City's governmental activities net position increased by \$6,164,653 and the business-type activities net position increased \$1,912,804. \$6,533,600 of the increase in the governmental activities net position is Farmers Branch Flood Reduction Improvements funded by U.S. Army Corps of Engineers.
- As of the close of the current fiscal year, the City of White Settlement's governmental funds reported combined ending fund balances of \$17,916,148 compared to \$18,463,038 for the prior year. \$10,308,848 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,308,848, or 106% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of White Settlement's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net

position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, public health, culture and recreation and economic development. The business-type activities of the City include water and wastewater, sanitation and storm water utility.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Crime Control and Prevention District, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund

statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Crime Control and Prevention District, and capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

***Proprietary funds.*** The City maintains one type of proprietary fund. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater operations, sanitation operations and storm water utility district.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater fund and the stormwater utility fund which are considered major funds and the sanitation fund.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-55 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on Exhibits E-1 through E-3 of this report.

The combining and individual nonmajor governmental funds and Economic Development Corporation statements are presented immediately following the required supplementary information. These statements can be found on Exhibits F-1 through F-7 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$57,003,128 as of September 30, 2014.

The largest portion of the City's net position (58%) reflects its investment in capital assets (e.g. land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$19,199,244 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Below are summaries of the City's Statement of Net Position and Changes in Net Position.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 18,683,495	\$ 19,338,190	\$ 12,013,734	\$ 11,126,737	\$ 30,697,229	\$ 30,464,927
Capital assets	25,542,211	19,144,633	20,747,869	20,475,496	46,290,080	39,620,129
Total Assets	<u>44,225,706</u>	<u>38,482,823</u>	<u>32,761,603</u>	<u>31,602,233</u>	<u>76,987,309</u>	<u>70,085,056</u>
Long-term liabilities	10,816,634	11,148,500	7,874,486	8,349,338	18,691,120	19,497,838
Other liabilities	407,237	497,141	885,824	1,164,406	1,293,061	1,661,547
Total liabilities	<u>11,223,871</u>	<u>11,645,641</u>	<u>8,760,310</u>	<u>9,513,744</u>	<u>19,984,181</u>	<u>21,159,385</u>
Net Position:						
Invested in capital assets						
net of related debt	19,869,406	13,128,490	13,428,324	12,677,910	33,297,730	25,806,400
Restricted	2,160,407	1,935,460	2,345,747	1,666,924	4,506,154	3,602,384
Unrestricted	10,972,022	11,773,232	8,227,222	7,743,655	19,199,244	19,516,887
Total Net Position	<u>\$ 33,001,835</u>	<u>\$ 26,837,182</u>	<u>\$ 24,001,293</u>	<u>\$ 22,088,489</u>	<u>\$ 57,003,128</u>	<u>\$ 48,925,671</u>

### Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,159,455	\$ 1,294,734	\$ 7,358,446	\$ 7,145,817	\$ 8,517,901	\$ 8,440,551
Operating grants and contributions	67,809	53,723	-	-	67,809	53,723
Capital grants and contributions	6,642,294	-	553,865	430,624	7,196,159	430,624
General revenues:						
Property taxes	3,919,467	3,954,575	-	-	3,919,467	3,954,575
Sales taxes	3,979,692	3,615,774	-	-	3,979,692	3,615,774
Franchise taxes	1,247,023	1,168,219	-	-	1,247,023	1,168,219
Hotel Occupancy taxes	206,043	185,394	-	-	206,043	185,394
Oil & gas revenues	178,041	126,346	-	-	178,041	126,346
Investment earnings	31,932	25,035	16,066	16,769	47,998	41,804
Gain (loss) on sale of capital assets	(90,969)	25,265	-	-	(90,969)	25,265
Other revenue	56,160	102,580	274	2,988	56,434	105,568
Total revenues	<u>17,396,947</u>	<u>10,551,645</u>	<u>7,928,651</u>	<u>7,596,198</u>	<u>25,325,598</u>	<u>18,147,843</u>
Expenses						
General government	2,622,855	1,467,221	-	-	2,622,855	1,467,221
Public safety	5,908,877	5,768,084	-	-	5,908,877	5,768,084
Public works	1,349,597	1,196,989	-	-	1,349,597	1,196,989
Public health	227,709	206,776	-	-	227,709	206,776
Culture and recreation	1,489,447	1,458,161	-	-	1,489,447	1,458,161
Interest on long-term debt	303,809	275,917	-	-	303,809	275,917
Water and wastewater	-	-	4,687,161	4,747,179	4,687,161	4,747,179
Storm water utility	-	-	40,032	31,317	40,032	31,317
Sanitation	-	-	618,654	603,783	618,654	603,783
Total expenses	<u>11,902,294</u>	<u>10,373,148</u>	<u>5,345,847</u>	<u>5,382,279</u>	<u>17,248,141</u>	<u>15,755,427</u>
Increase (decrease) in net position before transfers	5,494,653	178,497	2,582,804	2,213,919	8,077,457	2,392,416
Transfers	670,000	584,700	(670,000)	(584,700)	-	-
Increase (decrease) in net position	6,164,653	763,197	1,912,804	1,629,219	8,077,457	2,392,416
Net Position October 1	26,837,182	26,236,397	22,088,489	20,754,770	48,925,671	46,991,167
Prior Period Adjustment	-	(162,412)	-	(295,500)	-	(457,912)
Net Position September 30	<u>\$ 33,001,835</u>	<u>\$ 26,837,182</u>	<u>\$ 24,001,293</u>	<u>\$ 22,088,489</u>	<u>\$ 57,003,128</u>	<u>\$ 48,925,671</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$6,164,653 in the current year compared with an increase of \$763,197 in the prior year.

Total governmental activities revenues increased \$6,845,302 (65%) to \$17,396,947. Key elements of this change are as follows:

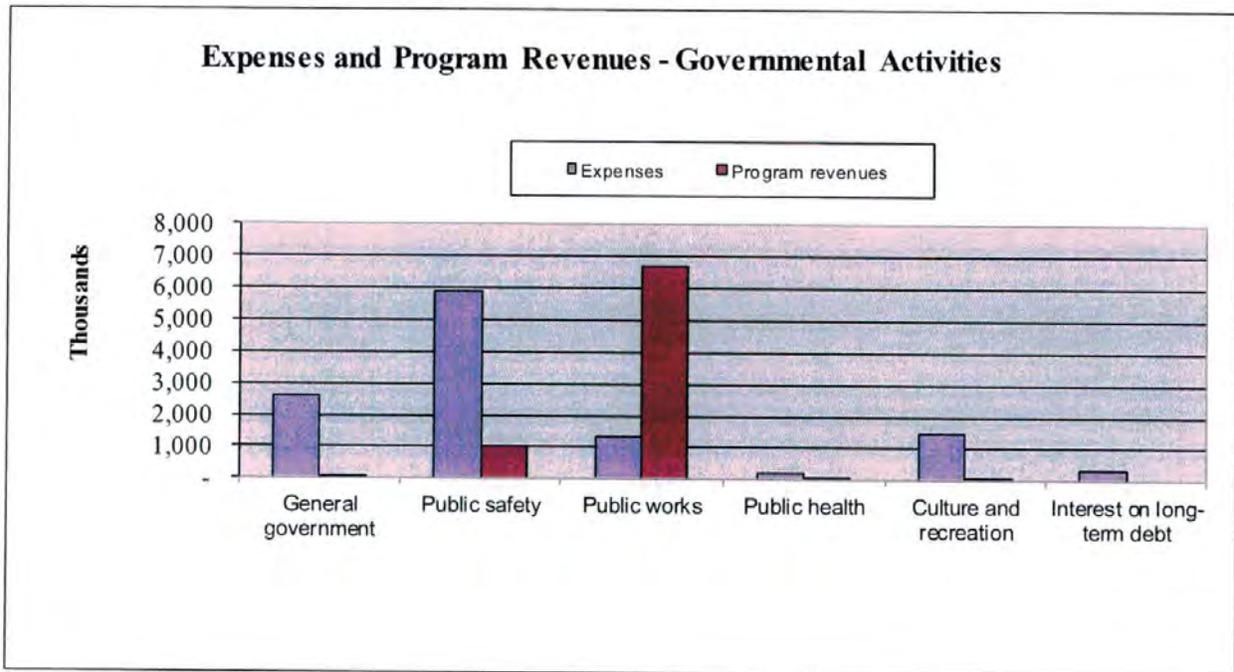
- Capital grants and contributions increased \$6,642,294 due to a federal contribution in the amount of \$6,533,600 for the Farmer's Branch Flood Control Project and a developer contribution of \$108,694 for street improvements.
- Sales tax revenue increased \$363,918 due to the continued improvement of the economy.

- Charges for services decreased \$135,279 primarily due to a right of way payment received in the prior year.
- Gain on sale of capital assets decreased \$116,234 due to a loss on the sale of property.

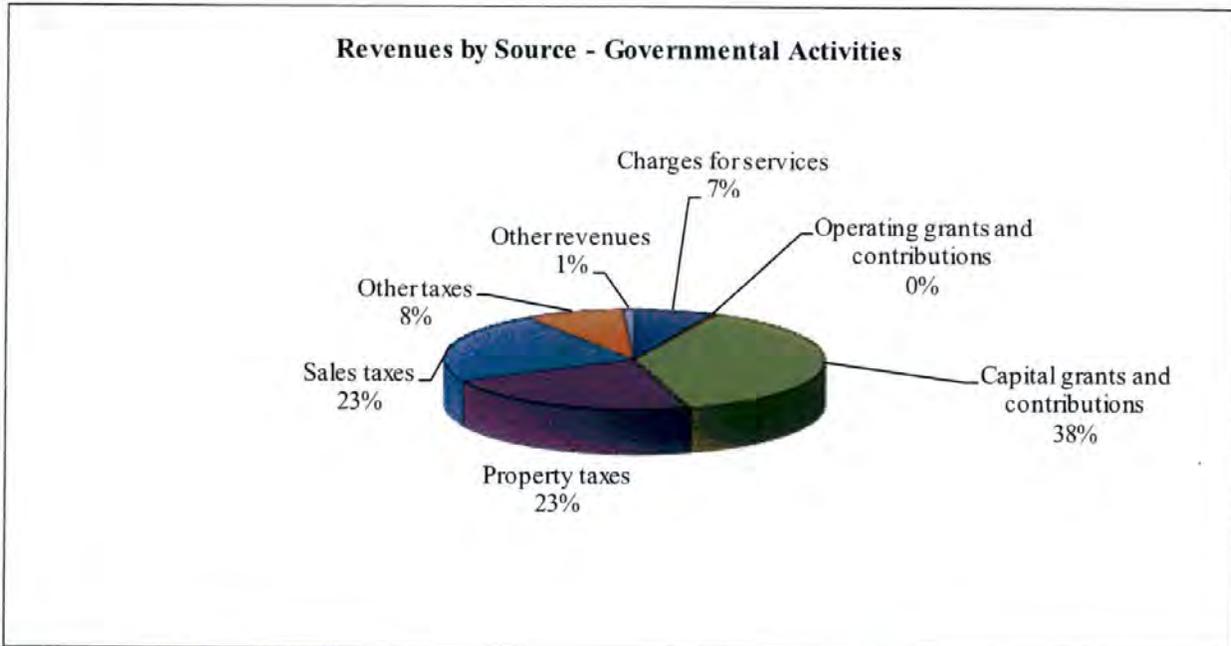
Total governmental activities expenses increased \$1,529,146 to \$11,902,294. Key changes are as follows.

- General government expenses increased \$1,155,634 (79%) primarily because a grant was provided to the Economic Development Corporation in the amount of \$1,031,393 for a bond reserve.
- Public works expenses increased \$152,608 primarily due to depreciation expense of \$134,179 on the Farmer's Branch Flood Project that was completed during the year.

Below are two graphs summarizing governmental revenue and expense:



\*\*\*\*\*



**Business-type activities.** Business-type activities increased the City's net position by \$1,912,804 in the current year compared to an increase in net position of \$1,629,219 in the prior year.

Total revenues increased \$332,453 (4%) to \$7,928,651. Key elements of these changes are as follows.

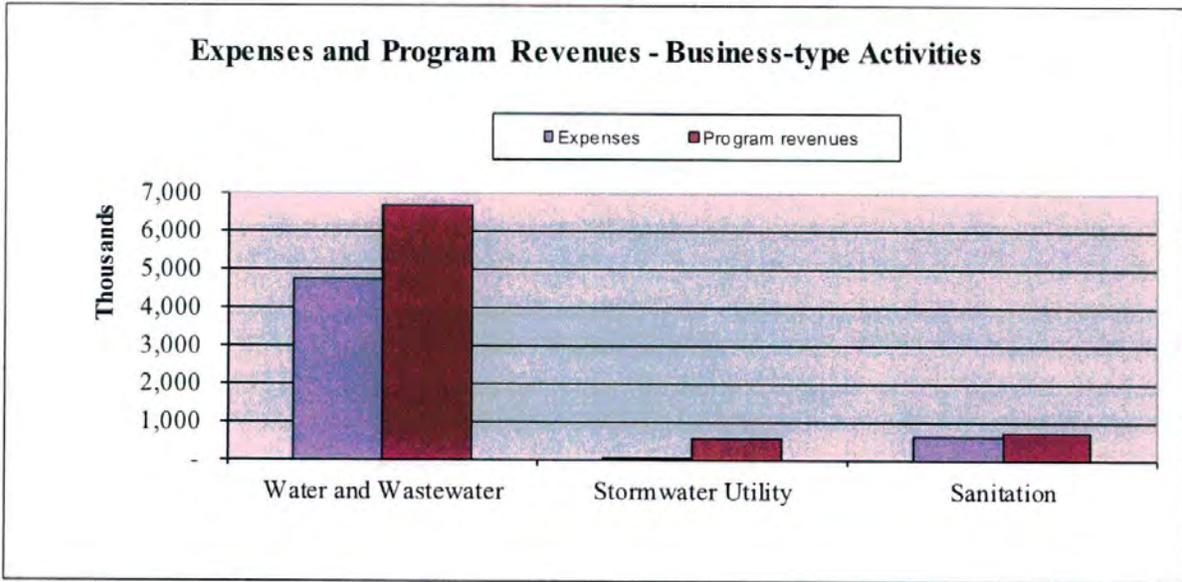
- Charges for services increased \$212,629 (3%) primarily due to a 10% water rate increase partially offset by a 4% decrease in gallons of water sold.

Total expenses decreased \$36,432 (1%) to \$5,345,847. Key elements of these changes are as follows.

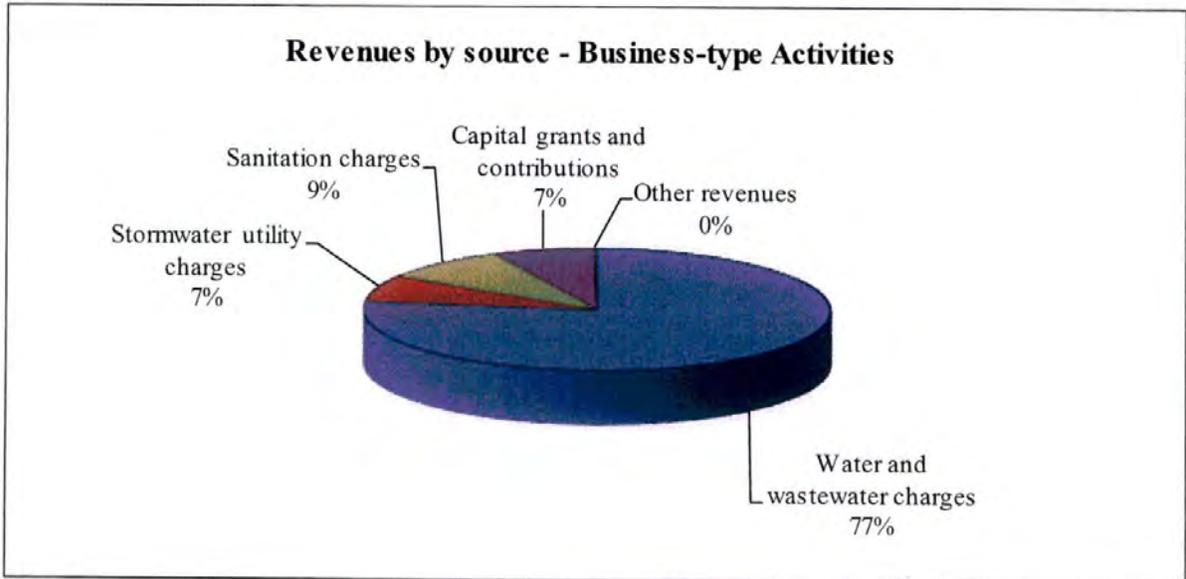
- The City produced less water from wells and increased consumption of purchased water. Water cost increased \$120,259 due to the increase in consumption and an increase in water rates charged.
- Wastewater treatment decreased \$191,891 due to a decrease in volume treated of approximately 51 million gallons and a decrease in the volume and BOD rates.

Transfers out increased \$85,300 (15%) to \$670,000.

Below are two graphs summarizing business-type activities revenue and expense:



\*\*\*\*\*



## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$17,916,148. \$10,308,848 (58%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been restricted or committed for projects and debt service.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,308,848. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 106% of the total general fund expenditures. Fund balance of the general fund increased \$30,779 compared to an increase of \$898,357 in the prior year. Key factors in this growth are as follows:

- Revenues increased \$450,515. Property tax increased \$196,075 due to a 19% rate increase and 7% decline in appraisal values. Sales tax increased \$239,556 due to the continued improvement of the economy. Licenses and permits decreased \$106,399 due to a large right of way payment received in the prior year.
- Total expenditures increased \$460,536. General government expenditures increased \$1,102,677 primarily due to a grant to the Economic Development Corporation for a bond reserve. Public safety expenditures decreased \$693,241 primarily due to the purchase of a fire engine in the prior year.
- Other financing sources decreased \$857,557 from the prior year primarily due the issuance of a \$798,336 capital lease for the purchase of fire engine in the prior year and a \$61,848 decrease in transfers.

The White Settlement Crime Control and Prevention District (the "Crime District") was created to finance, develop and provide crime reduction programs for the City of White Settlement. It is funded with a .5% sales tax. Fund balance of the Crime District increased \$100,927 to \$821,456. Sales tax revenue increased \$124,362 and transfers to the general fund decreased \$267,521. Expenditures decreased \$105,347 primarily due to the purchase of more vehicles and equipment in the prior year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's water and wastewater fund, stormwater utility fund and sanitation fund are enterprise funds that comprise the City's proprietary funds. Unrestricted net position of the water and wastewater fund, stormwater utility fund and sanitation fund at the end of the year amounted to \$5,540,780, \$2,175,397 and \$409,033 respectively. The total change in net position for the three funds was \$1,350,955, \$515,051 and \$46,798 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original and final budget were not significant. Budgeted revenues were increased \$250 and budgeted expenditures were decreased \$7,000.

During the year, actual revenues were \$618,120 greater than budgeted and actual expenditures were \$418,848 greater than budgeted.

### **Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to \$46,290,080 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and wastewater systems, land improvements, machinery and equipment, vehicles, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

#### **Governmental Activities:**

- The Farmers Branch Flood Control Project was completed in the current year. The total cost of the project, including the federal contribution/expenditure, was \$12,453,971. In the current year, the City recognized \$66,188 in expenditures and the federal contribution/expenditure of \$6,533,600.
- \$306,785 for traffic signal lights upgrade.
- \$222,084 for parking lots at Veteran's Park.
- \$108,694 developer contribution of street improvements in the Sunnyview subdivision.
- \$105,864 for Dodge Charger and (2) Chevy Tahoe's for the Crime District.
- \$66,264 for A/C units at the City Hall and Fire Department.

#### **Business-type activities:**

- \$539,491 was spent for the Lariat lift station in the current year. The total cost of the project was \$1,096,397.
- \$99,716 developer contribution of water and wastewater systems in the Sunnyview subdivision.

- \$75,005 for a Bobcat loader and a John Deere excavator with buckets.
- \$60,390 for drainage improvements at Veteran's and Central Park.

**The City of White Settlement's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,841,001	\$ 1,400,731	\$ 36,995	\$ 36,995	\$ 5,877,996	\$ 1,437,726
Construction in progress	-	5,854,182	-	557,627	-	6,411,809
Land improvements	1,204,912	798,708	173,161	175,048	1,378,073	973,756
Buildings and improvements	3,494,816	3,507,939	102,975	105,930	3,597,791	3,613,869
Machinery and equipment	2,379,097	2,618,180	381,617	419,878	2,760,714	3,038,058
Infrastructure	12,622,385	4,964,893	-	-	12,622,385	4,964,893
Water and sewer systems	-	-	18,593,841	17,749,497	18,593,841	17,749,497
Stormwater systems	-	-	1,459,280	1,430,521	1,459,280	1,430,521
Total	<u>\$ 25,542,211</u>	<u>\$ 19,144,633</u>	<u>\$ 20,747,869</u>	<u>\$ 20,475,496</u>	<u>\$ 46,290,080</u>	<u>\$ 39,620,129</u>

Additional information on the City's capital assets can be found in note 1.D.6. and note 6 to the financial statements.

**Long-Term Debt**

At year-end the City had \$17,182,904 in bonds and leases outstanding, a decrease of \$975,720 from the prior year. \$9,840,956 are general obligation bonds and tax notes that are backed by the full faith and credit of the City, \$6,543,612 are certificates of obligation secured by surplus revenues of the water and wastewater fund and ad valorem taxes.

**City of White Settlement's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital leases	\$ 798,336	\$ 798,336	\$ -	\$ -	\$ 798,336	\$ 798,336
Tax Notes	3,215,000	3,325,000	-	-	3,215,000	3,325,000
General Obligation Bonds	5,363,437	5,751,999	1,262,519	1,420,814	6,625,956	7,172,813
Certificates of Obligation	-	-	6,543,612	6,862,475	6,543,612	6,862,475
Total	<u>\$ 9,376,773</u>	<u>\$ 9,875,335</u>	<u>\$ 7,806,131</u>	<u>\$ 8,283,289</u>	<u>\$ 17,182,904</u>	<u>\$ 18,158,624</u>

The City's outstanding debt continues to have favorable ratings. The ratings are as follows:

	Moody's Investor Service	Standard & Poor's
General Obligation Bonds, Series 2009	A3	A+
Certificates of Obligation, Series 2009	A3	A+
General Obligation Refunding Bonds, Series 2011	A1	A+

More detailed information about the City's debt is presented in note 7 to the Financial Statements.

## **Economic factors and the Next Year's Budgets and Rates**

Two major sources of revenue come from ad valorem tax revenue and from sales tax revenue. Overall operating revenues are projected to rise slightly across all funds. 2014 property valuations decreased \$8,764,173 (1.5%) to \$563,998,480 from prior year values at \$572,762,653. This property value decrease reflects the stable but consistent fluctuation in property values in the City as a whole. The average market value of a residential home value in 2014 has increased slightly to \$65,057 compared to the average home in 2013 at \$61,333. For this current 2014-2015 Budget, the City Council adopted the effective tax rate of \$0.690660 (which was lower than the rollback rate), but an increase of 2.98% compared to the prior year at \$0.670653 per \$100 valuation. Ad valorem tax revenue carries a \$3.07M budget.

Sales taxes increased in 2013-2014 by 4.93% following a 21.02% decrease in 2012-2013. The 2013-2014 revenue of \$2,658,233 was in line with the 2010-2011 revenue indicating 2011-2012 was an unusually high year. Therefore, sales taxes are conservatively projected in the General Fund at \$2.61M which is basically the same as received in 2013-14.

During the 2013-2014 fiscal year, capital purchases from the 2013 Tax Notes included upgrades to HVAC units for City Hall and Fire Department, Fire Department Storage Mezzanine, software upgrades, truck replacement for Animal Control, upgrades to traffic signals and a Crack Seal Machine, and City Hall sidewalks. Many capital purchases originally requested in the 2014-2015 Budget process will be submitted to City Council for consideration of issuing debt for needed capital items and infrastructure. Projects planned for 2014-2015 include a new Sewer Vac Truck, upgrades to traffic signals and replacing a section of Cherry Lane (one of the major gateways to White Settlement).

The adopted budget includes a 5% cost-of-living increase to all full-time employees which is two percent more than the prior year. City Council and City Administration believe it is important that the City continue to offer competitive salary and benefits in order to hire and retain quality employees. Health, dental, and life insurance coverage continue to be provided at no cost for full-time employees.

In 2012-2013, Council's initiative in taking an active role in addressing community needs with available resources resulted in new state-of-the-art traffic warning signage for the Fire Station and a new 105' Pierce Ladder Truck for the Fire Department. Financing came from a ten year Lease-Purchase Agreement for approximately \$800,000 with Oshkosh Capital. The first payment was not due until October 2014 (the fiscal year 2014-2015).

In 2012-2013, Farmers Branch Flood Project, which was shared with the U.S. Corps of Engineers, was completed but not finalized by the Corps. This included improvement to the main channel from Meadow Park Bridge to White Settlement Road, and replacement of the Meadow Park Bridge. In 2013-2014, \$675,387 of City funds were returned by the U.S. Corps of Engineers and the project was finalized by the Corps. The project was then finalized by the City and capitalized in Fixed Assets.

After the economic downturn began in 2001, the City followed a status quo policy of maintaining basic services and programs with little emphasis on economic development and future growth. An unsettled national economy, the uncertain direction of the global economy, the ongoing war on

terrorism, unrest in the Middle East, dynamic increases in energy costs, and unprecedented changes in health care reform have exerted primary consideration in the development of the operating budgets. During this time continued budgetary discretion was directed to staffing, employee compensation, overall service levels and expenditures for capital projects. Even though several new full-time positions were requested in the 2014-2015 budget process, the conservative approach taken toward budgeting left these positions unapproved. Staff and management will monitor these requests to ensure programs and services are maintained and budget objectives continue to be realized.

In the last five to six years, redevelopment efforts along with conservative fiscal policy have shown signs of stabilization and economic revitalization in the City. This year's budget gives added emphasis to its efforts of long-term strategic plans developed by City Council and City Management. Data has been included to quantify the strategic plan and its projected effect on future years' operational budgets. These plans provide vision for the future, are helpful in the evaluation of Capital Improvement Projects, and serve to help shape the current budget.

The future for the City looks increasingly promising due in part to the addition of new businesses and organizations establishing themselves in White Settlement. The new Hawaiian Falls Water and Adventure Park and the relocation of Region XI Education Service Center were discussed (on page iii) in the managers letter. Other promising events realized in 2013-2014 include the relocation of a major auto dealership from a nearby community to White Settlement, the continued investment and expansion of one of the major businesses in White Settlement, the opening of a new "fun-and-fitness" family oriented business, the relocation/expansion of a major retailer, new offices and warehouse for a new electric company, and the investment in and opening of two new hotels.

Encouraging plans for 2014-2015 include renovation of the landmark "red iron building" (which has been standing vacant for over 15 years) into an attractive multi-story storage facility, the opening of another new hotel, and continued discussions with other businesses which have expressed an interest in our City.

Staff and Council are working together in concentrating on goals, plans and objectives that work toward the future financial stability of the City. The dedication of staff and support of the City Council are critical for an effective allocation of resources. Working together in an efficient and effective manner, City staff and council are dedicated to improving the delivery of services and quality of life for the citizens of White Settlement.

### **Request for Information**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 214 Meadow Park Drive, White Settlement, Texas 76108.

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **BASIC FINANCIAL STATEMENTS**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Net Position**  
**September 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 12,940,799	\$ 5,078,615	\$ 18,019,414	\$ 1,355,711
Certificates of Deposit	3,520,763	2,584,190	6,104,953	927,544
Receivables (Net of allowances for uncollectibles)				
Property taxes	203,499	-	203,499	-
Franchise taxes	198,359	-	198,359	-
Accounts	-	932,339	932,339	-
Miscellaneous	245,848	-	245,848	71
Interest	1,742	-	1,742	-
Note Receivable Short-term	280,000	-	280,000	-
Due from other governments	673,040	-	673,040	225,578
Prepaid expenses	474	-	474	-
Inventory	58,971	-	58,971	-
Note Receivable Long-term	560,000	-	560,000	-
Restricted assets:				
Cash and cash equivalents	-	3,418,590	3,418,590	1,031,405
Capital assets:				
Nondepreciable	5,841,001	36,995	5,877,996	1,116,998
Depreciable, net of accumulated depreciation	19,701,210	20,710,874	40,412,084	16,521,538
<b>Total Assets</b>	<b>44,225,706</b>	<b>32,761,603</b>	<b>76,987,309</b>	<b>21,178,845</b>
<b>LIABILITIES:</b>				
Accounts payable	155,410	281,362	436,772	150,814
Accrued liabilities	182,747	18,320	201,067	6,258
Customer deposits	7,343	-	7,343	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	61,737	37,348	99,085	547,848
Customer deposits	-	548,794	548,794	-
Noncurrent liabilities:				
Due Within One Year	990,769	539,186	1,529,955	287,237
Due in More Than One Year	9,825,865	7,335,300	17,161,165	13,190,733
<b>Total Liabilities</b>	<b>11,223,871</b>	<b>8,760,310</b>	<b>19,984,181</b>	<b>14,182,890</b>
<b>NET POSITION:</b>				
Investments in Capital Assets, Net of Debt	19,869,406	13,428,324	33,297,730	5,038,536
Restricted Net Position (Nonexpendable)				
Library and Senior Services	23,210	-	23,210	-
Restricted Net Position (Expendable)				
Debt service	583,087	2,345,747	2,928,834	1,031,405
Police and court	951,970	-	951,970	-
Tourism, library and senior services	602,140	-	602,140	-
Unrestricted Net Position	10,972,022	8,227,222	19,199,244	926,014
<b>Total Net Position</b>	<b>\$ 33,001,835</b>	<b>\$ 24,001,293</b>	<b>\$ 57,003,128</b>	<b>\$ 6,995,955</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Activities**  
**For the Year Ended September 30, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 2,622,855	\$ 66,622	\$ -	\$ -
Public safety	5,908,877	986,861	33,809	-
Public works	1,349,597	7,072	34,000	6,642,294
Public health	227,709	18,767	-	-
Culture and recreation	1,489,447	80,133	-	-
Interest on long-term debt	303,809	-	-	-
Total governmental activities	<u>11,902,294</u>	<u>1,159,455</u>	<u>67,809</u>	<u>6,642,294</u>
Business-type activities:				
Water and wastewater	4,687,161	6,101,311	-	553,865
Stormwater utility	40,032	551,483	-	-
Sanitation	618,654	705,652	-	-
Total business-type activities	<u>5,345,847</u>	<u>7,358,446</u>	<u>-</u>	<u>553,865</u>
Total primary government	<u>\$ 17,248,141</u>	<u>\$ 8,517,901</u>	<u>\$ 67,809</u>	<u>\$ 7,196,159</u>
<b>Component Unit</b>				
Economic Development	\$ 547,316	\$ -	\$ -	\$ -
Culture and Recreation	864,702	178,063	-	12,400
Interest on long-term debt	547,848	-	-	-
Bond issuance costs	88,627	-	-	-
Total component unit	<u>\$ 2,048,493</u>	<u>\$ 178,063</u>	<u>\$ -</u>	<u>\$ 12,400</u>

**General Revenues:**

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales and use

Franchise

Hotel occupancy tax

Oil and gas revenues

Investment Earnings

Gain (loss) on sale of capital assets

Other revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning (Restated)

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Exhibit B-1

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
\$ (2,556,233)	\$ -	\$ (2,556,233)	\$ -
(4,888,207)	-	(4,888,207)	-
5,333,769	-	5,333,769	-
(208,942)	-	(208,942)	-
(1,409,314)	-	(1,409,314)	-
(303,809)	-	(303,809)	-
<u>(4,032,736)</u>	<u>-</u>	<u>(4,032,736)</u>	<u>-</u>
-	1,968,015	1,968,015	-
-	511,451	511,451	-
-	86,998	86,998	-
-	<u>2,566,464</u>	<u>2,566,464</u>	<u>-</u>
<u>\$ (4,032,736)</u>	<u>\$ 2,566,464</u>	<u>\$ (1,466,272)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (547,316)
-	-	-	(674,239)
-	-	-	(547,848)
-	-	-	(88,627)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,858,030)</u>
\$ 3,141,427	\$ -	\$ 3,141,427	\$ -
778,040	-	778,040	-
3,979,692	-	3,979,692	1,331,070
1,247,023	-	1,247,023	-
206,043	-	206,043	-
178,041	-	178,041	-
31,932	16,066	47,998	4,958
(90,969)	-	(90,969)	-
56,160	274	56,434	1,053,812
670,000	(670,000)	-	-
<u>10,197,389</u>	<u>(653,660)</u>	<u>9,543,729</u>	<u>2,389,840</u>
6,164,653	1,912,804	8,077,457	531,810
<u>26,837,182</u>	<u>22,088,489</u>	<u>48,925,671</u>	<u>6,464,145</u>
<u>\$ 33,001,835</u>	<u>\$ 24,001,293</u>	<u>\$ 57,003,128</u>	<u>\$ 6,995,955</u>

## CITY OF WHITE SETTLEMENT, TEXAS

Balance Sheet  
Governmental Funds  
September 30, 2014

ASSETS	General	Crime District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 6,219,740	\$ 609,269	\$ 3,718,682	\$ 2,393,108	\$ 12,940,799
Certificates of Deposit	3,520,763	-	-	-	3,520,763
Receivables (Net of allowances for uncollectibles)					
Property taxes	162,566	-	-	40,933	203,499
Franchise taxes	182,174	-	-	16,185	198,359
Miscellaneous	190,662	470	-	54,716	245,848
Interest	1,742	-	-	-	1,742
Note Receivable Short-term	280,000	-	-	-	280,000
Due from other governments	457,424	215,616	-	-	673,040
Prepays	474	-	-	-	474
Inventory - supplies	58,971	-	-	-	58,971
Note Receivable Long-term	560,000	-	-	-	560,000
Total assets	<u>\$ 11,634,516</u>	<u>\$ 825,355</u>	<u>\$ 3,718,682</u>	<u>\$ 2,504,942</u>	<u>\$ 18,683,495</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 132,811	\$ 3,899	\$ 14,713	\$ 3,987	\$ 155,410
Accrued liabilities	182,747	-	-	-	182,747
Customer deposits	7,343	-	-	-	7,343
Total liabilities	<u>322,901</u>	<u>3,899</u>	<u>14,713</u>	<u>3,987</u>	<u>345,500</u>
Deferred inflows of resources:					
Deferred property tax	162,566	-	-	40,933	203,499
Other deferred revenue	218,348	-	-	-	218,348
Total deferred inflows of resources	<u>380,914</u>	<u>-</u>	<u>-</u>	<u>40,933</u>	<u>421,847</u>
Fund Balances:					
Nonspendable	618,971	-	-	23,210	642,181
Restricted	-	821,456	3,703,969	1,336,545	5,861,970
Committed	-	-	-	1,100,267	1,100,267
Assigned	2,882	-	-	-	2,882
Unassigned	10,308,848	-	-	-	10,308,848
Total fund balances	<u>10,930,701</u>	<u>821,456</u>	<u>3,703,969</u>	<u>2,460,022</u>	<u>17,916,148</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,634,516</u>	<u>\$ 825,355</u>	<u>\$ 3,718,682</u>	<u>\$ 2,504,942</u>	<u>\$ 18,683,495</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**September 30, 2014**

Total Fund Balances - Governmental Funds	\$ 17,916,148
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$51,731,320 and the accumulated depreciation was \$26,189,109.	25,542,211
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. The details of these differences are as follows:	
Interest payable	(61,737)
General obligation bonds	(5,240,000)
Premium on general obligation bonds	(123,437)
Tax notes	(3,215,000)
Capital leases	(798,336)
Net pension obligation	(204,620)
Compensated absences	<u>(1,235,241)</u>
	(10,878,371)
Certain receivables are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. The details of these differences are as follows:	
Property taxes	203,499
Court fines	105,114
Franchise taxes	<u>113,234</u>
	421,847
Net Position of Governmental Activities	<u><u>\$ 33,001,835</u></u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2014**

	General	Crime District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 3,111,733	\$ -	\$ -	\$ 785,848	\$ 3,897,581
Sales and use	2,695,789	1,283,903	-	-	3,979,692
Franchise	962,473	-	-	280,643	1,243,116
Hotel occupancy tax	-	-	-	206,043	206,043
Fines and forfeitures	498,862	-	-	-	498,862
Licenses and permits	446,404	-	-	-	446,404
Intergovernmental revenue	99,419	-	-	33,809	133,228
Charges for service	160,882	-	-	-	160,882
Oil and gas revenues	178,041	-	-	-	178,041
Investment Earnings	15,940	913	11,148	3,931	31,932
Other revenue	26,652	-	-	26,274	52,926
Total revenues	<u>8,196,195</u>	<u>1,284,816</u>	<u>11,148</u>	<u>1,336,548</u>	<u>10,828,707</u>
<b>EXPENDITURES</b>					
Current					
General government	2,540,547	-	-	-	2,540,547
Public safety	5,119,154	353,865	-	44,701	5,517,720
Public works	568,797	-	-	227,590	796,387
Public health	220,462	-	-	-	220,462
Culture and recreation	1,274,713	-	-	75,264	1,349,977
Capital outlay	-	-	907,948	-	907,948
Debt service:					
Principal	-	-	-	490,000	490,000
Interest and fiscal charges	-	-	-	280,789	280,789
Total expenditures	<u>9,723,673</u>	<u>353,865</u>	<u>907,948</u>	<u>1,118,344</u>	<u>12,103,830</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>\$ (1,527,478)</u>	<u>\$ 930,951</u>	<u>\$ (896,800)</u>	<u>\$ 218,204</u>	<u>\$ (1,275,123)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from insurance recoveries	3,234	-	-	-	3,234
Proceeds from sale of general capital assets	54,999	-	-	-	54,999
Transfers in	1,500,024	-	-	-	1,500,024
Transfers out	-	(830,024)	-	-	(830,024)
Total other financing sources (uses)	<u>1,558,257</u>	<u>(830,024)</u>	<u>-</u>	<u>-</u>	<u>728,233</u>
<b>NET CHANGE IN FUND BALANCES</b>	30,779	100,927	(896,800)	218,204	(546,890)
<b>FUND BALANCE, OCTOBER 1, 2013</b>	<u>10,899,922</u>	<u>720,529</u>	<u>4,600,769</u>	<u>2,241,818</u>	<u>18,463,038</u>
<b>FUND BALANCE, SEPTEMBER 30, 2014</b>	<u>\$ 10,930,701</u>	<u>\$ 821,456</u>	<u>\$ 3,703,969</u>	<u>\$ 2,460,022</u>	<u>\$ 17,916,148</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**The Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$ (546,890)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$999,889 of capital outlays and \$490,000 of debt principal payments is to increase net position.	1,489,889
Capital asset donations are revenues in the government-wide financial statements but are not reported in the governmental fund financial statements.	6,642,294
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net position.	(145,968)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,098,637)
Certain liabilities are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. Changes in these balances are reported as expenses in the governmental activities of the Statement of Activities.	
Interest payable	(31,582)
Premium on general obligation bonds	8,562
Compensated absences	<u>(166,696)</u>
	(189,716)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,681
Change in Net Position of Governmental Activities	<u>\$ 6,164,653</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2014**

	Enterprise Funds			Totals
	Water and Wastewater	Stormwater Utility	Sanitation	
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,600,261	\$ 2,109,737	\$ 368,617	\$ 5,078,615
Certificates of Deposit	2,584,190	-	-	2,584,190
Receivables (Net of allowance for uncollectibles):				
Accounts	774,403	66,158	91,778	932,339
Restricted Assets:				
Cash and cash equivalents	3,418,590	-	-	3,418,590
Total current assets	9,377,444	2,175,895	460,395	12,013,734
Capital assets, at cost:				
Land	-	36,995	-	36,995
Buildings and improvements	125,366	-	-	125,366
Land improvements	211,511	-	-	211,511
Waterworks and wastewater system	27,789,820	-	-	27,789,820
Stormwater systems	-	1,616,773	-	1,616,773
Machinery and equipment	1,462,774	75,005	-	1,537,779
	29,589,471	1,728,773	-	31,318,244
Less: accumulated depreciation	(10,412,882)	(157,493)	-	(10,570,375)
Capital assets, net	19,176,589	1,571,280	-	20,747,869
Total noncurrent assets	19,176,589	1,571,280	-	20,747,869
Total assets	\$28,554,033	\$ 3,747,175	\$ 460,395	\$32,761,603

The notes to the financial statements are an integral part of this statement.

	Enterprise Funds			Totals
	Water and Wastewater	Stormwater Utility	Sanitation	
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 229,502	\$ 498	\$ 51,362	\$ 281,362
Accrued liabilities	18,320	-	-	18,320
Current portion of long-term liabilities	539,186	-	-	539,186
Current Liabilities Payable from Restricted Assets:				
Interest payable	37,348	-	-	37,348
Customer deposits payable	548,794	-	-	548,794
Total current liabilities	1,373,150	498	51,362	1,425,010
Noncurrent Liabilities:				
Net pension obligation	26,328	-	-	26,328
Bonds payable	7,308,972	-	-	7,308,972
Total noncurrent liabilities	7,335,300	-	-	7,335,300
Total liabilities	8,708,450	498	51,362	8,760,310
<b>NET POSITION:</b>				
Investment in capital assets, net of debt	11,857,044	1,571,280	-	13,428,324
Restricted for debt service (Expendable)	2,447,759	-	-	2,447,759
Unrestricted	5,540,780	2,175,397	409,033	8,125,210
Total net position	\$ 19,845,583	\$ 3,746,677	\$ 409,033	\$ 24,001,293

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2014**

	Enterprise Funds			Totals
	Water and Wastewater	Stormwater Utility	Sanitation	
Operating revenues:				
Charges for sales and services	\$ 6,101,311	\$ 551,483	\$ 705,652	\$ 7,358,446
Total operating revenue	<u>6,101,311</u>	<u>551,483</u>	<u>705,652</u>	<u>7,358,446</u>
Operating expenses:				
Utility Billing	464,581		-	464,581
Water production and distribution	2,027,111		-	2,027,111
Wastewater collection and treatment	1,237,853		-	1,237,853
Stormwater utility	-	8,401	-	8,401
Sanitation	-	-	618,654	618,654
Depreciation	649,894	31,631	-	681,525
Total operating expenses	<u>4,379,439</u>	<u>40,032</u>	<u>618,654</u>	<u>5,038,125</u>
Operating income (loss)	<u>1,721,872</u>	<u>511,451</u>	<u>86,998</u>	<u>2,320,321</u>
Nonoperating revenues (expenses):				
Proceeds from insurance recoveries	274	-	-	274
Investment earnings	12,466	3,600	-	16,066
Interest expense	(307,722)	-	-	(307,722)
Total nonoperating revenues (expenses)	<u>(294,982)</u>	<u>3,600</u>	<u>-</u>	<u>(291,382)</u>
Income (loss) before contributions and transfers	1,426,890	515,051	86,998	2,028,939
Capital contributions and transfers:				
Capital Contributions	553,865	-	-	553,865
Transfers out	(629,800)	-	(40,200)	(670,000)
Change in Net Position	1,350,955	515,051	46,798	1,912,804
Net Position, October 1, 2013	<u>18,494,628</u>	<u>3,231,626</u>	<u>362,235</u>	<u>22,088,489</u>
Net Position, September 30, 2014	<u>\$ 19,845,583</u>	<u>\$ 3,746,677</u>	<u>\$ 409,033</u>	<u>\$ 24,001,293</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2014**

	Enterprise Funds			Totals
	Water and Wastewater Fund	Stormwater Utility	Sanitation	
Cash flows from operating activities:				
Cash received from customers	\$ 6,190,818	\$ 547,945	\$ 703,599	\$ 7,442,362
Cash paid to suppliers	(3,469,340)	(8,332)	(622,188)	(4,099,860)
Cash paid to employees	(601,621)	-	-	(601,621)
Net cash provided by operating activities	<u>2,119,857</u>	<u>539,613</u>	<u>81,411</u>	<u>2,740,881</u>
Cash flow from noncapital financing activities:				
Transfers to other funds	(629,800)	-	(40,200)	(670,000)
Net cash provided (used) by noncapital financing activities	<u>(629,800)</u>	<u>-</u>	<u>(40,200)</u>	<u>(670,000)</u>
Cash flow from capital and related financing activities:				
Principal payments on long-term debt	(475,000)	-	-	(475,000)
Capital contribution for debt service	304,351	-	-	304,351
Capital expenditures	(568,989)	(135,395)	-	(704,384)
Proceeds from insurance recoveries	274	-	-	274
Interest paid on bonds	(309,881)	-	-	(309,881)
Net cash (used) by capital and related financing activities	<u>(1,049,245)</u>	<u>(135,395)</u>	<u>-</u>	<u>(1,184,640)</u>
Cash flow from investing activities:				
Investment earnings	12,466	3,600	-	16,066
Purchase of Certificates of Deposit	(771,566)	-	-	(771,566)
Net cash provided by investing activities	<u>(759,100)</u>	<u>3,600</u>	<u>-</u>	<u>(755,500)</u>
Net increase (decrease) in cash and cash equivalents	(318,288)	407,818	41,211	130,741
Cash and cash equivalents, beginning	6,337,139	1,701,919	327,406	8,366,464
Cash and cash equivalents, ending	<u>\$ 6,018,851</u>	<u>\$ 2,109,737</u>	<u>\$ 368,617</u>	<u>\$ 8,497,205</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	<u>\$ 1,721,872</u>	<u>\$ 511,451</u>	<u>\$ 86,998</u>	<u>\$ 2,320,321</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	649,894	31,631	-	681,525
(Increase) decrease in accounts receivable	20,901	(3,538)	(2,053)	15,310
Increase (decrease) in accounts payable	(345,202)	69	(3,534)	(348,667)
Increase (decrease) in accrued liabilities	1,479	-	-	1,479
Increase (decrease) in customer meter deposits	68,606	-	-	68,606
Increase (decrease) in compensated absences payable	2,307	-	-	2,307
Total adjustments	<u>397,985</u>	<u>28,162</u>	<u>(5,587)</u>	<u>420,560</u>
Net cash provided by operating activities	<u>\$ 2,119,857</u>	<u>\$ 539,613</u>	<u>\$ 81,411</u>	<u>\$ 2,740,881</u>
Noncash Investing, Capital and Financing Activities				
Contributions of capital assets from another government	<u>\$ 249,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,514</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of White Settlement, Texas (the City) was incorporated under the laws of the State of Texas in 1941. The City is governed by an elected mayor and five-member council. The City provides the following services: public safety, streets, parks and recreation, library, water and wastewater, sanitation, planning and zoning, building inspection, code enforcement, and general administrative services.

As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Based on these considerations, the White Settlement Economic Development Corporation and the White Settlement Crime Control Prevention have been included in the City's reporting entity as component units. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity is based on criteria presented by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is financially independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that inclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discretely Presented Component Unit**

The White Settlement Economic Development Corporation (a nonprofit development corporation formed under the Development Corporation Act of 1979, Texas Rev. Civil Statute) was incorporated June 28, 1994. The Corporation's services are provided to stimulate economic growth for the City. A board of seven directors appointed by the City Council governs the Corporation. The purpose of the Corporation is to develop, implement, provide and finance projects allowed under the Development Corporation Act. Operation of the Corporation is funded by one-half percent sales tax approved by the voters. The City is the sole beneficiary of the EDC and will receive the remaining assets and assume the remaining liabilities upon termination. Separate unaudited financial statements may be obtained at the City's administrative office.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

**Blended Component Unit**

The White Settlement Crime Control and Prevention District (the "Crime District") is an entity legally separate from the City and was created by resolution of the City Council with approval by vote of the residents of White Settlement. The Crime District is governed by a seven-member board appointed by the City Council. The City Council approves the budget of the Crime District. The day-to-day operations of the Crime District are performed by City employees. For financial reporting purposes, the Crime Control and Prevention District is reported as if it were a part of the City's operations because its primary purpose is to support the crime prevention and enforcement activities of the general fund. The Crime District makes transfers to the General and Debt Service funds of the City for police salaries and debt payments for police equipment. In addition the Crime District pays for ammunition, uniforms, tools and equipment, equipment and building repairs, travel, training and automobiles for the White Settlement police department. The services provided to others are insignificant to the overall activities of the Crime District. The Crime Control and Prevention District is presented as a special revenue fund. Separate unaudited financial statements may be obtained at the City's administrative office.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separately component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The White Settlement Crime Control and Prevention District ("*Crime District*") is a blended component unit that is financed with a ½ percent sales tax. The Crime District was created to develop and provide crime reduction programs for the City of White Settlement.

CITY OF WHITE SETTLEMENT, TEXAS

Notes to Financial Statements

September 30, 2014

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Measurement Focus, Basis of Accounting and Basis of Presentation** (Continued)

The *capital projects fund* is used to account for construction of major capital projects not being financed by the proprietary funds.

The City reports the following major proprietary funds:

The *water and wastewater fund* accounts for the provision of water and wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The *stormwater utility fund* is used to account for the maintenance of the drainage system for the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds, distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Position or Equity**

**1. Cash and Investments**

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Assets reported as cash and investments are considered cash and cash equivalents for the statement of cash flows.

**2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable aged +2 months comprises the trade accounts receivable allowance for uncollectible accounts. The property tax receivable and municipal court allowances are equal to 30% and 85% respectively of the outstanding balances at September 30, 2014.

**3. Unbilled Service**

Utility operating revenues (water, wastewater, storm water and refuse collection) are billed on monthly cycles. The City records estimated revenues for services delivered during the fiscal year, which will be billed during the next fiscal year.

**4. Inventory**

The inventories of supplies are valued at cost using the first-in-first-out ("FIFO") method. Inventory in the governmental funds are accounted for using the consumption method.

**5. Prepaid Expenses**

Payments made for services that will benefit periods beyond September 30, 2014, are recorded as prepaid expenses in both the government-wide and fund financial statements. Prepaid expenses in the governmental funds are accounted for using the purchases method.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Position or Equity (Continued)**

**6. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and wastewater fund during the current fiscal year was \$307,722. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and wastewater construction projects.

Property, plant and equipment of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 - 30 years
Buildings	10 - 40 years
Water and wastewater system	20 - 50 years
Machinery and equipment	3 - 10 years
Vehicles	3 - 10 years
Infrastructure	20 - 50 years

**7. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. After completing one full year of service, employees are eligible to be reimbursed an amount equal to 40 hours of sick pay (calculated at their then-current rate of pay), less the number of sick pay hours claimed during the preceding 12-month period. Otherwise, the City's policy is that upon separation from service, only civil service employees will receive payment for unused sick pay benefits. All vacation pay and civil service employees' sick leave benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Assets, Liabilities and Net Position or Equity** (Continued)

**8. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as they are incurred and are no longer amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Fund Balance – Governmental Funds**

The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

**Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

**Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

**Committed** – includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance).

**Assigned** – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council has delegated the authority to assign fund balance to the City Manager by resolution.

**Unassigned** – All amounts not included in other spendable classifications.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Position or Equity (Continued)**

**9. Fund Balance – Governmental Funds (Continued)**

The details of the fund balances of the governmental funds are as follows:

	General Fund	Crime District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays and inventory	\$ 58,971	\$ -	\$ -	\$ -	\$ 58,971
Long-term note receivable	560,000	-	-	-	560,000
Library Endowment	-	-	-	12,105	12,105
Senior Services Endowment	-	-	-	11,105	11,105
Restricted:					
Debt Service	-	-	-	603,891	603,891
Construction	-	-	3,703,969	-	3,703,969
Police and court	-	821,456	-	130,514	951,970
Tourism, library and senior services	-	-	-	602,140	602,140
Committed:					
Street improvement	-	-	-	1,100,267	1,100,267
Assigned:					
Pride Commission	2,882	-	-	-	2,882
Unassigned	10,308,848	-	-	-	10,308,848
	<u>\$ 10,930,701</u>	<u>\$ 821,456</u>	<u>\$ 3,703,969</u>	<u>\$ 2,460,022</u>	<u>\$ 17,916,148</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

The City Council adopted a minimum fund balance policy for the General Fund. The policy requires the city strive to maintain a yearly unassigned fund balance in the general fund of 144 days of annual budgeted expenditures. At the end of the year, the unassigned fund balance of \$10,308,848 was \$6,637,903 above the minimum fund balance requirement of \$3,670,945.

**10. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF WHITE SETTLEMENT, TEXAS

Notes to Financial Statements

September 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Assets, Liabilities and Net Position or Equity** (Continued)

**10. Net Position** (Continued)

The following is a reconciliation of restricted fund balance reported in the governmental fund financial statements to restricted net position of the governmental activities reported in the government-wide financial statements.

Restricted Fund Balance (Exhibit C-1)	\$ 5,861,970
Adjustments	
Accrued interest payable restricted for debt service	(61,737)
Deferred property tax revenue restricted for debt service	40,933
Permanent Fund principal	23,210
Restricted for construction	<u>(3,703,969)</u>
Total adjustments	<u>(3,701,563)</u>
Restricted Net Position (Exhibit A-1)	<u>\$ 2,160,407</u>

The net position of the City has been restated to reflect the net position of the City separately from the Economic Development Corporation. The beginning net position has been restated to \$26,837,182.

**11. Use of Estimates**

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

**NOTE 2: DEPOSITS AND INVESTMENTS**

Substantially all operating cash and investments, including those of the White Settlement Economic Development Corporation, discretely presented component units, are maintained in consolidated cash and investment accounts. Investment income relating to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

The City's investment policy authorizes the City to invest in obligations of the United States and its agencies; direct obligations of the State of Texas and agencies thereof; other obligations, the principal and interest on which are unconditionally guaranteed by the State of Texas and United States; obligations of the states, agencies, counties, cities and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent; secured certificates of deposit of state and national banks domiciled in Texas; fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies; and joint pools of political subdivisions in the State of Texas. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2014, the City did not own any types of securities other than those permitted by statute.

The City invests idle funds in the Texas Local Government Investment Pool (TexPool). The City's investment pool operates in a manner consistent with the SEC's Rule 2A7 of the Investment Act of 1940. The Pool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the City's position is the same as the value of the City's shares.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2014, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by its investment policy.

Interest Rate Risk – Investments

In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the final stated maturity of any investment to three years and the average maturity of the City's operating funds to one year. As of September 30, 2014, all of the City's investments were invested for a period not exceeding three years and the average maturity of operating funds was less than one year.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

The City's investments at September 30, 2014 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in Tex-Pool	AAAm	83 days	100.00%	\$ 4,391,006	\$ 4,391,006
				<u>\$ 4,391,006</u>	<u>\$ 4,391,006</u>

The following cash and investments in the enterprise funds are restricted for the following purposes:

<u>Enterprise Funds</u>	<u>Cash and Investments</u>
Customer deposits	\$ 548,794
Construction	486,701
Interest and sinking funds	2,383,095
Total	<u>\$ 3,418,590</u>

Cash and investments in the amount of \$1,031,405 in the Economic Development Corporation are restricted for debt service.

Investment earnings of \$80,907 are reported net of advisory service fees of \$27,951.

**NOTE 3: PROPERTY TAX**

The City's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located in the City. Such assessed value for 2013 was computed based on 100% of appraised value.

Beginning with the 1982 levy, the appraisal property within the City became the responsibility of a countrywide appraisal district as required by legislation passed by the Texas Legislature. The appraisal district is required under such legislation to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the government may, at its own expense require annual reviews of appraised values.

The government may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 3: PROPERTY TAX** (Continued)

General property taxes are limited by the government's Home Rule Charter to \$1.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the period ended September 30, 2014, was \$0.670653 per \$100 of assessed valuation.

Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date. Tarrant County bills and collects the general property taxes for the City. During the fiscal year, the City collected approximately 98% of the 2013 tax levy.

In the governmental funds the City's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected in deferred revenue.

**NOTE 4: RECEIVABLES**

Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Crime District</u>	<u>Nonmajor Governmental</u>	<u>Water and Wastewater</u>	<u>Stormwater Utility</u>	<u>Sanitation</u>
Receivables:						
Property taxes	\$ 232,237	\$ -	\$ 58,476	\$ -	\$ -	\$ -
Franchise taxes	182,174	-	16,185	-	-	-
Occupancy tax	-	-	54,716	-	-	-
Water and wastewater	-	-	-	419,074	-	-
Stormwater utility	-	-	-	-	38,055	-
Sanitation	-	-	-	-	-	50,631
Earned and unbilled services	-	-	-	369,171	29,239	41,147
Miscellaneous	786,306	470	-	-	-	-
Interest	1,742	-	-	-	-	-
Note receivable short-term	280,000	-	-	-	-	-
Note receivable long-term	560,000	-	-	-	-	-
Gross Receivables	<u>2,042,459</u>	<u>470</u>	<u>129,377</u>	<u>788,245</u>	<u>67,294</u>	<u>91,778</u>
Less: allowance						
for uncollectibles	<u>(665,315)</u>	<u>-</u>	<u>(17,543)</u>	<u>(13,842)</u>	<u>(1,136)</u>	<u>-</u>
Net total receivables	<u>\$ 1,377,144</u>	<u>\$ 470</u>	<u>\$ 111,834</u>	<u>\$ 774,403</u>	<u>\$ 66,158</u>	<u>\$ 91,778</u>

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 4: RECEIVABLES (Continued)**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

Deferred property taxes receivable (General Fund)	\$ 162,566
Franchise tax receivable	113,235
Court fees receivable	105,113
Deferred property taxes receivable (Debt Service Fund)	<u>40,933</u>
 Total deferred revenue for governmental funds	 <u><u>\$ 421,847</u></u>

**NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2014, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Crime District	830,024	Crime prevention
	Water and Wastewater	629,800	Payments in lieu of taxes
	Other Enterprise	<u>40,200</u>	Payments in lieu of taxes
 Total Governmental Funds Transfers In		 <u><u>\$ 1,500,024</u></u>	

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Non - Depreciable Assets:				
Land	\$ 1,400,731	\$ 4,440,270	\$ -	\$ 5,841,001
Construction in Progress	5,854,182	6,599,788	(12,453,970)	-
Total non-depreciable assets	<u>7,254,913</u>	<u>11,040,058</u>	<u>(12,453,970)</u>	<u>5,841,001</u>
Depreciable Assets:				
Land improvements	2,124,939	565,199	-	2,690,138
Building and improvements	6,822,918	151,065	-	6,973,983
Machinery and equipment	7,580,341	217,437	(140,835)	7,656,943
Infrastructure	20,592,829	7,976,426	-	28,569,255
Total capital assets being depreciated	<u>37,121,027</u>	<u>8,910,127</u>	<u>(140,835)</u>	<u>45,890,319</u>
Accumulated Depreciation:				
Land improvements	(1,326,231)	(158,995)		(1,485,226)
Building and improvements	(3,314,979)	(164,188)		(3,479,167)
Machinery and equipment	(4,962,161)	(456,520)	140,835	(5,277,846)
Infrastructure	(15,627,936)	(318,934)		(15,946,870)
Total accumulated depreciation	<u>(25,231,307)</u>	<u>(1,098,637)</u>	<u>140,835</u>	<u>(26,189,109)</u>
Governmental activities capital assets, net	<u>\$ 19,144,633</u>	<u>\$ 18,851,548</u>	<u>\$(12,453,970)</u>	<u>\$ 25,542,211</u>

Land purchased as part of the Farmers Branch Flood Reduction project acquired for \$1,219,229 is being marketed for sale by the City.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 6: CAPITAL ASSETS (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Non - Depreciable Assets:				
Land	\$ 36,995	\$ -	\$ -	\$ 36,995
Construction in Progress	557,627	718,788	(1,276,415)	-
Total non-depreciable assets	<u>594,622</u>	<u>718,788</u>	<u>(1,276,415)</u>	<u>36,995</u>
Depreciable Assets:				
Land improvements	211,511	-	-	211,511
Building and improvements	125,366	-	-	125,366
Machinery and equipment	1,475,315	75,005	(12,541)	1,537,779
Water and wastewater systems	26,401,149	1,388,671	-	27,789,820
Stormwater systems	1,556,383	60,390	-	1,616,773
Total capital assets being depreciated	<u>29,769,724</u>	<u>1,524,066</u>	<u>(12,541)</u>	<u>31,281,249</u>
Accumulated Depreciation:				
Land improvements	(36,463)	(1,887)	-	(38,350)
Building and improvements	(19,436)	(2,955)	-	(22,391)
Machinery and equipment	(1,055,437)	(100,725)	-	(1,156,162)
Water and wastewater systems	(8,651,652)	(544,327)	-	(9,195,979)
Stormwater systems	(125,862)	(31,631)	-	(157,493)
Total accumulated depreciation	<u>(9,888,850)</u>	<u>(681,525)</u>	<u>-</u>	<u>(10,570,375)</u>
Business-type activities capital assets, net	<u>\$ 20,475,496</u>	<u>\$ 1,561,329</u>	<u>\$ (1,288,956)</u>	<u>\$ 20,747,869</u>
<b>Component Unit:</b>				
Non - Depreciable Assets:				
Land	\$ 1,104,598	\$ 12,400	\$ -	\$ 1,116,998
Construction in Progress	-	12,506,362	(12,506,362)	-
Total non-depreciable assets	<u>1,104,598</u>	<u>12,518,762</u>	<u>(12,506,362)</u>	<u>1,116,998</u>
Depreciable Assets:				
Land improvements	5,133,017	3,211,808	-	8,344,825
Building and improvements	36,408	1,994,445	-	2,030,853
Machinery and equipment	374,021	7,315,838	(11,146)	7,678,713
Total capital assets being depreciated	<u>5,543,446</u>	<u>12,522,091</u>	<u>(11,146)</u>	<u>18,054,391</u>
Accumulated Depreciation:				
Land improvements	(1,114,893)	(40,148)	-	(1,155,041)
Building and improvements	(15,922)	(12,465)	-	(28,387)
Machinery and equipment	(238,903)	(121,668)	11,146	(349,425)
Total accumulated depreciation	<u>(1,369,718)</u>	<u>(174,281)</u>	<u>11,146</u>	<u>(1,532,853)</u>
Component unit capital assets, net	<u>\$ 5,278,326</u>	<u>\$ 24,866,572</u>	<u>\$(12,506,362)</u>	<u>\$ 17,638,536</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 6: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 27,008
Public safety	400,745
Public works	537,376
Public health	768
Culture and recreation	132,740
Total depreciation expense - governmental activities	<u>\$1,098,637</u>
Business-type activities:	
Water and wastewater	\$ 649,894
Stormwater utility	31,631
Total depreciation expense - business-type activities	<u>\$ 681,525</u>
Component Unit:	
Culture and Recreation	\$ 174,281
Total depreciation expense - component unit	<u>\$ 174,281</u>

**NOTE 7: LONG-TERM LIABILITIES**

**A. Capital Leases Payable**

Governmental Activities:

On September 16, 2013, the City entered into a municipal lease-purchase agreement in the amount of \$798,336 for financing the purchase of a fire engine. The total cost of the fire engine was \$798,336. This lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

Total capital assets acquired through capital leases were as follows:

	<u>Governmental Activities</u>
Assets:	
Fire Engine	798,336
Less: accumulated depreciation	<u>(39,467)</u>
Total	<u>\$ 758,869</u>

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**A. Capital Leases Payable (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

Year Ending September 30,	Governmental Activities
2015	\$ 93,480
2016	93,480
2017	93,480
2018	93,480
2019	93,480
2020 - 2024	<u>467,400</u>
Total debt service requirements	934,800
Less: interest portion	<u>136,464</u>
Obligations under capital lease	<u><u>\$ 798,336</u></u>

**B. Tax Notes Payable**

The City issues Tax Notes for the purpose of acquiring street maintenance equipment, constructing and equipping a new early warning system, renovating and expanding City facilities, and to pay the costs of issuance incurred in connection with the issuance of the note. Tax notes outstanding are as follows:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
General government	09/19/13	02/01/20	2.00%	3,325,000	3,215,000

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**B. Tax Notes Payable (Continued)**

The annual debt service requirements to maturity for tax notes outstanding as of September 30, 2014 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 155,000	\$ 62,750	\$ 217,750
2016	155,000	59,650	214,650
2017	165,000	56,450	221,450
2018	170,000	53,100	223,100
2019	170,000	49,700	219,700
2020 - 2024	2,400,000	24,000	2,424,000
	<u>\$ 3,215,000</u>	<u>\$ 305,650</u>	<u>\$ 3,520,650</u>

**C. Bonds Payables**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding are as follows:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
General government	05/01/09	02/15/29	2.5 - 4.625%	6,150,000	5,240,000

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**C. Bonds Payables (Continued)**

The annual debt service requirements to maturity for general obligation bonds outstanding as of September 30, 2014, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 265,000	\$ 208,931	\$ 473,931
2016	275,000	200,831	475,831
2017	280,000	191,806	471,806
2018	290,000	181,831	471,831
2019	305,000	170,656	475,656
2020 - 2024	1,710,000	656,054	2,366,054
2025 - 2029	2,115,000	248,369	2,363,369
	<u>\$ 5,240,000</u>	<u>\$ 1,858,478</u>	<u>\$ 7,098,478</u>

The City's Water and Wastewater Fund also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Water and Wastewater Fund bonds outstanding are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Amount Outstanding</u>
Water and wastewater	05/01/09	02/15/29	2.5 - 4.625%	\$ 8,000,000	\$ 6,560,000
Enterprise refunding	07/15/11	02/15/21	2.0 - 3.0%	1,705,000	1,240,000

April 8, 2010 the City of White Settlement and City of Fort Worth entered into an agreement where the City of Fort Worth agreed to pay 51.46% of the cost of the Farmers Branch Wastewater Interceptor Project. The City of White Settlement issued 2009 certificates of obligation to fund the project. The City of Fort Worth agreed to pay 51.46% of the annual debt service requirements beginning in 2010 through maturity in 2029. The amount received from the City of Fort Worth was \$304,351 and was reported as a capital contribution in the water and wastewater fund.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**C. Bonds Payables (Continued)**

Water and Wastewater Fund bond debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 495,000	\$ 292,181	\$ 787,181
2016	510,000	278,781	788,781
2017	520,000	264,156	784,156
2018	540,000	247,319	787,319
2019	560,000	228,006	788,006
2020 - 2024	2,520,000	834,665	3,354,665
2025 - 2029	2,655,000	312,143	2,967,143
	<u>\$ 7,800,000</u>	<u>\$ 2,457,251</u>	<u>\$ 10,257,251</u>

The Economic Development Corporation issued sales tax revenue bonds for the purpose of constructing an amusement park. Sales tax revenue bonds outstanding are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Amount Outstanding</u>
Amusement park	11/12/13	12/01/33	2.93%	\$ 12,600,000	\$ 12,600,000

Economic Development Corporation bond debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Economic Development Corporation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 969,864	\$ 969,864
2016	405,000	622,324	1,027,324
2017	425,000	601,522	1,026,522
2018	450,000	579,559	1,029,559
2019	475,000	556,341	1,031,341
2020 - 2024	2,760,000	2,390,022	5,150,022
2025 - 2029	3,535,000	1,603,263	5,138,263
2030 - 2034	4,550,000	594,147	5,144,147
	<u>\$ 12,600,000</u>	<u>\$ 7,917,042</u>	<u>\$ 20,517,042</u>

The various bond ordinances contain a number of limitations and restrictions. Management believes the City is in compliance with all significant limitation and restrictions at September 30, 2014.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**C. Note Payable**

The General Fund loaned the Economic Development Corporation \$1,400,000 for the renovation of Central Park. The loan is to be repaid, interest free, \$280,000 per year for five years beginning in 2013.

**D. Changes in Long-term Liabilities**

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 5,620,000	\$ -	\$ 380,000	\$ 5,240,000	\$ 265,000
Issuance premium	131,999	-	8,562	123,437	8,562
Total bonds payable	5,751,999	-	388,562	5,363,437	273,562
Capital leases	798,336	-	-	798,336	68,110
Tax notes	3,325,000	-	110,000	3,215,000	155,000
Net pension obligation	204,620	466,477	466,477	204,620	-
Compensated absences	1,068,545	594,114	427,418	1,235,241	494,097
Total Governmental Activities	<u>\$ 11,148,500</u>	<u>\$ 1,060,591</u>	<u>\$ 1,392,457</u>	<u>\$ 10,816,634</u>	<u>\$ 990,769</u>
<b>Business-type Activities:</b>					
Certificates of obligation	\$ 6,880,000	\$ -	\$ 320,000	\$ 6,560,000	\$ 330,000
General obligation bonds	1,395,000	-	155,000	1,240,000	165,000
Issuance premium/discount	8,289	-	2,158	6,131	2,159
Total bonds payable	8,283,289	-	477,158	7,806,131	497,159
Net pension obligation	26,328	60,020	60,020	26,328	-
Compensated absences	39,720	42,027	39,720	42,027	42,027
Total Business-type Activities	<u>\$ 8,349,337</u>	<u>\$ 102,047</u>	<u>\$ 576,898</u>	<u>\$ 7,874,486</u>	<u>\$ 539,186</u>
<b>Economic Development:</b>					
Sales tax revenue bonds	\$ -	\$ 12,600,000	\$ -	\$ 12,600,000	\$ -
Net pension obligation	11,034	25,155	25,155	11,034	-
Compensated absences	26,544	10,061	9,669	26,936	7,237
Note payable - General Fund	1,120,000	-	280,000	840,000	280,000
Total Economic Development	<u>\$ 1,157,578</u>	<u>\$ 12,635,216</u>	<u>\$ 314,824</u>	<u>\$ 13,477,970</u>	<u>\$ 287,237</u>
<b>Total Long-term Liabilities</b>	<u>\$ 20,655,415</u>	<u>\$ 13,797,854</u>	<u>\$ 2,284,179</u>	<u>\$ 32,169,090</u>	<u>\$ 1,817,192</u>

Compensated absences and the net pension obligations of the governmental activities and business-type activities are paid by the general fund and water and wastewater fund, respectively.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**E. Federal Arbitrage**

General obligation bonds, combination tax revenue bonds and certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City's general liability, automobile and property insurance is underwritten through a self-insurance fund for Texas political subdivisions. Premiums are paid to the carrier, and they administer all claims. The City is also insured for workers' compensation claims through a self-insurance fund for Texas political subdivisions. Rates are determined by the state, and the pool assigns discount rates to premiums based upon the City's claims history. The City retains, as a risk, only the deductible amount of each policy.

The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

**NOTE 9: 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 at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The City's responsibility is to transmit employee contributions to the third party plan administrator for deposit to the credit of the individual participant accounts. The City does not have significant administrative involvement for the assets of the plan and does not perform the investment function for the plan.

**NOTE 10: RETIREMENT PLAN**

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 10: RETIREMENT PLAN (Continued)**

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS's website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows for both the 2013 and 2014 plan years:

Employee Deposit Rate:	5%
Matching Ratio (city to employee)	2 to 1
Years required before vesting	5 years
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increases (to retirees)	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The city contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e.; the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 10: RETIREMENT PLAN (Continued)**

The annual pension cost and net pension obligation/(asset) are as follows:

Fiscal Year	2012	2013	2014
Annual Required Contribution (ARC)	\$ 528,040	\$ 551,012	\$ 603,851
Interest on Net Pension Obligation	15,582	16,939	17,038
Adjustment to ARC	<u>(13,394)</u>	<u>(16,299)</u>	<u>(17,037)</u>
Annual Pension Cost (APC)	530,228	551,652	603,852
Contributions Made	<u>(510,839)</u>	<u>(551,652)</u>	<u>(603,852)</u>
Increase (Decrease) in Net Pension Obligation	19,389	-	-
Net Pension Obligation/(Asset), beginning of year	<u>222,593</u>	<u>241,982</u>	<u>241,982</u>
Net Pension Obligation/(Asset), end of year	\$ 241,982	\$ 241,982	\$ 241,982
Contributions as a percentage of APC	96.3%	100.0%	100.0%

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

**General System-wide Actuarial Assumptions**

Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payoll	Level Percent of Payoll	Level Percent of Payoll
GASB 25 Equivalent Single Amortization Period	26.3 Years-Closed	25.4 Years-Closed	27.0 Years-Closed
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed	10-year Smoothed	10-year Smoothed
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 10: RETIREMENT PLAN** (Continued)

Funding Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (ALL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2013	19,159,451	23,009,625	83.3%	3,850,174	5,437,734	70.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS**

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$1,705, \$1,589, and \$1,533, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates:**  
**(RETIREE-only portion of the rate)**

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.03%	0.03%	100.0%
2013	0.03%	0.03%	100.0%
2014	0.03%	0.03%	100.0%

**NOTE 12: CONTINGENT LIABILITIES**

Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2014**

**NOTE 12: CONTINGENT LIABILITIES (Continued)**

Litigation

One lawsuit is pending against the City. Although the outcome of this lawsuit is not presently determinable, it is the opinion of City management and legal counsel that the potential loss on all claims will be covered by the City's insurance policy or will not have a material adverse effect on the financial condition of the City.

**NOTE 13: CONTRACTS AND COMMITMENTS**

**A. Water and Wastewater Contracts**

The City has separate contracts with the City of Fort Worth, Texas for the purchase of treated water and for the treatment of wastewater, which expire in 2031 and 2017, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Payments during 2014 for the purchase of treated water were \$1,268,844 and payments made for the treatment of wastewater by the City of Fort Worth were \$1,017,424.

**B. Economic Development Agreements**

In January 2014, the Economic Development Corporation agreed to assist in the construction of a hotel for an amount not to exceed \$275,000. The payment was not made during the year because the hotel was not complete.

**NOTE 14: WATER AND ADVENTURE PARK LEASE**

During 2014, the Economic Development Corporation issued \$12,600,000 sales tax revenue bonds to construct a Hawaiian Falls Water and Adventure Park. The EDC leases the Park to Hawaiian Parks – White Settlement, LLC for an initial term of forty years. The lease may be extended for four additional five year periods. Lease payments will equal debt service payments over the initial term of the lease. The capital assets have a cost of \$12,503,362, accumulated depreciation of \$174,281, and carrying costs of \$12,332,081.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 14: WATER AND ADVENTURE PARK LEASE (Continued)**

Minimum guaranteed income on all City non-cancelable operating leases is as follows:

<u>Year Ending</u> <u>September 30,</u>	
2015	\$ 700,000
2016	900,000
2017	900,000
2018	1,000,000
2019	1,300,000
2020 - 2024	5,434,663
2025 - 2029	5,138,262
2030 - 2034	5,144,117
	<u>\$ 20,517,042</u>

**NOTE 15: SUBSEQUENT EVENTS**

The first lease payment for the Hawaiian Falls Water and Adventure Park of \$500,000 was due October 1, 2014. A partial payment in the amount of \$125,000 was made on December 18, 2014.

Subsequent events were evaluated through February 24, 2015, which is the date the financial statements were available to be issued.

**NOTE 16: FUTURE ACCOUNTING PRONOUNCEMENTS**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement is to improve the accounting and financial reporting by state and local governments for pensions. This Statement will require government-wide and proprietary fund statements to recognize a liability equal to the net pension liability and that changes in the net pension liability be included in pension expense in the period of the change. The Statement is effective for fiscal years beginning after June 15, 2014. The City has not yet determined the effect this Statement will have on its financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB No. 68*. This Statement addresses issues related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement will be implemented with GASB Statement No. 68, effective for the fiscal year ending September 30, 2015.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**REQUIRED SUPPLEMENTARY INFORMATION**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

Exhibit E-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>General Property Taxes</b>				
Current property taxes	\$ 3,000,000	\$ 3,000,000	\$ 3,028,943	\$ 28,943
Miscellaneous property tax revenue	85,000	85,000	3,475	(81,525)
Delinquent tax collections	45,000	45,000	25,682	(19,318)
Taxes - penalties and interest	25,000	25,000	53,633	28,633
Total general property taxes	<u>3,155,000</u>	<u>3,155,000</u>	<u>3,111,733</u>	<u>(43,267)</u>
<b>Sales and Use Taxes</b>				
General sales tax	2,400,000	2,400,000	2,658,233	258,233
Mixed beverage tax	1,000	1,000	1,979	979
Bingo tax	40,000	40,000	35,577	(4,423)
Total sales and use taxes	<u>2,441,000</u>	<u>2,441,000</u>	<u>2,695,789</u>	<u>254,789</u>
<b>Franchise Tax</b>				
Telephone franchise fees	100,000	100,000	69,438	(30,562)
Electric franchise fees	500,000	500,000	496,181	(3,819)
Cable TV franchise fees	75,000	75,000	119,830	44,830
Gas franchise fees	80,000	80,000	117,545	37,545
Refuse franchise fees	165,000	165,000	159,479	(5,521)
Total franchise tax	<u>920,000</u>	<u>920,000</u>	<u>962,473</u>	<u>42,473</u>
<b>Fines and Fees</b>				
Municipal court fees	350,000	350,000	347,625	(2,375)
Deferred disposition fee	35,000	35,000	45,240	10,240
Court administrative fee	7,500	7,500	9,810	2,310
Extension fee - City	8,000	8,000	9,721	1,721
Warrant fees	70,000	70,000	79,146	9,146
ACO fees	2,500	2,500	1,807	(693)
Code compliance fine	6,500	6,500	5,513	(987)
Total fines and fees	<u>479,500</u>	<u>479,500</u>	<u>498,862</u>	<u>19,362</u>
<b>Licenses and Permits</b>				
Building permits	50,000	50,000	162,258	112,258
Mechanical permits	12,000	12,000	12,085	85
Appeal/variance permits	750	750	2,905	2,155
Plumbing permits	18,000	18,000	19,793	1,793
Electrical permits	50,000	50,000	50,255	255
Alarm permits	7,500	7,500	7,380	(120)
Sign permits	3,500	3,500	4,410	910
Garage sale permits	5,000	5,000	7,200	2,200
Curb and gutter permits	250	250	60	(190)
Gas and oil permits	-	-	76,300	76,300
Miscellaneous permits	-	-	440	440

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES (Continued)</b>				
<b>Licenses and Permits (Continued)</b>				
Demolition fees	\$ 1,500	\$ 1,500	\$ 700	\$ (800)
Occupancy permits	35,000	35,000	50,425	15,425
Fence permits	4,000	4,000	3,315	(685)
Other license	-	-	260	260
Contractor registration fee	20,000	20,000	23,660	3,660
Fire inspections	10,000	10,000	15,163	5,163
Recreational license	5,000	5,000	1,500	(3,500)
Recreational machine permits	5,000	5,000	5,155	155
Plating fees	-	-	1,110	1,110
False Alarm Fine	2,500	2,500	2,030	(470)
Total licenses and permits	<u>230,000</u>	<u>230,000</u>	<u>446,404</u>	<u>216,404</u>
<b>Intergovernmental</b>	<u>67,500</u>	<u>67,500</u>	<u>99,419</u>	<u>31,919</u>
<b>Charges for Services</b>				
Copying Fee	150	150	103	(47)
Returned check fee	125	125	100	(25)
Building rental - cultural center	3,000	3,000	1,925	(1,075)
Building rental - recreation	35,000	35,000	12,295	(22,705)
Supervised recreation	60,000	60,000	50,453	(9,547)
Mowing fees	12,000	12,000	7,072	(4,928)
Gas well inspector fees	-	-	1,000	1,000
Animal shelter fees	-	250	-	(250)
Animal control fees	25,000	25,000	16,960	(8,040)
Library revenue	12,500	12,500	14,898	2,398
Library processing	150	150	255	105
Reimburse lost/damaged books	800	800	307	(493)
Fingerprinting fees	100	100	370	270
Police report fees	1,000	1,000	591	(409)
Wrecker service fees	2,000	2,000	3,060	1,060
Fleet cost shares	-	-	51,493	51,493
Total charges for services	<u>151,825</u>	<u>152,075</u>	<u>160,882</u>	<u>8,807</u>
<b>Oil and Gas Royalties</b>	<u>100,000</u>	<u>100,000</u>	<u>178,041</u>	<u>78,041</u>
<b>Investment Earnings</b>	<u>22,000</u>	<u>22,000</u>	<u>15,940</u>	<u>(6,060)</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES (Continued)</b>				
<b>Other Revenue</b>				
Pay phone income	\$ 1,000	\$ 1,000	\$ 656	\$ (344)
Council filing fee	-	-	240	240
Mixed beverage annual inspection	-	-	1,920	1,920
Report fees - fire	-	-	25	25
Over/short	-	-	(46)	(46)
Interlocal radio support fee	5,000	5,000	5,000	-
Miscellaneous revenues	5,000	5,000	18,857	13,857
Total other revenue	<u>11,000</u>	<u>11,000</u>	<u>26,652</u>	<u>15,652</u>
Total revenues	<u>7,577,825</u>	<u>7,578,075</u>	<u>8,196,195</u>	<u>618,120</u>
<b>EXPENDITURES</b>				
Current				
<b>General Government:</b>				
<b>City Council</b>				
Regular salaries	-	300	240	60
Part-time temporary salaries	10,800	10,500	7,056	3,444
FICA	872	872	558	314
Workers' compensation	32	32	26	6
Unemployment insurance	399	399	113	286
Office supplies	5,500	5,500	2,190	3,310
Postage and freight	100	100	11	89
Legal costs	30,000	30,000	28,000	2,000
Audit services	25,000	25,000	22,750	2,250
Copy rental/lease	1,000	1,000	-	1,000
Professional services	-	37,200	48,789	(11,589)
Communications	2,750	2,750	2,350	400
Insurance	25,000	25,000	23,327	1,673
Dues/subscriptions/memberships	19,500	16,850	8,710	8,140
Marketing and promotional services	1,500	1,500	1,476	24
Travel and training	10,000	10,000	9,398	602
Miscellaneous materials and supplies	1,000	1,000	8	992
Plaques, awards and recognition	-	450	395	55
Hawaiian Falls escrow - 75% of sales tax	-	-	10,239	(10,239)
Contribution to EDC	-	-	1,031,393	(1,031,393)
Grant match	5,000	5,000	-	5,000
City council reserve	168,349	126,349	-	126,349
Total City council	<u>306,802</u>	<u>299,802</u>	<u>1,197,029</u>	<u>(897,227)</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**

**Exhibit E-1 (Continued)**

**General Fund**

**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Current (Continued)</b>				
<b>Administration</b>				
Regular salaries	\$ 136,500	\$ 140,500	\$ 140,016	\$ 484
Part-time temporary salaries	21,916	17,916	-	17,916
Longevity pay	260	260	260	-
FICA	12,742	12,742	9,405	3,337
TMRS	17,689	17,689	15,417	2,272
Workers' compensation	540	540	428	112
Unemployment insurance	522	522	207	315
Health insurance	5,340	5,340	5,333	7
Dental insurance	328	328	326	2
Life insurance	103	103	64	39
Vehicle allowance	4,800	4,800	4,800	-
Office supplies	1,500	1,500	242	1,258
Postage and freight	200	200	27	173
Copy rental/lease	2,200	2,200	1,581	619
Communications	1,200	1,700	1,507	193
Dues/subscriptions/memberships	200	200	200	-
Marketing and promotional services	1,000	1,000	-	1,000
Travel and training	1,000	1,000	-	1,000
Employee appreciation	11,000	9,500	1,911	7,589
Plaques, awards and recognition	2,500	2,500	1,953	547
City manager reserve	25,000	20,000	2,625	17,375
Other professional services	2,500	3,500	3,313	187
Total administration	<u>249,040</u>	<u>244,040</u>	<u>189,615</u>	<u>54,425</u>
<b>City Secretary</b>				
Regular salaries	52,962	53,212	53,164	48
Longevity pay	268	318	268	50
FICA	4,072	4,072	3,765	307
TMRS	5,653	5,703	5,678	25
Workers' compensation	172	172	136	36
Unemployment insurance	261	261	207	54
Health insurance	6,900	6,900	6,893	7
Dental insurance	328	328	326	2
Life insurance	103	103	98	5
Office supplies	1,500	400	334	66
Postage and freight	250	250	171	79
Copy rental/lease	2,200	2,200	1,581	619
Election services	35,000	29,870	782	29,088
Other professional services	8,000	8,650	8,571	79
Communications	-	100	31	69
Dues/subscriptions/memberships	450	450	30	420

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>City Secretary (Continued)</b>				
Travel and training	\$ 2,500	\$ 2,630	\$ 2,624	\$ 6
Advertisement/notices	4,000	9,000	7,606	1,394
Total City secretary	<u>124,619</u>	<u>124,619</u>	<u>92,265</u>	<u>32,354</u>
<b>Finance</b>				
Regular salaries	233,243	235,643	235,582	61
Overtime	6,996	6,996	5,123	1,873
Certification pay	1,800	1,800	1,800	-
Longevity pay	509	509	508	1
FICA	18,739	18,739	18,171	568
TMRS	26,014	26,114	26,077	37
Workers' compensation	963	963	777	186
Unemployment insurance	1,305	1,305	829	476
Health insurance	22,920	20,370	18,875	1,495
Dental insurance	1,312	1,362	1,331	31
Life insurance	412	412	381	31
Vehicle allowance	2,400	2,400	2,400	-
Office supplies	4,000	5,800	5,535	265
Postage and freight	3,000	3,200	3,144	56
Copy rental/lease	1,600	1,600	1,321	279
Other professional services	40,000	38,000	33,811	4,189
Communications	600	750	724	26
Computer maintenance	18,000	18,000	13,226	4,774
Insurance	1,800	1,800	1,692	108
Dues/subscriptions/memberships	2,000	3,550	3,545	5
Travel and training	8,000	6,800	4,206	2,594
Advertisement/notices	2,000	1,500	723	777
Data processing equipment	-	-	-	-
Total finance	<u>397,613</u>	<u>397,613</u>	<u>379,781</u>	<u>17,832</u>
<b>Human Resources</b>				
Regular salaries	74,234	74,634	74,597	37
Overtime	545	545	62	483
Part-time/temporary salaries	27,227	26,327	26,281	46
Longevity pay	586	586	439	147
FICA	7,848	7,848	7,538	310
TMRS	9,421	9,921	9,863	58
Workers' compensation	332	332	268	64
Unemployment insurance	783	783	581	202
Health insurance	5,340	5,340	5,333	7
Dental insurance	328	328	326	2

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Human Resources (Continued)</b>				
Life insurance	\$ 103.00	\$ 103.00	\$ 98.00	\$ 5.00
Office supplies	1,200	1,200	1,176	24
Education materials	4,000	4,000	1,421	2,579
Postage and freight	495	495	260	235
Legal services	6,000	6,000	990	5,010
Copier lease/rental	750	750	660	90
Other professional services	24,000	24,000	20,210	3,790
Communications	600	600	518	82
Insurance	2,400	2,400	2,193	207
Dues/subscriptions/memberships	300	300	260	40
Travel and training	1,325	1,325	678	647
Employee appreciation	500	500	-	500
Advertisement/notices	5,000	5,000	3,118	1,882
Total human resources	<u>173,317</u>	<u>173,317</u>	<u>156,870</u>	<u>16,447</u>
<b>Management Information Services</b>				
Regular salaries	103,184	104,684	104,583	101
Overtime	4,285	3,100	2,334	766
Longevity pay	529	554	529	25
FICA	8,629	8,629	8,015	614
TMRS	11,979	11,979	11,671	308
Workers' compensation	365	365	294	71
Unemployment insurance	522	522	414	108
Health insurance	12,240	12,240	12,225	15
Dental insurance	656	706	703	3
Life insurance	206	216	212	4
Vehicle allowance	4,800	4,800	2,400	2,400
Office supplies	3,000	3,000	2,897	103
Miscellaneous materials and supplies	1,000	1,000	-	1,000
Tools and equipment < \$5,000	500	500	-	500
Copier lease/rental	5,000	8,500	8,487	13
Other professional services	10,000	9,000	6,816	2,184
Communications	20,500	18,500	16,591	1,909
Equipment maintenance/repair	35,000	39,000	37,000	2,000
Dues/subscriptions/memberships	500	600	584	16
Travel and training	500	500	-	500
Total management information services	<u>223,395</u>	<u>228,395</u>	<u>215,755</u>	<u>12,640</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Purchasing/Warehouse</b>				
Regular salaries	\$ 67,357	\$ 67,357	\$ 68,929	\$ (1,572)
Overtime	337	337	-	337
Longevity pay	1,261	1,261	1,261	-
FICA	5,275	5,275	5,191	84
TMRS	7,323	7,323	7,456	(133)
Workers' compensation	3,689	3,689	2,975	714
Unemployment insurance	522	522	414	108
Health insurance	10,680	10,680	10,665	15
Dental insurance	656	656	653	3
Life insurance	206	206	196	10
Office supplies	2,500	2,300	1,399	901
Janitorial supplies	200	200	44	156
Building, electrical and plumbing supplies	500	500	451	49
Uniforms	500	450	306	144
Fuel and lubricants	2,400	2,500	2,458	42
Safety supplies and equipment	100	100	41	59
Tools and equipment < \$5,000	500	500	17	483
Inventory over/short	-	-	170	(170)
Obsolete/salvaged inventory	-	50	30	20
Pest control services	150	150	85	65
Copier lease/rental	600	700	632	68
Communications	2,100	2,100	1,968	132
Utilities	10,500	10,500	5,472	5,028
Vehicle/equipment non-target	1,900	1,900	330	1,570
Vehicle maintenance/repairs	19,000	19,000	18,645	355
Equipment maintenance/repairs	400	400	-	400
Building maintenance and repair	1,000	1,000	225	775
Insurance	4,100	4,100	2,706	1,394
Dues/subscriptions/memberships	1,000	1,000	870	130
Travel and training	4,000	4,000	2,352	1,648
Advertisement/notices	400	400	266	134
Employee testing/physicals	100	100	80	20
First aid and medical supplies	250	250	243	7
Total purchasing/warehouse	149,506	149,506	136,530	12,976
<b>Municipal Facilities</b>				
Regular salaries	73,163	73,163	76,936	(3,773)
Overtime	891	891	121	770
Longevity pay	1,055	1,055	1,055	-
FICA	5,746	5,746	5,664	82
TMRS	7,977	7,977	8,300	(323)

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**

**General Fund**

**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Municipal Facilities (Continued)</b>				
Workers' compensation	\$ 2,688	\$ 2,688	\$ 2,168	\$ 520
Unemployment insurance	522	622	621	1
Health insurance	12,240	12,240	12,225	15
Dental insurance	656	656	653	3
Life insurance	206	206	196	10
Office supplies	1,200	2,000	1,914	86
Janitorial supplies	1,000	1,050	1,001	49
Building, electrical and plumbing supplies	1,000	1,010	320	690
Batteries	-	2	2	-
Miscellaneous materials and supplies	1,000	1,000	54	946
Uniforms	500	500	469	31
Fuel and lubricants	2,600	2,600	2,259	341
Safety supplies and equipment	250	250	28	222
Tools and equipment < \$5,000	1,000	1,000	511	489
First aid and medical supplies	500	500	292	208
Janitorial services	12,000	12,000	9,855	2,145
Pest control services	800	800	367	433
Other professional services	3,000	3,000	1,283	1,717
Communications	1,000	1,050	1,039	11
Utilities	28,000	27,288	25,010	2,278
Vehicle/equipment non-target	620	620	254	366
Vehicle maintenance/repairs	6,200	6,200	6,022	178
Equipment maintenance/repairs	500	1,000	590	410
Building maintenance and repair	25,000	24,200	12,691	11,509
Rental equipment and building	500	500	-	500
Insurance	1,100	1,100	802	298
Travel and training	250	250	-	250
Employee testing/physicals	150	150	-	150
<b>Total municipal facilities</b>	<b>193,314</b>	<b>193,314</b>	<b>172,702</b>	<b>20,612</b>
<b>Total general government</b>	<b>1,817,606</b>	<b>1,810,606</b>	<b>2,540,547</b>	<b>(729,941)</b>
<b>Public Safety:</b>				
<b>Police Administration</b>				
Regular salaries	1,049,126	1,048,763	1,053,987	(5,224)
Overtime	14,314	14,314	13,842	472
Certification pay	15,900	15,900	16,675	(775)
Longevity pay	11,343	11,706	12,012	(306)
FICA	83,437	83,437	79,918	3,519
TMRS	115,831	115,831	115,598	233
Workers' compensation	17,529	17,529	14,135	3,394

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Police Administration (Continued)</b>				
Unemployment insurance	\$ 5,742	\$ 5,742	\$ 4,761	\$ 981
Health insurance	126,840	126,840	120,987	5,853
Dental insurance	7,216	7,216	7,643	(427)
Life insurance	2,266	2,266	2,273	(7)
Office supplies	10,100	9,800	9,118	682
Shop and lab supplies	2,920	2,820	2,467	353
Photo and duplication supplies	1,540	1,540	1,301	239
Janitorial supplies	1,428	1,428	1,351	77
Building, electrical and plumbing supplies	1,788	2,892	2,436	456
Batteries	303	203	138	65
Miscellaneous materials and supplies	8,800	8,800	8,418	382
Uniforms	2,550	2,750	2,717	33
Postage and freight	1,200	1,450	1,230	220
Fuel and lubricants	13,000	12,198	9,847	2,351
Safety supplies and equipment	590	590	549	41
Tools and equipment < \$5,000	2,616	2,616	2,554	62
First aid and medical supplies	2,200	1,648	1,423	225
Janitorial services	16,000	16,000	13,661	2,339
Pest control services	720	720	313	407
Copier lease/rental	6,700	6,700	5,904	796
Other professional services	3,000	2,220	1,991	229
Communications	7,800	8,880	8,874	6
Utilities	36,000	35,410	32,461	2,949
Vehicle/equipment non-target	2,450	1,860	280	1,580
Vehicle maintenance/repairs	24,500	24,500	23,931	569
Equipment maintenance/repairs	3,920	4,151	3,540	611
Building maintenance and repair	5,150	5,950	5,767	183
Insurance	27,500	29,270	29,267	3
Dues/subscriptions/memberships	1,475	1,375	1,019	356
Employee appreciation	1,000	1,000	937	63
Employee testing/physicals	2,000	479	165	314
Total police administration	1,636,794	1,636,794	1,613,490	23,304
<b>Police Patrol/CID</b>				
Regular salaries	1,502,132	1,502,132	1,517,306	(15,174)
Overtime	31,422	31,422	30,604	818
Part-time temporary salaries	19,384	19,384	15,582	3,802
Certification pay	30,900	30,900	33,900	(3,000)
Longevity pay	12,033	12,033	10,983	1,050
FICA	122,084	122,084	120,461	1,623
TMRS	167,423	167,423	171,179	(3,756)

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**

**Exhibit E-1 (Continued)**

**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Current (Continued)</b>				
<b>Police Patrol/CID (Continued)</b>				
Workers' compensation	\$ 44,043	\$ 44,043	\$ 35,515	\$ 8,528
Unemployment insurance	7,464	7,464	5,645	1,819
Health insurance	156,660	156,660	155,519	1,141
Dental insurance	8,528	8,528	7,999	529
Life insurance	2,678	2,678	2,398	280
Office supplies	3,000	3,000	2,473	527
Building, electrical and plumbing supplies	1,000	1,000	21	979
Batteries	1,500	1,500	952	548
Miscellaneous materials and supplies	1,500	1,500	1,274	226
Uniforms	5,000	5,000	1,911	3,089
Fuel and lubricants	78,000	80,600	80,542	58
Safety supplies and equipment	500	500	128	372
Tools and equipment < \$5,000	5,000	2,400	1,833	567
First aid and medical supplies	1,600	1,600	699	901
Other professional services	500	800	789	11
Communications	1,000	1,000	800	200
Vehicle/equipment non-target	5,360	4,500	2,170	2,330
Vehicle maintenance/repairs	53,600	53,600	52,688	912
Equipment maintenance/repairs	3,500	3,500	88	3,412
Insurance	10,500	10,500	10,202	298
Dues/subscriptions/memberships	1,500	2,060	1,980	80
Employee testing/physicals	1,600	1,600	1,300	300
<b>Total police patrol/CID</b>	<b>2,279,411</b>	<b>2,279,411</b>	<b>2,266,941</b>	<b>12,470</b>
<b>Municipal Court</b>				
Regular salaries	135,684	135,684	137,473	(1,789)
Overtime	5,101	5,101	10,354	(5,253)
Certification pay	2,100	2,100	2,500	(400)
Longevity pay	940	940	940	-
FICA	11,003	11,003	11,313	(310)
TMRS	15,274	15,274	16,073	(799)
Workers' compensation	1,935	1,935	1,560	375
Unemployment insurance	783	783	621	162
Health insurance	16,020	16,020	15,998	22
Dental insurance	884	884	979	(95)
Life insurance	309	309	293	16
Office supplies	5,000	4,947	3,261	1,686
Miscellaneous materials and supplies	500	500	196	304
Uniforms	1,000	1,000	194	806
Postage and freight	2,500	2,500	1,924	576
Fuel and lubricants	2,500	2,500	1,586	914

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Municipal Court (Continued)</b>				
Legal services	\$ 48,000	\$ 48,000	\$ 45,216	\$ 2,784
Copier lease/rental	200	253	220	33
Other professional services	1,500	1,500	1,475	25
Communications	1,200	1,200	956	244
Computer maintenance	2,500	3,152	3,152	(0)
Vehicle/equipment non-target	300	300	5	295
Vehicle maintenance/repairs	3,000	3,000	2,930	70
Dues/subscriptions/memberships	1,500	1,500	226	1,274
Travel and training	4,500	3,848	2,208	1,640
Employee testing/physicals	100	100	80	20
Total municipal court	<u>264,333</u>	<u>264,333</u>	<u>261,733</u>	<u>2,600</u>
<b>Fire Department</b>				
Regular salaries	39,636	39,636	45,264	(5,628)
Part-time temporary salaries	144,374	144,374	137,573	6,801
Certification pay	8,365	8,365	8,365	-
Longevity pay	-	25	25	-
FICA	14,717	14,717	14,629	88
TMRS	5,098	5,098	5,329	(231)
Workers' compensation	2,852	2,852	2,300	552
Unemployment insurance	4,698	4,698	2,307	2,391
Health insurance	5,340	5,340	5,333	7
Dental insurance	328	328	326	2
Life insurance	103	103	98	5
Volunteer injury insurance	5,675	6,700	6,698	2
Volunteer worker's compensation	7,100	6,075	5,725	350
Volunteer fire retirement	4,800	4,800	4,800	-
Office supplies	1,600	2,575	2,483	92
Janitorial supplies	600	800	667	133
Building, electrical and plumbing supplies	450	450	261	189
Batteries	300	275	187	88
Miscellaneous materials and supplies	2,500	2,700	2,597	103
Uniforms	7,000	7,000	6,875	125
Postage and freight	100	100	37	63
Fuel and lubricants	15,000	18,000	17,412	588
Safety supplies and equipment	19,850	19,850	19,316	534
Tools and equipment < \$5,000	3,800	3,800	3,782	18
Chemicals	250	275	265	10
EMO Supplies	1,200	1,000	290	710
First aid and medical supplies	4,000	3,800	2,849	951
Janitorial services	1,000	250	200	50

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Fire Department (Continued)</b>				
Pest control services	\$ 250	\$ 250	\$ 176	\$ 74
Other professional services	500	830	821	9
Hazmat clean-up	3,000	200	-	200
Communications	900	1,200	1,176	24
Utilities	17,000	17,000	17,392	(392)
Vehicle/equipment non-target	3,570	2,720	360	2,360
Vehicle maintenance/repairs	35,700	35,700	35,092	608
Equipment maintenance/repairs	12,300	12,000	11,283	717
Building maintenance and repair	3,000	4,900	4,851	49
Insurance	11,200	11,400	11,321	79
Dues/subscriptions/memberships	1,885	1,055	980	75
Marketing and promotional services	3,000	3,000	2,430	570
Travel and training	6,500	5,500	5,168	332
VFD utility service	25,000	22,000	20,494	1,506
Employee testing/physicals	500	500	445	55
Firefighter incentive program	160,000	162,800	162,525	275
Total fire department	<u>585,041</u>	<u>585,041</u>	<u>570,507</u>	<u>14,534</u>
<b>Code Compliance</b>				
Regular salaries	251,482	251,482	255,742	(4,260)
Overtime	4,308	4,308	761	3,547
Part-time/temporary salaries	-	-	195	(195)
Certification pay	2,700	2,700	2,025	675
Longevity pay	881	906	906	-
FICA	19,842	19,842	19,149	693
TMRS	27,545	27,520	27,565	(45)
Workers' compensation	1,509	1,509	1,217	292
Unemployment insurance	1,827	1,827	1,412	415
Health insurance	29,820	29,820	25,599	4,221
Dental insurance	1,968	1,968	1,939	29
Life insurance	618	618	522	96
Office supplies	3,800	3,739	3,621	118
Photo and duplication supplies	1,500	3,361	3,279	82
Uniforms	1,000	1,000	659	341
Postage and freight	3,000	3,000	2,631	369
Fuel and lubricants	4,200	4,200	3,267	933
Tools and equipment < \$5,000	500	500	39	461
Legal services	2,000	2,000	-	2,000
Copier lease/rental	2,500	2,500	2,320	180
Other professional services	5,000	8,000	10	7,990
Demolitions and lot clearing	50,000	45,200	28,609	16,591

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**

**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Code Compliance (Continued)</b>				
Communications	\$ 2,800	\$ 2,850	\$ 2,812	\$ 38
Computer maintenance	3,500	3,500	3,322	178
Vehicle/equipment non-target	900	900	195	705
Vehicle maintenance/repairs	9,000	9,000	8,757	243
Equipment maintenance/repairs	250	250	-	250
Insurance	1,450	1,450	1,404	46
Dues/subscriptions/memberships	500	550	541	9
Travel and training	3,500	3,400	2,851	549
Advertisement/notices	5,000	5,000	4,964	36
Employee testing/physicals	200	200	170	30
Total code compliance	443,100	443,100	406,483	36,617
<b>Total public safety</b>	5,208,679	5,208,679	5,119,154	89,525
<b>Public Works:</b>				
<b>Streets and Drainage</b>				
Regular salaries	193,746	193,746	180,984	12,762
Overtime	9,184	9,184	5,510	3,674
Part-time/temporary salaries	24,038	24,038	9,889	14,149
Certification pay	2,700	2,700	1,050	1,650
Longevity pay	1,290	1,290	1,290	-
FICA	17,668	17,668	15,043	2,625
TMRS	21,975	21,975	20,059	1,916
Workers' compensation	17,710	17,710	14,281	3,429
Unemployment insurance	2,088	2,088	1,414	674
Health insurance	32,040	32,040	30,219	1,821
Dental insurance	1,968	1,968	1,850	118
Life insurance	818	818	554	264
Office supplies	350	300	60	240
Janitorial supplies	200	200	114	86
Building, electrical and plumbing supplies	200	200	140	60
Batteries	250	250	197	53
Miscellaneous materials and supplies	300	300	291	9
Uniforms	2,500	3,000	2,822	178
Fuel and lubricants	19,500	19,500	17,467	2,033
Safety supplies and equipment	3,000	3,000	1,527	1,473
Tools and equipment < \$5,000	4,000	4,000	3,603	397
Chemicals	1,600	3,600	3,575	25
Parts for equipment	1,500	1,500	128	1,372
Street maintenance	70,000	67,500	48,124	19,376
Street sign supplies	7,500	7,500	3,605	3,895

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**

**Exhibit E-1 (Continued)**

**General Fund**

**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Current (Continued)</b>				
<b>Streets and Drainage (Continued)</b>				
First aid and medical supplies	\$ 250	\$ 250	\$ 243	\$ 7
Sanitation services	10,000	10,000	7,000	3,000
Pest control service	100	100	85	15
Copier lease/rental	600	650	632	18
Street lights and signals	158,000	158,000	129,750	28,250
Other professional services	2,000	2,000	575	1,425
Communications	2,400	2,400	1,958	442
Utilities	2,000	2,000	1,798	202
Vehicle/equipment non-target	5,300	5,300	292	5,008
Vehicle maintenance/repairs	53,000	53,000	52,687	313
Equipment maintenance/repairs	1,000	1,000	-	1,000
Building maintenance and repair	1,000	1,000	-	1,000
Building and equipment rental	2,000	2,000	-	2,000
Insurance	12,000	12,000	7,992	4,008
Dues/subscriptions/memberships	250	250	172	78
Travel and training	1,440	1,440	972	468
Employee testing/physicals	1,000	1,000	845	155
Total streets and drainage	<u>688,465</u>	<u>688,465</u>	<u>568,797</u>	<u>119,668</u>
<b>Total public works</b>	<u>688,465</u>	<u>688,465</u>	<u>568,797</u>	<u>119,668</u>
<b>Public Health:</b>				
<b>Animal Control</b>				
Regular salaries	63,286	63,286	86,190	(22,904)
Overtime	3,797	3,797	3,845	(48)
Part-time temporary salaries	37,128	37,128	9,817	27,311
Certification pay	3,000	3,000	2,925	75
Longevity pay	423	423	340	83
FICA	8,234	8,234	7,854	380
TMRS	7,424	7,424	10,161	(2,737)
Workers' compensation	3,193	3,193	2,575	618
Unemployment insurance	1,044	1,044	698	346
Health insurance	10,680	10,680	13,336	(2,656)
Dental insurance	656	656	734	(78)
Life insurance	206	206	220	(14)
Office supplies	4,000	3,840	3,716	124
Janitorial supplies	4,000	3,569	2,321	1,248
Building, electrical and plumbing supplies	2,500	3,500	3,025	475
Miscellaneous materials and supplies	9,700	10,500	10,456	44
Uniforms	1,500	1,091	1,091	-
Postage and freight	150	250	234	16

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**

**General Fund**

**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Animal Control (Continued)</b>				
Fuel and lubricants	\$ 3,300	\$ 3,300	\$ 2,428	\$ 872
Safety supplies and equipment	500	700	624	76
Tools and equipment < \$5,000	5,600	6,100	6,086	14
Street sign supplies	200	300	236	64
First aid and medical supplies	6,000	2,539	1,263	1,276
Pest control service	300	300	215	85
Copier lease/rental	250	250	220	30
Other professional services	6,500	6,100	4,555	1,545
Communications	10,125	10,125	7,760	2,365
Utilities	20,600	20,300	20,972	(672)
Vehicle/equipment non-target	595	595	-	595
Vehicle maintenance/repairs	5,950	5,950	5,827	123
Equipment maintenance/repairs	800	800	105	695
Building maintenance and repair	4,000	6,761	6,760	1
Rental equipment and building	310	310	85	225
Insurance	2,100	2,400	2,382	18
Dues/subscriptions/memberships	150	150	50	100
Travel and training	1,200	1,200	973	227
Advertisements/notices	1,500	900	303	597
Employee testing/physicals	300	300	80	220
Total animal control	231,201	231,201	220,462	10,739
<b>Total public health</b>	231,201	231,201	220,462	10,739
<b>Culture and Recreation:</b>				
<b>Senior Services</b>				
Regular salaries	177,831	177,831	181,647	(3,816)
Overtime	546	546	-	546
Longevity pay	2,176	2,176	2,176	-
FICA	13,812	13,812	13,981	(169)
TMRS	19,175	19,175	19,486	(311)
Workers' compensation	1,871	1,871	1,509	362
Unemployment insurance	1,305	1,305	1,035	270
Health insurance	21,360	21,360	21,331	29
Dental insurance	1,640	1,640	1,632	8
Life insurance	515	515	328	187
Office supplies	1,300	1,300	1,249	51
Janitorial supplies	2,000	1,257	1,058	199
Building, electrical and plumbing supplies	900	150	75	75
Landscaping supplies	500	500	65	435
Miscellaneous materials and supplies	300	300	73	227

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Current (Continued)</b>				
<b>Senior Services (Continued)</b>				
Postage and freight	\$ 200	\$ 200	\$ 122	\$ 78
Fuel and lubricants	5,800	5,800	5,060	740
Safety supplies and equipment	75	75	-	75
Senior special supplies	-	20	(340)	360
First aid and medical supplies	250	1,000	981	19
Janitorial services	10,000	10,000	8,474	1,526
Pest control service	600	600	313	287
Copier lease/rental	1,500	1,500	1,164	336
Other professional services	2,600	2,600	-	2,600
Communications	600	600	548	52
Utilities	21,000	21,000	18,832	2,168
Computer maintenance	3,300	4,023	4,023	-
Vehicle/equipment non-target	600	600	234	366
Vehicle maintenance/repairs	6,000	6,000	5,827	173
Equipment maintenance/repairs	300	300	-	300
Building maintenance and repair	2,000	2,000	515	1,485
Insurance	4,400	4,400	4,089	311
Dues/subscriptions/memberships	105	105	15	90
Travel and training	1,580	1,430	1,155	275
Marketing and promotional services	700	700	596	104
Advertisement/notices	150	150	-	150
Employee testing/physicals	150	300	195	105
Total senior services	307,141	307,141	297,448	9,693
<b>Parks Maintenance</b>				
Regular salaries	166,115	166,115	145,784	20,331
Overtime	7,690	7,690	9,155	(1,465)
Longevity pay	1,815	1,815	1,711	104
FICA	13,619	13,619	11,586	2,033
TMRS	18,906	18,906	16,900	2,006
Workers' compensation	5,396	5,396	4,351	1,045
Unemployment insurance	1,044	1,044	625	419
Health insurance	26,040	26,040	19,118	6,922
Dental insurance	1,312	1,312	979	333
Life insurance	412	412	291	121
Vehicle allowance	2,400	2,400	2,400	-
Office supplies	500	400	242	158
Janitorial supplies	1,000	1,000	991	9
Building, electrical and plumbing supplies	300	100	-	100
Landscaping supplies	3,300	2,020	1,865	155
Miscellaneous materials and supplies	1,600	720	564	156

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**

**General Fund**

**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Parks Maintenance (Continued)</b>				
Uniforms	\$ 1,000	\$ 1,000	\$ 979	\$ 21
Fuel and lubricants	6,300	7,200	7,135	65
Safety supplies and equipment	500	400	249	151
Tools and equipment < \$5,000	5,500	6,100	6,071	29
Chemicals	500	1,660	1,659	1
Parts for equipment	1,300	1,300	1,177	123
First aid and medical supplies	250	50	-	50
Pest control service	650	650	-	650
Copier lease/rental	700	700	614	86
Other professional services	35,000	31,000	27,462	3,538
Communications	1,200	5,400	5,309	91
Utilities	1,000	1,500	1,381	119
Vehicle/equipment non-target	2,800	1,300	383	917
Vehicle maintenance/repairs	28,000	27,500	26,661	839
Equipment maintenance/repairs	1,000	1,000	715	285
Building maintenance and repair	-	100	85	15
Building and equipment rental	7,500	7,500	7,125	375
Insurance	3,900	5,100	4,899	201
Dues/subscriptions/memberships	350	350	341	9
Travel and training	1,250	1,250	604	646
Employee testing/physicals	200	300	230	70
Total parks maintenance	<u>350,349</u>	<u>350,349</u>	<u>309,641</u>	<u>40,708</u>
<b>Recreation</b>				
Regular salaries	75,755	75,755	73,244	2,511
Overtime	4,545	4,545	8,593	(4,048)
Part-time temporary salaries	34,657	34,657	28,518	6,139
Longevity pay	168	168	71	97
FICA	8,807	8,807	8,294	513
TMRS	8,535	8,535	8,638	(103)
Workers' compensation	3,490	3,490	2,814	676
Unemployment insurance	1,044	1,044	774	270
Health insurance	10,680	10,680	10,665	15
Dental insurance	656	656	653	3
Life insurance	206	206	196	10
Office supplies	2,000	1,850	1,812	38
Janitorial supplies	1,000	840	837	3
Building, electrical and plumbing supplies	2,000	622	621	1
Miscellaneous materials and supplies	20,000	13,586	13,553	33
Uniforms	750	650	643	7

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Current (Continued)</b>				
<b>Recreation (Continued)</b>				
Postage and freight	\$ 300	\$ 100	\$ 81	\$ 19
Safety supplies	100	-	-	-
Tools and equipment < \$5,000	3,000	-	-	-
Street sign supplies	200	-	-	-
First aid and medical supplies	500	100	95	5
Pest control service	300	300	215	85
Copier lease/rental	900	900	881	19
Other professional services	2,500	2,050	2,048	2
Program instructors	28,000	38,345	38,335	10
Communications	-	100	93	7
Utilities	20,000	18,793	20,582	(1,789)
Computer maintenance	1,000	1,905	1,905	-
Equipment maintenance/repairs	180	-	-	-
Building maintenance and repair	16,000	19,939	19,938	1
Rental equipment and building	400	432	432	-
Insurance	1,800	1,800	1,633	167
Dues/subscriptions/memberships	300	200	200	-
Marketing & promotional service	1,000	1,018	1,012	6
Travel and training	825	225	204	21
Advertisement/notices	800	200	175	25
Employee testing/physicals	500	400	335	65
Total recreation	<u>252,898</u>	<u>252,898</u>	<u>248,090</u>	<u>4,808</u>
<b>Library</b>				
Regular salaries	177,919	177,919	193,654	(15,735)
Overtime	1,084	1,084	96	988
Part-time temporary salaries	83,630	83,630	50,407	33,223
Longevity pay	1,820	1,820	1,807	13
FICA	20,231	20,231	18,593	1,638
TMRS	20,670	20,670	21,340	(670)
Workers' compensation	838	838	676	162
Unemployment insurance	2,610	2,610	1,840	770
Health insurance	22,920	22,920	20,388	2,532
Dental insurance	1,312	1,312	1,251	61
Life insurance	412	412	375	37
Office supplies	7,300	6,900	5,516	1,384
Janitorial supplies	750	750	555	195
Landscaping supplies	500	500	15	485
Miscellaneous materials and supplies	4,750	5,150	5,094	56
Uniforms	300	300	-	300
Postage and freight	2,000	2,000	1,585	415

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Library (Continued)</b>				
Computer parts and software	\$ 4,000	\$ 4,000	\$ 2,222	\$ 1,778
Books	27,560	27,560	27,544	16
First aid and medical supplies	150	150	-	150
Janitorial services	12,000	12,000	11,686	314
Copier lease/rental	6,700	6,700	6,110	590
Other professional services	200	200	-	200
Other leases/books	8,040	8,300	8,300	-
Communications	2,000	2,000	1,382	618
Utilities	15,000	15,000	15,020	(20)
Equipment maintenance/repairs	3,600	4,060	4,060	-
Building maintenance and repair	-	96	95	1
Insurance	2,700	2,700	2,403	297
Dues/subscriptions/memberships	7,600	7,600	5,568	2,032
Marketing and promotional services	5,890	5,890	4,343	1,547
Travel and training	3,100	2,284	569	1,715
Employee testing/physicals	400	400	170	230
Total library	<u>447,986</u>	<u>447,986</u>	<u>412,664</u>	<u>35,322</u>
<b>Pride Commission</b>				
Landscaping supplies	2,080	2,080	2,000	80
Dues/subscriptions/memberships	120	120	112	8
Marketing & promotional services	5,300	5,300	4,758	542
Total Pride Commission	<u>7,500</u>	<u>7,500</u>	<u>6,870</u>	<u>630</u>
<b>Total culture and recreation</b>	<u>1,365,874</u>	<u>1,365,874</u>	<u>1,274,713</u>	<u>91,161</u>
<b>Total expenditures</b>	<u>9,311,825</u>	<u>9,304,825</u>	<u>9,723,673</u>	<u>(418,848)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(1,734,000)	(1,726,750)	(1,527,478)	199,272
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from insurance refunds/claims	-	-	3,234	3,234
Proceeds from sale of general capital assets	-	-	54,999	54,999

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES) (Continued)</b>				
Transfers in:				
Administrative cost share water/sewer fund	\$ 562,800	\$ 562,800	\$ 562,800	\$ -
Administrative cost share crime district fund	60,000	60,000	63,024	3,024
Administrative cost share refuse	40,200	40,200	40,200	-
Administrative cost share customer service	67,000	67,000	67,000	-
Economic development corporation	280,000	280,000	-	(280,000)
Crime district	767,000	767,000	767,000	-
Total transfers in	<u>1,777,000</u>	<u>1,777,000</u>	<u>1,500,024</u>	<u>(276,976)</u>
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>1,727,000</u>	<u>1,727,000</u>	<u>1,558,257</u>	<u>(168,743)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,000)</b>	<b>250</b>	<b>30,779</b>	<b>30,529</b>
<b>FUND BALANCE, OCTOBER 1, 2013</b>	<u>10,899,922</u>	<u>10,899,922</u>	<u>10,899,922</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 30, 2014</b>	<u><u>\$ 10,892,922</u></u>	<u><u>\$ 10,900,172</u></u>	<u><u>\$ 10,930,701</u></u>	<u><u>\$ 30,529</u></u>

The accompanying notes to required supplementary information are an integral part of this schedule.

## CITY OF WHITE SETTLEMENT, TEXAS

Exhibit E-2

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)

## Crime District Fund

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales and use taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,283,903	\$ 83,903
Investment earnings	850	850	913	63
Total revenues	<u>1,200,850</u>	<u>1,200,850</u>	<u>1,284,816</u>	<u>83,966</u>
<b>EXPENDITURES</b>				
Current				
<b>Public Safety</b>				
Miscellaneous materials and supplies	700	1,600	1,505	95
Education materials	6,000	6,000	2,866	3,134
Ammunition	13,050	12,850	9,114	3,736
Uniforms	19,200	19,200	18,799	401
Tools and equipment < \$5,000	19,340	18,640	9,468	9,172
First aid and medical supplies	2,125	2,125	519	1,606
Other professional services	17,100	13,545	8,587	4,958
Communications	13,000	13,000	10,468	2,532
Equipment maintenance/repair	89,516	86,416	79,958	6,458
Insurance	-	140	140	-
Dues/subscriptions/memberships	1,230	1,230	1,225	5
Travel and training	32,000	32,000	22,507	9,493
Advertisement/notices	-	125	125	-
Contribute to other agencies	18,300	18,300	18,300	-
Data processing equipment	17,900	17,900	17,045	855
Motor vehicles	110,300	105,980	105,864	116
Building improvements	19,000	27,305	27,207	98
Furniture and fixtures	22,000	16,985	15,848	1,137
Other equipment	-	4,320	4,320	-
<b>Total public safety</b>	<u>400,761</u>	<u>397,661</u>	<u>353,865</u>	<u>43,796</u>
<b>Total expenditures</b>	<u>400,761</u>	<u>397,661</u>	<u>353,865</u>	<u>43,796</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	800,089	803,189	930,951	127,762
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out:				
Administrative cost share to general fund	(60,000)	(63,100)	(63,024)	76
Transfer to general fund	<u>(767,000)</u>	<u>(767,000)</u>	<u>(767,000)</u>	-
Total transfers out	<u>(827,000)</u>	<u>(830,100)</u>	<u>(830,024)</u>	<u>76</u>
Total other financing sources (uses)	<u>(827,000)</u>	<u>(830,100)</u>	<u>(830,024)</u>	<u>76</u>
<b>NET CHANGE IN FUND BALANCES</b>	(26,911)	(26,911)	100,927	127,838
<b>FUND BALANCE, OCTOBER 1, 2013</b>	<u>720,529</u>	<u>720,529</u>	<u>720,529</u>	-
<b>FUND BALANCE, SEPTEMBER 30, 2014</b>	<u>\$ 693,618</u>	<u>\$ 693,618</u>	<u>\$ 821,456</u>	<u>\$ 127,838</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Texas Municipal Retirement System**  
**Schedule of Funding Progress**

**Exhibit E-3**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	16,630,678	19,257,566	86.4%	2,626,888	4,786,697	54.9%
12/31/2012	17,783,620	20,277,668	87.7%	2,494,048	5,159,436	48.3%
12/31/2013	19,159,451	23,009,625	83.3%	3,850,174	5,437,734	70.8%

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2014**

**1. Summary of Significant Accounting Policies**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, Crime Control and Prevention District, Occupancy Tax Fund, Debt Service Fund, and Street Improvement Fund. The capital projects fund adopts project-length budgets. All annual appropriations lapse at fiscal year end.

The City Council follows these procedures in establishing budgetary data reflected in the financial statements.

1. Prior to the beginning of the fiscal year, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them for the general and certain special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized by the City Council to make adjustments to budgeted amounts between departments within an operating fund or line items within an operating department in amounts not to exceed \$5,000. However, any budget adjustments that exceed \$5,000 in a line item or that result in total expenditures for an operating fund exceeding the legally adopted expenditure appropriation for that fund must first be approved by the City Council after a public hearing conducted in compliance with the Texas Open Meetings Act.
5. Budgetary control is maintained at the line item level, subject to adjustments permitted as described above.

**B. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. All encumbrances lapse at the fiscal year-end.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2014**

**C. Excess of Expenditures Over Appropriations**

The expenditures of the general fund were greater than appropriations by \$418,848.

The following line items exceeded their budget for the year by greater than \$5,000 (the legal level of budgetary control.)

<u>Department</u>	<u>Line Item</u>	<u>Amount</u>
General Fund		
City Council	Professional services	\$ 11,589
City Council	Hawaiian Falls escrow - 75% of sales tax	10,239
City Council	Contributions/Donations	1,031,393
Police Administration	Regular salaries	5,224
Police Patrol/CID	Regular salaries	15,174
Municipal Court	Overtime	5,253
Fire Department	Regular salaries	5,628
Animal Control	Regular salaries	22,904
Library	Regular salaries	15,735

The City Council over budget amount for contributions/donations was due to a grant provided to the Economic Development Corporation for a bond reserve.

**APPENDIX C**

FORMS OF BOND COUNSEL'S OPINIONS

**THIS PAGE LEFT BLANK INTENTIONALLY**

## **Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*

**\$3,665,000**

**CITY OF WHITE SETTLEMENT, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015  
DATED JUNE 1, 2015**

---

AS BOND COUNSEL FOR THE CITY OF WHITE SETTLEMENT, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Refunding Bonds, Series 2015, described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, and the report of Grant Thornton LLP verifying the sufficiency of the amounts deposited to the escrow fund to pay the principal of and interest on the refunded obligations on their due date. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Certificates, assuming no material changes in facts or law.*

**\$10,085,000**

**CITY OF WHITE SETTLEMENT, TEXAS  
COMBINATION TAX AND LIMITED SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2015  
DATED JUNE 1, 2015**

---

AS BOND COUNSEL FOR THE CITY OF WHITE SETTLEMENT, TEXAS, (the "Issuer") in connection with the issuance of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to principles of governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by limited surplus net revenues of the Issuer's waterworks and sewer system that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such

covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

**THIS PAGE LEFT BLANK INTENTIONALLY**

Financial Advisory Services  
Provided By

