

(See "Continuing Disclosure of Information" herein)

Dated November 8, 2016

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 ARE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**



**\$8,145,000**  
**CITY OF WHITE SETTLEMENT, TEXAS**  
**(Tarrant County)**  
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**Dated Date: November 1, 2016**

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

Interest to accrue from Delivery Date

**PAYMENT TERMS** . . . Interest on the \$8,145,000 City of White Settlement, Texas, General Obligation Refunding Bonds, Series 2016 (the "Bonds") will accrue from the Delivery Date (as defined below), will be payable February 15 and August 15 of each year, commencing February 15, 2017, 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, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof within a maturity. **No physical delivery of the Bonds will be made to the 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 BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and a bond ordinance passed by the City Council of the City of White Settlement, Texas (the "City") on October 11, 2016 (the "Bond Ordinance"), in which the City Council delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved the "Pricing Certificate" which contains the final terms of sale and completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance").

**SECURITY AND SOURCE OF PAYMENT** . . . The Bonds are direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance (see "THE BONDS - Authority for Issuance" and "Security and Source of Payment").

**PURPOSE** . . . Proceeds from the sale of the Bonds, together with funds contributed by the City, will be used to (i) refund a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings and (ii) to pay the costs associated with the issuance of the Bonds. See "PLAN OF FINANCING - Purpose" herein and SCHEDULE I attached hereto for a detailed description of the Refunded Obligations and their call date.

**MATURITY SCHEDULE**

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

Principal Amount	Maturity (February 15)	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>	Principal Amount	Maturity (February 15)	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 200,000	2017	2.000%	0.750%	NV2	\$ 770,000	2024	3.000%	1.650%	PC2
15,000	2018	2.000%	1.100%	NW0	790,000	2025	3.000%	1.750%	PD0
15,000	2019	2.000%	1.200%	NX8	820,000	2026	4.000%	1.800%	PE8
695,000	2020	2.000%	1.250%	NY6	855,000	2027	4.000%	1.830% <sup>(2)</sup>	PF5
715,000	2021	2.000%	1.350%	NZ3	885,000	2028	4.000%	1.880% <sup>(2)</sup>	PG3
725,000	2022	2.000%	1.450%	PA6	920,000	2029	4.000%	1.930% <sup>(2)</sup>	PH1
740,000	2023	3.000%	1.550%	PB4					

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ 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. None of the City, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield shown is yield to first call date, February 15, 2026.

**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter of the Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, (see "APPENDIX C - Form of Bond Counsel's Opinion"). 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 facilities of DTC on December 13, 2016 (the "Delivery Date").

*This Official Statement, which includes the cover page, Schedule and the 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 the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.*

*The Underwriter has 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 the federal securities laws as applied to the facts and circumstances of this transaction, 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 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.*

*THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.*

*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> .....	3	TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY .....	25
<b>CITY OFFICIALS, STAFF AND CONSULTANTS</b> .....	5	TABLE 13 - MUNICIPAL SALES TAX HISTORY .....	26
ELECTED OFFICIALS .....	5	TABLE 14 - CURRENT INVESTMENTS .....	28
SELECTED ADMINISTRATIVE STAFF .....	5	<b>TAX MATTERS</b> .....	29
CONSULTANTS AND ADVISORS .....	5	<b>CONTINUING DISCLOSURE OF INFORMATION</b> .....	31
<b>INTRODUCTION</b> .....	6	<b>OTHER INFORMATION</b> .....	32
<b>PLAN OF FINANCING</b> .....	6	RATING .....	32
<b>THE BONDS</b> .....	7	LITIGATION .....	32
<b>TAX INFORMATION</b> .....	12	REGISTRATION AND QUALIFICATION OF BONDS FOR SALE.....	32
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT .....	16	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS .....	33
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY .....	17	LEGAL OPINIONS .....	33
TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY .....	18	AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION .....	33
TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY .....	18	FINANCIAL ADVISOR .....	33
TABLE 5 - TEN LARGEST TAXPAYERS.....	18	VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS .....	34
TABLE 6 - ESTIMATED OVERLAPPING DEBT .....	19	UNDERWRITING.....	34
<b>DEBT INFORMATION</b> .....	20	FORWARD-LOOKING STATEMENTS DISCLAIMER .....	34
TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS .....	20	MISCELLANEOUS.....	34
TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION .....	21	<b>SCHEDULE OF REFUNDED OBLIGATIONS</b> .....	Schedule I
TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT.....	21	<b>APPENDICES</b>	
TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS .....	21	GENERAL INFORMATION REGARDING THE CITY .....	A
TABLE 11 - OTHER OBLIGATIONS .....	21	EXCERPTS FROM CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT.....	B
<b>FINANCIAL INFORMATION</b> .....	24	FORM OF BOND COUNSEL'S OPINION.....	C
TABLE 12 - CHANGES IN NET POSITION .....	24		

The cover page hereof, this page, the schedule, 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 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, Texas (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 \$8,145,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") are scheduled to mature on February 15 in the years 2017 through 2029 as set forth on the cover page hereof (see "THE BONDS - Description of the Bonds").

**PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from the Delivery Date and is payable February 15, 2017, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of The Bonds "and "THE BONDS – 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 a Bond Ordinance adopted by the City Council of the City in which the City Council delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved the "Pricing Certificate" which contains the final terms of sale and completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance") (see "THE BONDS - Authority for Issuance").

**SECURITY FOR THE BONDS** ..... The Bonds constitute direct obligations of the City, payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "THE BONDS - Security and Source of Payment").

**QUALIFIED TAX-EXEMPT OBLIGATIONS**..... The City designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions").

**OPTIONAL REDEMPTION** ..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

**TAX EXEMPTION** ..... In the opinion of Bond Counsel, the interest on the Bonds 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 from the sale of the Bonds, together with funds contributed by the City, will be used to (i) refund a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings and (ii) to pay the costs associated with the issuance of the Bonds. See "PLAN OF FINANCING - Purpose" herein and SCHEDULE I attached hereto for a detailed description of the Refunded Obligations and their call date.

**RATING** ..... The Bonds 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") (see "OTHER INFORMATION - Rating").

**BOOK-ENTRY-ONLY SYSTEM.....** The definitive Bonds 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 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 BONDS - Book-Entry-Only System").

**PAYMENT RECORD .....** The City has never defaulted on the payment of its tax-supported indebtedness.

**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
2013	16,390 <sup>(1)</sup>	\$ 583,459,508	\$ 35,599	\$ 8,945,000	\$ 546	1.53%	99.41%
2014	16,680 <sup>(1)</sup>	547,793,362	32,841	8,455,000	507	1.54%	99.36%
2015	16,740 <sup>(1)</sup>	551,700,707	32,957	15,045,000	899	2.73%	98.44%
2016	16,830 <sup>(1)</sup>	635,818,116	37,779	15,170,000	901	2.39%	96.93% <sup>(5)</sup>
2017	16,968 <sup>(2)</sup>	651,417,014	38,391	14,435,000 <sup>(4)</sup>	851	2.22%	NA

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

(2) Estimated, provided by City staff.

(3) As reported by Tarrant Appraisal District.

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

(5) Collections through September 30, 2016. Preliminary information provided by City staff.

For additional information regarding the City, please contact:

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

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 David Medanich  
 FirstSouthwest, a Division of Hilltop Securities, Inc.  
 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	1 1/2 Years	November, 2017	Retired
Paul Moore Councilmember, Place 1	4 Months	November, 2017	Retired
Elzie Clements <sup>(1)</sup> Councilmember, Place 2	4 Years	November, 2016	Retired
VACANT <sup>(1)</sup> Councilmember, Place 3		November, 2016	
David Mann Councilmember, Place 4	10 Months	November, 2018	Peace Officer
Steve Ott Councilmember, Place 5	4 Years	November, 2018	US Postal Service

(1) On November 8, 2016 Evelyn J. Spurlock was elected to the City Council, Place 2 and Danny Anderson was elected to the City Council, Place 3. Each newly elected Councilmember will serve a 3 year term expiring in November, 2019.

**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	7 1/2 Years	1 1/2 Years
Philip Bray	Director of Finance	5 Years	5 Years
Amy Arnold	City Secretary	8 1/2 Years	8 1/2 Years
Warren Spencer	City Attorney	5 Years	5 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 ..... FirstSouthwest  
a Division of Hilltop Securities Inc.  
Fort Worth, Texas

**OFFICIAL STATEMENT**

**RELATING TO**

**\$8,145,000**

**CITY OF WHITE SETTLEMENT, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**INTRODUCTION**

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$8,145,000 City of White Settlement, Texas, General Obligation Refunding Bonds, Series 2016 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance adopted by the City Council on October 11, 2016, which authorized the issuance of the Bonds except as otherwise indicated herein. In the Bond Ordinance, as permitted by the provisions of Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), the City Council delegated the authority to a designated officer (the "Pricing Officer") of the City whom established the terms and details of the Bonds and effected the sale of the Bonds through the Pricing Officer's execution of the "Pricing Certificate" (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance").

There follows in this Official Statement descriptions of the Bonds 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, FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), Fort Worth, Texas.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

**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 1941, 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 2017 population is 16,968. The City covers approximately 4.87 square miles.

**PLAN OF FINANCING**

**PURPOSE . . .** Proceeds from the sale of the Bonds, together with funds contributed by the City, will be used to (i) refund a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings and (ii) to pay the costs associated with the issuance of the Bonds. See SCHEDULE I attached hereto for a detailed description of the Refunded Obligations and their call date.

**REFUNDED OBLIGATIONS . . .** The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the redemption date thereof, from funds to be deposited pursuant to an Escrow Agreement (the "Escrow Agreement") between the City and BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from a portion of the proceeds of the sale of the Bonds received from the Underwriter, together with other available funds of the City, 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 other available funds, 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 as shown in Schedule I. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase obligations authorized by Chapter 1207, Texas Government Code, as amended (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, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriter 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 Bonds** (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations").

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law and in reliance upon the Report. As a result of such defeasance 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 nor 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 do of the Escrowed Securities.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Bonds, together with available funds of the City, will be applied as follows:

<u>Sources of Funds</u>	
Par Amount	\$ 8,145,000.00
Original Issue Premium	887,982.80
Series 2009 Certificates Unspent Proceeds	488,825.25
Total Sources of Funds	<u>\$ 9,521,808.05</u>
<u>Uses of Funds</u>	
Deposit to Escrow Fund	\$ 9,381,434.68
Costs of Issuance <sup>(1)</sup>	140,373.37
Total Uses of Funds	<u>\$ 9,521,808.05</u>

(1) Including Underwriter's Discount.

## **THE BONDS**

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated November 1, 2016, and mature on February 15 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of their initial delivery to the Underwriter, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2017, until maturity or prior redemption. The definitive Bonds 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, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the 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 BONDS - 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 Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .** The principal of and interest on the Bonds is payable from a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City.

**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 Bonds, 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 limits the authorized maximum tax rate to \$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 Bonds having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (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 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.

*Notice of Redemption.* Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond 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 last business day next preceding the date of mailing such notice.

ANY NOTICE GIVEN SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE, AND ANY REDEMPTION NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any obligations subject to conditional redemption if such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds 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 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 Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), 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 Bonds. The Bonds 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 Bond certificate will be issued for each maturity and series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 companies 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).

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

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds 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 maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of 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 the payable date 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 is 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 nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, obligation certificates 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 Bonds 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 Bonds, 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 Ordinance 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 with respect to the Bonds is discontinued, printed certificates will be issued to the DTC Participants or the registered owner of the Bonds, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, 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 are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, financial institution or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, Bond certificates will be printed and delivered to the registered owners thereof and thereafter may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar of such

Bond Certificates 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 Bonds 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 and series as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond (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 Bond or any portion thereof called for redemption prior to maturity, within forty-five (45) days prior to its redemption date; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see " THE BONDS - Record Date for Interest Payment" herein), or by such other method, 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 shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are 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 on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original payment date. So long as Cede & Co. is the registered owner of the Bonds, principal and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System".

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

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 (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 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.

**REMEDIES . . .** The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds 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 of the Bonds, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner 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 Bonds or the 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 Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, 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. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, \_\_\_ S.W. 3d \_\_\_ (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court ruled in *Tooke v. City of Mexia* (197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in a 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, holders of the Bonds may not be able to bring such a suit against the City for breach of the covenants in the Bonds or in the Ordinance. 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. 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 bondholders 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 Bonds 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.

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

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, 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 Bonds, 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 Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. 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 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 are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Under current state law, after such deposit as described above, the Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds 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 Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 Bonds. Because the Ordinance does not contractually limit such investments, registered owners may 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 Texas law.

**AMENDMENTS . . .** In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder 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. The Ordinance further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the 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 so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

## 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 is 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, consisting of members appointed by the Board of Directors of the 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. Senate Joint Resolution 1 ("SJRI"), passed during the 84th Texas Legislature, authorized a constitutional amendment to allow the Legislature to prohibit a municipality that adopts an optional homestead exemption from reducing or repealing the amount of the exemption. SJRI was approved by the voters in the November 2015 Constitutional election, and Senate Bill 1, also passed during the 84th Texas Legislature, prohibits municipalities from reducing or repealing the amount of their optional homestead exemption that was in place for the 2014 tax year for a period running through December 31, 2019.

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.

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 to the amount of taxes 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 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization. The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. House Joint Resolution 75 ("HJR75"), passed during the 84th Texas legislature, proposed a constitutional amendment that allows the Legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran and who would have had qualified for the full exemption before the law authorizing a residence homestead exemption took effect. The proposition authorized by HJR75 was approved by voters in the November 2015 constitutional election. As such, the surviving spouse of a totally disabled veteran who died on or before January 1, 2010 and who would have qualified for the full exemption on the homestead's entire value if it had been available at that time, will be entitled to an exemption from ad valorem taxation of all or part of the market value of the residence homestead if the spouse has not remarried.

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 district, 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 stored under a contract bailment by a public warehouse operator at one or more public warehouse facilities that are not in any way owned or controlled 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 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, the City may make loans or grants of public funds for economic development purposes, however, no bonds 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".

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . .** The City Council of the City is required to adopt the annual tax rate for the City before the later of September 30 or the 60<sup>th</sup> day after the date the certified appraisal roll is received by the City, and a failure to adopt a tax rate by such required date will result in the tax rate for the City 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 City for the preceding tax year. Furthermore, 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 August 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. 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 August 1 of each year and the final installment due on February 1.

**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, 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, a 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 provide for a fee up to 20% of the amount of delinquent tax, penalty, and interest collected. 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**

2016/17 Market Valuation Established by Tarrant Appraisal District		\$ 735,137,037
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead, Over 65 and Disabled	\$ 81,087,939	
Disabled Veterans	2,579,024	
Pollution Control	<u>53,060</u>	<u>83,720,023</u>
2016/17 Taxable Assessed Valuation		<u>\$ 651,417,014</u>
General Obligation Debt Payable from Ad Valorem Taxes (as of 9-30-16)		
General Obligation Debt	\$ 15,860,000 <sup>(1)</sup>	
The Bonds	<u>8,145,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 24,005,000
Less: Self Supporting Debt <sup>(2)</sup>		
Water and Sewer Certificates of Obligation		<u>8,845,000</u> <sup>(3)</sup>
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 15,160,000
Interest and Sinking Fund (as of 9-30-16)		\$ 361,800
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation . . . . .		2.33%

2017 Estimated Population - 16,968  
Per Capita Taxable Assessed Valuation - \$38,391  
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$893

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- (1) Excludes the Refunded Obligations and includes self-supporting debt.
  - (2) 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 9. It is the City's current policy to provide these payments from system revenues; this policy is subject to change in the future. If future system revenues are insufficient to pay self-supporting debt service the City will levy an ad valorem tax sufficient to pay debt service.
  - (3) Includes the self-supporting portion of the Bonds.

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

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 369,016,629	50.20%	\$ 307,225,337	43.01%	\$ 298,518,798	47.55%
Real, Residential, Multi-Family	71,518,057	9.73%	58,134,404	8.14%	53,261,944	8.48%
Real, Vacant Lots/Tracts	10,287,656	1.40%	10,946,821	1.53%	11,491,009	1.83%
Real, Acreage (Land Only)	968	0.00%	1,176	0.00%	278,348	0.04%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%	-	0.00%
Real, Commercial	144,742,640	19.69%	139,416,745	19.52%	135,714,323	21.62%
Real, Industrial	17,723,511	2.41%	12,158,599	1.70%	9,410,436	1.50%
Real Property, Oil, Gas and Other Minerals	456,860	0.06%	12,150,590	1.70%	13,725,930	2.19%
Real and Tangible Personal, Utilities	15,097,812	2.05%	12,794,397	1.79%	15,149,166	2.41%
Tangible Personal, Commercial	27,976,466	3.81%	34,673,248	4.85%	38,648,700	6.16%
Tangible Personal, Industrial	70,618,718	9.61%	118,835,297	16.63%	49,327,557	7.86%
Tangible Personal, Mobile Homes	1,254,128	0.17%	1,133,287	0.16%	1,000,250	0.16%
Tangible Personal, Other	6,443,592	0.88%	6,911,276	0.97%	1,307,479	0.21%
Total Appraised Value Before Exemptions	\$ 735,137,037	100.00%	\$ 714,381,177	100.00%	\$ 627,833,940	100.00%
Less: Total Exemptions/Reductions	(83,720,023)		(78,563,061)		(76,133,233)	
Taxable Assessed Value	\$ 651,417,014		\$ 635,818,116		\$ 551,700,707	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2014		2013	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 279,972,341	45.06%	\$ 274,587,341	35.32%
Real, Residential, Multi-Family	48,171,461	7.75%	44,191,872	5.68%
Real, Vacant Lots/Tracts	7,372,271	1.19%	7,866,868	1.01%
Real, Acreage (Land Only)	3,116,921	0.50%	2,787,792	0.36%
Real, Farm and Ranch Improvements	-	0.00%	47,000	0.01%
Real, Commercial	136,496,627	21.97%	132,674,850	17.07%
Real, Industrial	1,399,400	0.23%	1,328,200	0.17%
Real Property, Oil, Gas and Other Minerals	5,593,230	0.90%	6,486,540	0.83%
Real and Tangible Personal, Utilities	12,212,468	1.97%	13,213,923	1.70%
Tangible Personal, Commercial	34,110,633	5.49%	30,203,679	3.89%
Tangible Personal, Industrial	89,868,298	14.47%	260,540,550	33.51%
Tangible Personal, Mobile Homes	975,400	0.16%	1,119,400	0.14%
Tangible Personal, Other	1,976,696	0.32%	2,355,380	0.30%
Total Appraised Value Before Exemptions	\$ 621,265,746	100.00%	\$ 777,403,395	100.00%
Less: Total Exemptions/Reductions	(73,472,384)		(193,943,887)	
Taxable Assessed Value	\$ 547,793,362		\$ 583,459,508	

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
2013	16,390 <sup>(1)</sup>	\$ 583,459,508	\$ 35,599	\$ 8,945,000	1.53%	\$ 546
2014	16,680 <sup>(1)</sup>	547,793,362	32,841	8,455,000	1.54%	507
2015	16,740 <sup>(1)</sup>	551,700,707	32,957	15,045,000	2.73%	899
2016	16,830 <sup>(1)</sup>	635,818,116	37,779	15,170,000	2.39%	901
2017	16,968 <sup>(2)</sup>	651,417,014	38,391	14,435,000 <sup>(4)</sup>	2.22%	851

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

(2) Estimated, provided by City staff.

(3) As reported by Tarrant Appraisal District.

(4) Projected, includes a portion of the Bonds. Excludes self-supporting debt and excludes the Refunded Obligations.

**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
2013	\$ 0.614715	\$ 0.449738	\$ 0.164977	\$ 3,810,645	98.65%	99.41%
2014	0.670653	0.535754	0.134899	3,846,840	98.56%	99.36%
2015	0.690660	0.550295	0.140365	4,281,718	98.44%	98.44%
2016	0.733103	0.579116	0.153987	4,821,320	96.82% <sup>(1)</sup>	96.93% <sup>(1)</sup>
2017	0.755693	0.602893	0.152800	5,133,500	NA	NA

(1) Collections through September 30, 2016. Preliminary information provided by City staff.

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

Name of Taxpayer	Nature of Property	2016/17 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
SPM Flow Control Inc.	Petroleum	\$ 86,460,095	13.27%
Lowrance Properties	Industrial	10,568,080	1.62%
Deepdale Investments LTD	Real Estate	7,254,487	1.11%
Lowe's Home Centers Inc.	Home Improvement	7,196,000	1.10%
AV Brickell Pointe Ltd	Real Estate	7,161,250	1.10%
All Storage White Settlement Ltd	Storage Units	6,835,604	1.05%
Manitoba Management Inc	Real Estate	6,712,028	1.03%
ESS Prisa II TX LP	Real Estate	5,861,110	0.90%
AV Beacon LLC	Real Estate	5,641,001	0.87%
Graham Realty Investments LTD	Real Estate	5,480,000	0.84%
		<u>\$ 149,169,655</u>	<u>22.90%</u>

(1) 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	2016/17 Taxable Assessed Value	2016/17 Tax Rate	Total Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt As of 9/30/16	Authorized But Unissued Debt as of 9/30/2016
City of White Settlement	\$ 651,417,014	\$ 0.755693	\$ 15,160,000 <sup>(1)</sup>	100.00%	\$ 15,160,000 <sup>(1)</sup>	\$ -
Fort Worth Independent School District	30,238,108,176	1.352000	922,890,000	0.07%	646,023	-
Tarrant County	149,393,613,447	0.254000	344,185,000	0.41%	1,411,159	31,100,000
Tarrant County College District	149,990,817,891	0.144730	-	0.41%	-	-
Tarrant County Hospital District	149,543,322,527	0.227897	22,335,000	0.41%	91,574	-
White Settlement Independent School District	1,633,691,536	1.540000	161,114,526	38.92%	62,705,773	-
Total Direct and Overlapping G.O. Debt .....					\$ 80,014,528	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation .....					12.28%	
Per Capita Overlapping G.O. Debt .....					\$ 4,716	

(1) Includes a portion of the Bonds. Excludes the Refunded Obligations and self-supporting debt.

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

Fiscal Year Ended 9/30	Outstanding Debt Service <sup>(1)</sup>			The Bonds <sup>(2)</sup>			Total Tax Supported Debt Service	Less: Self- Supporting Debt Service <sup>(3)</sup>	Net Tax Supported Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
	2017	\$ 1,260,000	\$ 584,012	\$ 1,844,012	\$ 200,000	\$ 169,753				
2018	1,300,000	547,391	1,847,391	15,000	251,350	266,350	2,113,741	905,662	1,208,080	
2019	1,345,000	506,869	1,851,869	15,000	251,050	266,050	2,117,919	909,300	1,208,619	
2020	675,000	476,809	1,151,809	695,000	243,950	938,950	2,090,759	884,900	1,205,859	
2021	695,000	457,772	1,152,772	715,000	229,850	944,850	2,097,622	893,475	1,204,147	18.14%
2022	510,000	439,659	949,659	725,000	215,450	940,450	1,890,109	689,600	1,200,509	
2023	525,000	424,095	949,095	740,000	197,100	937,100	1,886,195	691,450	1,194,745	
2024	535,000	408,157	943,157	770,000	174,450	944,450	1,887,607	695,850	1,191,757	
2025	555,000	391,767	946,767	790,000	151,050	941,050	1,887,817	694,725	1,193,092	
2026	555,000	375,075	930,075	820,000	122,800	942,800	1,872,875	690,975	1,181,900	55.99%
2027	570,000	357,525	927,525	855,000	89,300	944,300	1,871,825	694,188	1,177,637	
2028	595,000	338,048	933,048	885,000	54,500	939,500	1,872,548	696,113	1,176,435	
2029	615,000	317,013	932,013	920,000	18,400	938,400	1,870,413	692,000	1,178,413	
2030	900,000	283,750	1,183,750	-	-	-	1,183,750	191,125	992,625	
2031	945,000	237,625	1,182,625	-	-	-	1,182,625	193,625	989,000	82.17%
2032	990,000	189,250	1,179,250	-	-	-	1,179,250	190,750	988,500	
2033	1,040,000	138,500	1,178,500	-	-	-	1,178,500	192,500	986,000	
2034	1,100,000	85,000	1,185,000	-	-	-	1,185,000	193,750	991,250	
2035	1,150,000	28,750	1,178,750	-	-	-	1,178,750	189,625	989,125	100.00%
	<u>\$ 15,860,000</u>	<u>\$ 6,587,065</u>	<u>\$ 22,447,065</u>	<u>\$ 8,145,000</u>	<u>\$ 2,169,003</u>	<u>\$ 10,314,003</u>	<u>\$ 32,761,068</u>	<u>\$ 11,265,700</u>	<u>\$ 21,495,368</u>	

(1) Excludes the Refunded Obligations and includes self-supporting debt.

(2) Average life of the issue - 7.719 years. Interest on the Bonds has been calculated at the rates stated on the cover page hereof.

(3) Includes a portion of the Bonds.

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

Tax Supported Debt Service Requirements, Fiscal Year Ended, 9/30/17 .....		\$ 1,237,677 <sup>(1)</sup>
Budgeted Interest and Sinking Fund Balance, 9/30/16 .....	\$ 361,800	
2016/17 Budgeted Interest and Sinking Fund Tax Levy .....	1,041,000	
Budgeted Transfers .....	<u>300,000</u>	<u>1,702,800</u>
Estimated Balance, 9/30/17 .....		<u><u>\$ 465,123</u></u>

(1) Includes a portion of the Bonds. Excludes the Refunded Obligations and self-supporting debt.

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

Net Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-16. ....	\$ 1,461,580 <sup>(1)</sup>
Less: Revenue Bond Requirements, 2017 Fiscal Year .....	<u>-</u>
Balance Available for Other Purposes .....	\$ 1,461,580
System General Obligation Bond Requirements, 2017 Fiscal Year .....	<u>976,088 <sup>(2)</sup></u>
Balance .....	<u><u>\$ 485,492</u></u>
Percentage of Waterworks & Sewer System General Obligation Bonds Self-Supporting .....	100.00%

(1) Preliminary information provided by City staff.

(2) Includes a portion of the Bonds. Excludes the Refunded Obligations.

**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 no unfunded debt outstanding as of September 30, 2016.

**PENSION FUND** . . . The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com). All eligible employees of the city are required to participate in TMRS.

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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:

	<u>Plan Year 2015</u>
Employee deposit rate	5.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100%
Annuity Increase (to retirees)	70% of CPI

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	66
Inactive Employees Entitled to But Not Yet Receiving Benefits	95
Active Employees	<u>117</u>
	278

**CONTRIBUTIONS . . .** The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.45% and 10.80% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$643,713, and were equal to the required contributions.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$ 6,434,905	\$ 2,792,129	\$ (169,807)

**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 2015, 2014 and 2013 were \$13,161, \$11,938 and \$11,122, respectively, which equaled the required contributions each year.

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.03%	0.03%	100.00%
2014	0.03%	0.03%	100.00%
2015	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**

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
<b>Revenues:</b>					
<u>Program Revenues</u>					
Charges for Services	\$ 1,025,919	\$ 1,159,455	\$ 1,294,734	\$ 1,111,834	\$ 867,582
Operating Grants and Contributions	70,393	67,809	53,723	13,762	59,407
Capital Grants and Contributions	130,272	6,642,294 <sup>(1)</sup>	-	-	174,806
<u>General Revenues</u>					
Property Taxes	4,324,727	3,919,467	3,954,575	3,797,676	3,475,352
Sales Taxes	3,212,591	3,979,692	3,615,774	4,655,270	4,162,050
Franchise Taxes	1,329,368	1,247,023	1,168,219	1,189,497	1,210,396
Hotel Occupancy Taxes	268,954	206,043	185,394	194,549	133,505
Oil and Gas Royalties	32,265	178,041	126,346	498,998	349,979
Interest Earnings	49,293	31,932	25,035	15,823	16,119
Gain on Sale of Assets	33,958	(90,969)	25,265	3,839	6,710
Other Revenue	1,119,747	56,160	102,580	93,982	51,677
<b>Total Revenues</b>	<b>\$ 11,597,487</b>	<b>\$ 17,396,947</b>	<b>\$ 10,551,645</b>	<b>\$ 11,575,230</b>	<b>\$ 10,507,583</b>
<b>Expenses:</b>					
General Government	\$ 3,236,070	\$ 2,622,855	\$ 1,467,221	\$ 1,419,423	\$ 1,362,135
Public Safety	6,047,017	5,908,877	5,768,084	5,499,077	5,136,644
Public Works	1,092,938	1,349,597	1,196,989	1,203,843	986,818
Public Health	232,981	227,709	206,776	198,373	214,829
Culture and Recreation	1,485,946	1,489,447	1,458,161	1,467,194	1,412,396
Non-Departmental	554,996	-	-	-	-
Interest on Long-Term Debt	384,286	303,809	275,917	292,201	303,458
Bond Issuance Costs	247,157	-	-	-	-
<b>Total Expenses</b>	<b>\$ 13,281,391</b>	<b>\$ 11,902,294</b>	<b>\$ 10,373,148</b>	<b>\$ 10,080,111</b>	<b>\$ 9,416,280</b>
<b>Increase in Net Position</b>					
before Transfers	\$ (1,683,904)	\$ 5,494,653	\$ 178,497	\$ 1,495,119	\$ 1,091,303
Transfers	670,000	670,000	584,700	584,700	1,452,933
<b>Increase (Decrease) in Net Position</b>	<b>\$ (1,013,904)</b>	<b>\$ 6,164,653</b>	<b>\$ 763,197</b>	<b>\$ 2,079,819</b>	<b>\$ 2,544,236</b>
Net Position October 1	33,001,835	26,837,182	26,236,397	24,156,578	21,612,342
Prior Period Adjustment	(1,676,208)	-	(162,412)	-	-
<b>Net Position September 30</b>	<b>\$ 30,311,723</b>	<b>\$ 33,001,835</b>	<b>\$ 26,837,182</b>	<b>\$ 26,236,397</b>	<b>\$ 24,156,578</b>

(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,				
	2015	2014	2013	2012	2011
<u>Taxes:</u>					
Ad Valorem	\$ 3,443,108	\$ 3,111,733	\$ 2,915,658	\$ 2,580,393	\$ 2,333,588
Sales	2,186,600	2,695,789	2,456,233	3,150,212	2,828,623
Franchise	989,747	962,473	905,973	945,941	931,713
Fines and Forfeitures	499,021	498,862	488,501	400,481	279,934
Licenses and Permits	344,623	446,404	552,803	436,309	342,630
Intergovernmental Revenue	90,541	99,419	69,847	86,943	194,232
Charges for Services	124,355	160,882	191,455	164,229	174,879
Oil and Gas Royalties	32,265	178,041	126,346	498,998	349,979
Investment Earnings	20,422	15,940	18,933	11,574	10,969
Other Revenue	20,761	26,652	19,931	12,526	6,328
Total Revenues	<u>\$ 7,751,443</u>	<u>\$ 8,196,195</u>	<u>\$ 7,745,680</u>	<u>\$ 8,287,606</u>	<u>\$ 7,452,875</u>
<u>Expenditures</u>					
<u>Current:</u>					
General Government	\$ 2,598,097	\$ 2,540,547	\$ 1,437,870	\$ 1,357,354	\$ 1,279,852
Public Safety	5,485,926	5,119,154	5,812,395	4,829,689	4,560,580
Public Works	505,010	568,797	622,595	600,613	586,341
Public Health	233,778	220,462	199,625	183,025	201,574
Culture and Recreation	1,238,995	1,274,713	1,190,652	1,244,713	1,131,758
Non-Departmental	554,996	-	-	-	-
Total Expenditures	<u>\$10,616,802</u>	<u>\$ 9,723,673</u>	<u>\$ 9,263,137</u>	<u>\$ 8,215,394</u>	<u>\$ 7,760,105</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,865,359)	\$ (1,527,478)	\$ (1,517,457)	\$ 72,212	\$ (307,230)
<u>Other Financing Sources (Uses):</u>					
Proceeds from Insurance Recoveries	\$ 1,069,858	\$ 3,234	\$ 30,341	\$ 59,449	\$ 24,343
Proceeds from Sale of General Capital Assets	33,958	54,999	25,265	16,341	213,578
Proceeds from Capital Lease	-	-	798,336	-	-
Transfers In	1,513,392	1,500,024	1,561,872	1,328,558	1,350,442
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 2,617,208</u>	<u>\$ 1,558,257</u>	<u>\$ 2,415,814</u>	<u>\$ 1,404,348</u>	<u>\$ 1,588,363</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (248,151)	\$ 30,779	\$ 898,357	\$ 1,476,560	\$ 1,281,133
Fund Balance - October 1	10,930,701	10,899,922	10,001,565	8,525,005	7,240,981
Prior Period Adjustments	-	-	-	-	2,891
Fund Balance - September 30	<u>\$10,682,550</u> <sup>(1)</sup>	<u>\$10,930,701</u>	<u>\$10,899,922</u>	<u>\$ 10,001,565</u>	<u>\$ 8,525,005</u>

(1) During the City's 2015-16 fiscal year, the City used approximately \$1.19 million of the General Fund balance for operational and improvement costs associated with the City's water park which the City acquired in 2016 after the water park's prior owner fell delinquent on lease payments to the City. Furthermore, the City has budgeted the use of approximately \$1.282 million of the City's General Fund balance for costs associated with the water park during fiscal year 2016-17.

**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
2012	\$ 3,150,212	83.95%	\$ 0.6621	\$ 195
2013	2,456,233	64.46%	0.4210	150
2014	2,695,789	70.08%	0.4921	162
2015	2,261,653	52.82%	0.4099	135
2016 <sup>(1)</sup>	2,198,437	45.60%	0.3458	131

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 (½ 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 (½ 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
2012	\$ 1,505,058	\$ 1,553,787
2013	1,159,541	1,202,312
2014	1,283,903	1,331,070
2015	1,085,232	1,130,826
2016 <sup>(1)</sup>	1,061,012	1,099,219

(1) Collections through September 30, 2016.

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 three-hundred and four days (304) reserve as of September 30, 2016.

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, insured, 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 or share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and provided for by law for City deposits, or (ii) where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State of Texas that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) require the securities being purchased by the City or cash held by the City to be 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 (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (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 or no lower than investment grade with a weighted average maturity no greater than 90 days. 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 may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. 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 PFIA. 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 for 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 Texas 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 September 30, 2016, 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	4.60%	\$ 1,866,265	\$ 1,866,265
Money Market Accounts	28.83%	11,699,760	11,699,760
BBVA Libor	16.04%	6,509,178	6,509,178
CDARS	37.20%	15,097,870	15,097,870
TexPool	13.33%	5,409,310	5,409,310
	<u>100.00%</u>	<u>\$ 40,582,384</u>	<u>\$ 40,582,384</u>

## TAX MATTERS

**OPINION . . .** On the date of initial delivery of the Bonds, 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 Bonds will be excludable from the "gross income" of the holders thereof for federal income tax purposes, and (ii) the Bonds 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 Bonds. See Appendix C -- Form of Bond Counsel's Opinions.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, (b) the verification report prepared by Grant Thornton LLP, and (c) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds 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 Bonds to be included in gross income retroactively to the date of issuance of the Bonds. 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 Bonds.

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 Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, 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 Bondholders 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 Bonds may be less than the maturity amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds 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 Bond 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 Bond 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond 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 Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary date of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond 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 Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds 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 Bonds 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 Bonds 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 Bonds.

**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 Bonds. This discussion is based on Existing Law which is 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 BONDS.

Interest on the Bonds 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 Bonds, 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 Bonds, 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 Bonds 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.

**INFORMATION REPORTING AND BACKUP WITHHOLDING . . .** Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

**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 Bonds under Federal or state law and could affect the market price or marketability of the Bonds. 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 Bonds should consult their own tax advisors regarding the foregoing matters.

**QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . .** Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are

designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

### CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement while it remains obligated to advance funds to pay such Bonds. 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 ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 5 and 7 through 14. The City will update and provide the information in the numbered tables within 6 months after the end of each fiscal year ending in or after 2016 and will provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2016. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall 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 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, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

**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 Bonds 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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 financial information on operating data 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.

**AVAILABILITY OF INFORMATION . . .** The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of certain specified 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 Bonds 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 Bonds 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, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of such Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of such Bonds. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision 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 the Bonds in the primary offering of such Bonds. If the City amends the agreement, it must 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 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 by it in accordance with the Rule.

## **OTHER INFORMATION**

### **RATING**

The Bonds 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 Bonds.

### **LITIGATION**

At the time of the initial delivery of the Bonds, 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 Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

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

The sale of the Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds 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 Bonds 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 Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and to the effect that such Bonds are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds 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 Bonds, Bond Counsel has been engaged by and only represents the City in the issuance of the Bonds. 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 BONDS" (excluding the last sentence of the subcaption "Tax Rate Limitation" 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 Bonds 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 Bonds 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 Bonds, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. 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 Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds 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**

FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. FirstSouthwest, in its capacity as Financial Advisor, has not verified and 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 Bonds, 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 yields. Such report will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes and with respect to defeasance of the Refunded Obligations.

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

#### **UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City at an underwriting discount of \$53,506.83 from the initial prices to the public as shown on the cover page hereof. 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 has 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 such 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 Ordinance authorizing the issuance of the Bonds authorized the Pricing Officer to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriter.

/s/ PHIL BRAY  
PRICING OFFICER  
City of White Settlement, Texas

**SCHEDULE OF REFUNDED OBLIGATIONS****Combination Tax and Surplus Revenue Certificates of Obligation, Series 2009**

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
5/1/2009	2/15/2020	4.000%	\$ 395,000	\$ 395,000
	2/15/2021	4.000%	410,000	410,000
	2/15/2022	4.000%	425,000	425,000
	2/15/2023	4.125%	445,000	445,000
	2/15/2024	4.250%	465,000	465,000
	2/15/2025	4.250%	485,000	485,000
	2/15/2026	4.500%	505,000	505,000
	2/15/2027	4.500%	530,000	530,000
	2/15/2028	4.500%	555,000	555,000
	2/15/2029	4.625%	580,000	580,000
			<u>\$ 4,795,000</u>	<u>\$ 4,795,000</u>

The 2020 - 2029 maturities will be redeemed prior to original maturity on February 15, 2019 at par.

**General Obligation Bonds, Series 2009**

<u>Original Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
5/1/2009	2/15/2020	4.000%	\$ 315,000	\$ 315,000
	2/15/2021	4.000%	330,000	330,000
	2/15/2022	4.000%	340,000	340,000
	2/15/2023	4.125%	355,000	355,000
	2/15/2024	4.250%	370,000	370,000
	2/15/2025	4.250%	385,000	385,000
	2/15/2026	4.500%	405,000	405,000
	2/15/2027	4.500%	425,000	425,000
	2/15/2028	4.500%	440,000	440,000
	2/15/2029	4.625%	460,000	460,000
			<u>\$ 3,825,000</u>	<u>\$ 3,825,000</u>

The 2020 - 2029 maturities will be redeemed prior to original maturity on February 15, 2019 at par.

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**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

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**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 1941. 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 1941 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	16,116
2011	16,240
2012	16,260
2013	16,390
2014	16,680
2015	16,740
2016	16,830
2017	16,968

**MAJOR BUSINESSES AND INDUSTRIES LOCATED IN WHITE SETTLEMENT (ESTIMATED)**

<u>Name</u>	<u>Product</u>	<u>Number of Employees</u>
Weir SPM	Oil field equipment	1,010
White Settlement I.S.D.	Education	796
PDX Inc.	Software Development	520
Trinity Health Care	Rehabilitation/nursing	179
Education Service Center Region XI	Resource Provider for School Districts	170
City of White Settlement	Municipal government	132
Lowe's Home Center	Building materials/hardware retail	130
Co-Operative Industries	Electrical wiring harnesses mfg.	100
Academy Sports & Outdoors	Retail	85
Southside Bank	Financial institution	40
Toys R Us	Retail	36
Tech Tool Plastics	Fiberglass & Plastic Products	24

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**APPENDIX B**

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

For the Year Ended September 30, 2015

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, 2015, 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.

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## **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, 2015, 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, 2015, 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, schedule of changes in net pension liability, and schedule of contributions on pages 59-81 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***

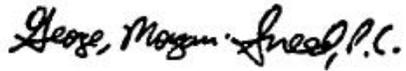
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining nonmajor funds financial statements, individual fund schedules, and statistical section, are presented for purposes of 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 March 2, 2016, 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.  
Weatherford, Texas  
March 2, 2016

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## 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, 2015. 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 and deferred outflows of resources of the City of White Settlement exceeded its liabilities at the close of the most recent fiscal year by \$55,735,821 (*net position*) compared to \$57,003,128 for the prior year. Of this amount, \$17,714,189 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$1,267,307. The City's operations decreased the governmental activities by \$1,013,904 and increased the business-type activities by \$1,628,735. Net position was decreased by a \$1,882,138 prior period adjustment as a result of implementing new accounting standards. See note 16 to the financial statements for a description of the new standards.
- As of the close of the current fiscal year, the City of White Settlement's governmental funds reported combined ending fund balances of \$27,137,754 compared to \$17,916,148 for the prior year. \$9,803,035 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 \$9,803,035, or 92% 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 28-58 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-4 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 and deferred outflows of resources exceed liabilities by \$55,735,821 as of September 30, 2015.

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 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$17,714,189 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**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 28,057,587	\$ 18,683,495	\$ 13,893,845	\$ 12,013,734	\$ 41,951,432	\$ 30,697,229
Capital assets	25,700,031	25,542,211	20,284,747	20,747,869	45,984,778	46,290,080
Total Assets	<u>53,757,618</u>	<u>44,225,706</u>	<u>34,178,592</u>	<u>32,761,603</u>	<u>87,936,210</u>	<u>76,987,309</u>
Deferred outflows of resources	654,351	-	71,622	-	725,973	-
Long-term liabilities	23,484,891	10,816,634	7,635,160	7,874,486	31,120,051	18,691,120
Other liabilities	615,355	407,237	1,190,956	885,824	1,806,311	1,293,061
Total liabilities	<u>24,100,246</u>	<u>11,223,871</u>	<u>8,826,116</u>	<u>8,760,310</u>	<u>32,926,362</u>	<u>19,984,181</u>
Net Position:						
Invested in capital assets net of related debt	18,623,666	19,869,406	13,463,428	13,428,324	32,087,094	33,297,730
Restricted	2,800,134	2,160,407	3,134,404	2,345,747	5,934,538	4,506,154
Unrestricted	8,887,923	10,972,022	8,826,266	8,227,222	17,714,189	19,199,244
Total Net Position	<u>\$ 30,311,723</u>	<u>\$ 33,001,835</u>	<u>\$ 25,424,098</u>	<u>\$ 24,001,293</u>	<u>\$ 55,735,821</u>	<u>\$ 57,003,128</u>

### Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,025,919	\$ 1,159,455	\$ 7,604,554	\$ 7,358,446	\$ 8,630,473	\$ 8,517,901
Operating grants and contributions	70,393	67,809	-	-	70,393	67,809
Capital grants and contributions	130,272	6,642,294	468,334	553,865	598,606	7,196,159
<b>General revenues:</b>						
Property taxes	4,324,727	3,919,467	-	-	4,324,727	3,919,467
Sales taxes	3,212,591	3,979,692	-	-	3,212,591	3,979,692
Franchise taxes	1,329,368	1,247,023	-	-	1,329,368	1,247,023
Hotel Occupancy taxes	268,954	206,043	-	-	268,954	206,043
Oil & gas revenues	32,265	178,041	-	-	32,265	178,041
Investment earnings	49,293	31,932	21,351	16,066	70,644	47,998
Gain (loss) on sale of capital assets	-	(90,969)	-	-	-	(90,969)
Other revenue	1,153,705	56,160	-	274	1,153,705	56,434
<b>Total revenues</b>	<b>11,597,487</b>	<b>17,396,947</b>	<b>8,094,239</b>	<b>7,928,651</b>	<b>19,691,726</b>	<b>25,325,598</b>
<b>Expenses</b>						
General government	3,236,070	2,622,855	-	-	3,236,070	2,622,855
Public safety	6,047,017	5,908,877	-	-	6,047,017	5,908,877
Public works	1,092,938	1,349,597	-	-	1,092,938	1,349,597
Public health	232,981	227,709	-	-	232,981	227,709
Culture and recreation	1,485,946	1,489,447	-	-	1,485,946	1,489,447
Non departmental	554,996	-	-	-	554,996	-
Interest on long-term debt	384,286	303,809	-	-	384,286	303,809
Bond issuance costs	247,157	-	-	-	247,157	-
Water and wastewater	-	-	5,093,589	4,687,161	5,093,589	4,687,161
Storm water utility	-	-	65,735	40,032	65,735	40,032
Sanitation	-	-	636,180	618,654	636,180	618,654
<b>Total expenses</b>	<b>13,281,391</b>	<b>11,902,294</b>	<b>5,795,504</b>	<b>5,345,847</b>	<b>19,076,895</b>	<b>17,248,141</b>
Increase (decrease) in net position before transfers	(1,683,904)	5,494,653	2,298,735	2,582,804	614,831	8,077,457
Transfers	670,000	670,000	(670,000)	(670,000)	-	-
Increase (decrease) in net position	(1,013,904)	6,164,653	1,628,735	1,912,804	614,831	8,077,457
Net Position October 1	33,001,835	26,837,182	24,001,293	22,088,489	57,003,128	48,925,671
Prior Period Adjustment	(1,676,208)	-	(205,930)	-	(1,882,138)	-
<b>Net Position September 30</b>	<b>\$ 30,311,723</b>	<b>\$ 33,001,835</b>	<b>\$ 25,424,098</b>	<b>\$ 24,001,293</b>	<b>\$ 55,735,821</b>	<b>\$ 57,003,128</b>

**Governmental Activities.** Governmental activities decreased the City's net position by \$1,013, 904 in the current year compared with an increase of \$6,164,653 in the prior year.

Total governmental activities revenues decreased \$5,799,460 (33%) to \$11,597,487. Key elements of this change are as follows:

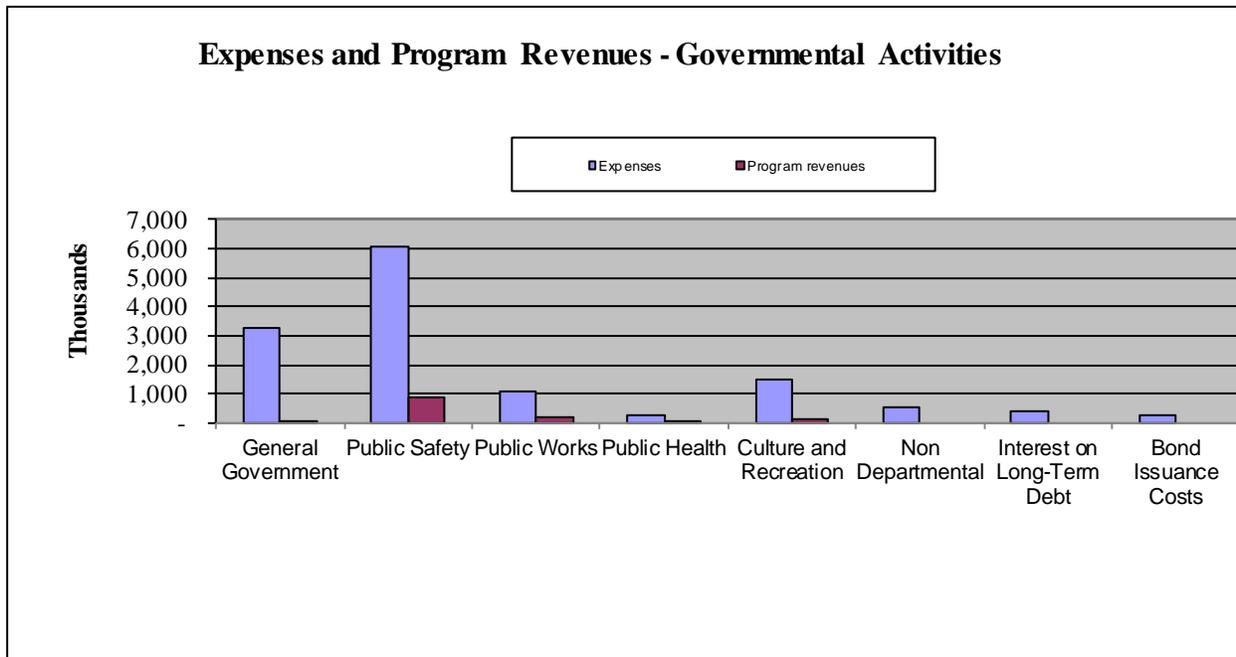
- Capital grants and contributions decreased \$6,512,022 primarily due to a federal contribution in the amount of \$6,533,600 for the Farmer's Branch Flood Control Project in the prior year.
- Property taxes increased \$405,260 due to an increase in rate and an increase in appraised property values.
- Sales taxes decreased \$767,101 primarily due to the decrease in oil and gas prices. One of the City's major businesses is a manufacturer of oil and gas parts and equipment.
- Other revenue increased \$1,097,545 primarily due to insurance proceeds of \$1,042,718 received in the current year for hail damage from May 2011.

Total governmental activities expenses increased \$1,379,097 to \$13,281,391. Key changes are as follows.

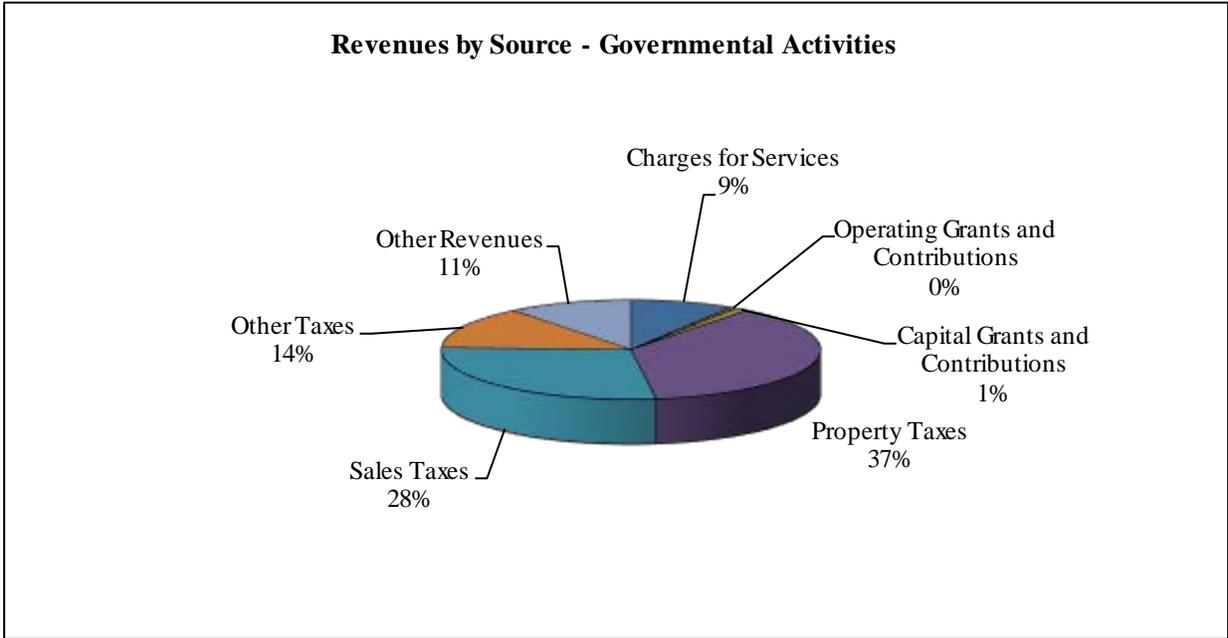
- General government expenses increased \$613,215 (23%) primarily due to a \$617,306 loss on the sale of land. This land was acquired during the Farmer’s Branch project and the cost included a house, demolition, and relocation expenses.
- Public works expenses decreased \$256,659 primarily due to \$227,590 spent in the prior year on street improvements.
- Non departmental expenses of \$554,996 in the current year are for repairs primarily related to hail damage from May 2011.
- Bond issuance costs of \$247,157 in the current year.

A prior period adjustment to record beginning net pension liability decreased net position of the governmental activities \$1,676,208.

Below are two graphs summarizing governmental revenue and expense:



\*\*\*\*\*



**Business-type activities.** Business-type activities increased the City’s net position by \$1,628,735 in the current year compared to an increase in net position of \$1,912,804 in the prior year.

Total revenues increased \$165,588 (2%) to \$8,094,239. Key elements of these changes are as follows.

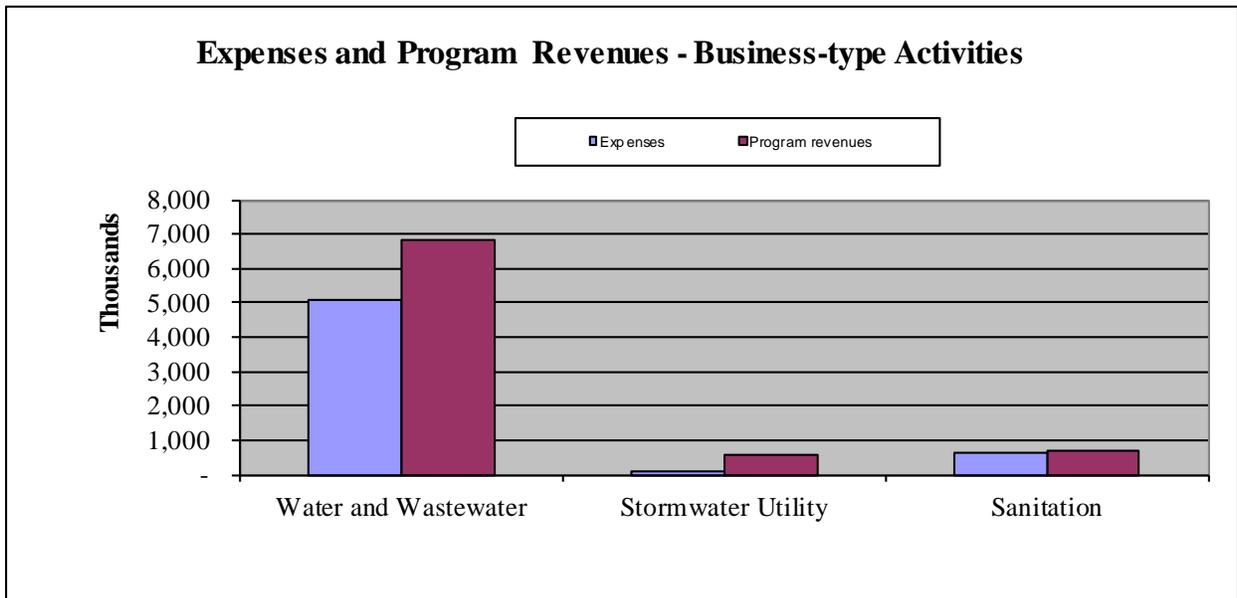
- Charges for services increased \$246,108 (3%) primarily due to a water and wastewater rate increases effective 4/1/15 and an increase in consumption.

Total expenses increased \$449,657 (8%) to \$5,795,504. Key elements of these changes are as follows.

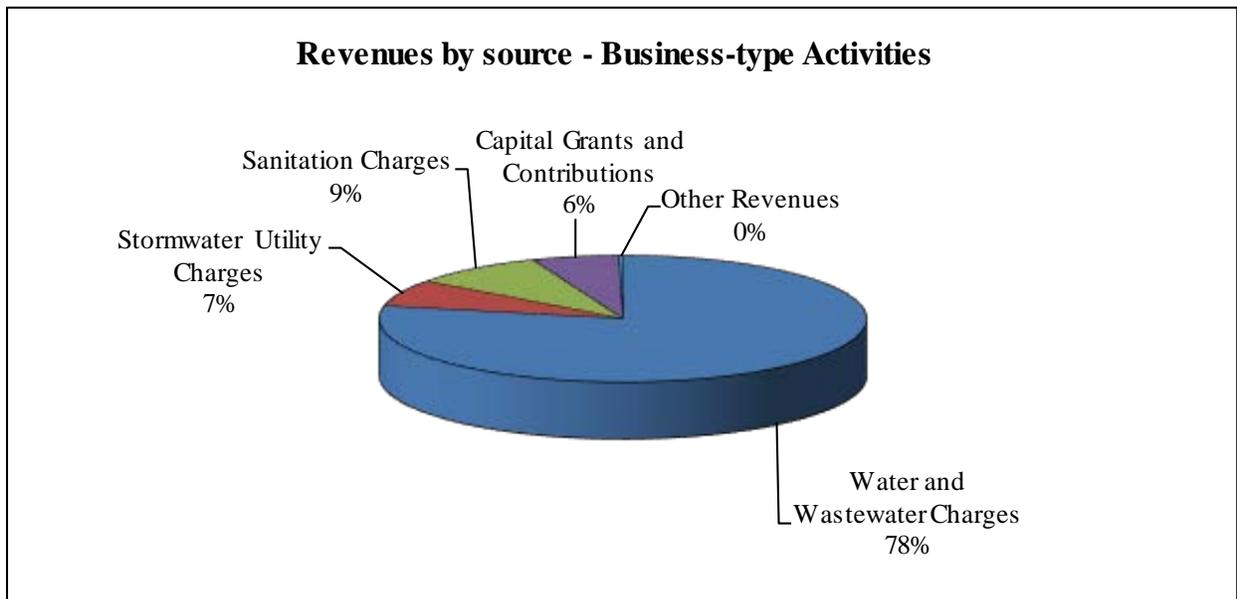
- Water purchases increased \$151,576 due to an increase in consumption and increase in water rates.
- Wastewater treatment increased \$286,377 due to an increase in volume treated of approximately 170 million gallons and an increase in the volume and BOD rates.

A prior period adjustment to record beginning net pension liability decreased net position of the business-type activities \$205,930.

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 \$27,137,754. \$9,803,035 (36%) 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 \$9,803,035. 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 92% of the total general fund expenditures. Fund balance of the general fund decreased \$248,151 compared to an increase of \$30,779 in the prior year. Key factors in this decline are as follows:

- Revenues decreased \$444,752. Property tax increased \$331,375 due to a rate increase and an increase in appraisal values. Sales tax decreased \$509,189 due to the decrease in oil and gas prices. The City's largest source of sales tax revenue is from an oil field equipment manufacturer. Licenses and permits decreased \$101,781 due to a decrease in the number of permits issued and a decrease in oil and gas permits due to the lack of drilling. Oil and gas royalties decreased \$145,776 because production has slowed considerably and prices have fallen.
- Total expenditures increased \$893,129. Public safety expenditures increased \$366,772 primarily due to an increase in salaries, payroll taxes, and retirement and a firefighter incentive program for the volunteer fire department. Non departmental expenses increased \$554,996 for repairs primarily related to hail damage from May 2011.
- Other financing sources increased \$1,058,951 from the prior year primarily due insurance proceeds received in the current year from hail damage in May 2011.

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 decreased \$214,816 to \$606,640. Sales tax revenue decreased \$257,912 and transfers to the general fund decreased \$8,762. Expenditures increased \$66,790 primarily due to the purchase of an in-car video system in the current 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 \$5,664,579, \$2,709,380 and \$452,307 respectively. The total change in net position for the three funds was an increase of

\$1,901,404, \$494,057 and \$43,274 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

The budget was amended twice during the year. Revenues were decreased \$190,000, expenditures were increased \$178,094, transfers in were decreased \$280,000, and transfers out were increased \$560,000.

During the year, actual revenues were \$56,032 less than budgeted and actual expenditures were \$676,733 greater than budgeted.

### Capital Assets

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2015, amounts to \$45,984,778 (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:

- \$113,940 for traffic signal lights upgrade.
- \$112,190 for Judd Street low water crossing.
- \$114,517 for Bolliger Street extension to Harwell Street.
- \$773,125 for re-paving on Cherry Lane.
- \$130,272 developer contribution of street improvements in the Sunnyview subdivision.
- \$111,054 for three vehicles for the police department.
- \$75,170 for an in car video system for the police department.
- \$280,558 for a vac truck.
- Sale of land costing \$661,264.

#### Business-type activities:

- \$163,855 developer contribution of water and wastewater systems in the Sunnyview subdivision.

### The City of White Settlement’s Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,189,737	\$ 5,841,001	\$ 36,995	\$ 36,995	\$ 5,226,732	\$ 5,877,996
Construction in progress	806,985	-	-	-	806,985	-
Land improvements	1,021,730	1,204,912	171,274	173,161	1,193,004	1,378,073
Buildings and improvements	3,497,564	3,494,816	100,020	102,975	3,597,584	3,597,791
Machinery and equipment	2,528,168	2,379,097	313,838	381,617	2,842,006	2,760,714
Infrastructure	12,655,847	12,622,385	-	-	12,655,847	12,622,385
Water and sewer systems	-	-	18,235,765	18,593,841	18,235,765	18,593,841
Stormwater systems	-	-	1,426,855	1,459,280	1,426,855	1,459,280
Total	\$ <u>25,700,031</u>	\$ <u>25,542,211</u>	\$ <u>20,284,747</u>	\$ <u>20,747,869</u>	\$ <u>45,984,778</u>	\$ <u>46,290,080</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 \$27,192,040 in bonds and leases outstanding, an increase of \$10,009,136 from the prior year. \$9,370,086 are general obligation bonds and tax notes that are backed by the full faith and credit of the City, \$17,091,728 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	
	2015	2014	2015	2014	2015	2014
Capital leases	\$ 730,226	\$ 798,336	\$ -	\$ -	\$ 730,226	\$ 798,336
Tax Notes	155,000	3,215,000	-	-	155,000	3,215,000
General Obligation Bonds	8,120,863	5,363,437	1,094,223	1,262,519	9,215,086	6,625,956
Certificates of Obligation	10,876,979	-	6,214,749	6,543,612	17,091,728	6,543,612
Total	<u>\$ 19,883,068</u>	<u>\$ 9,376,773</u>	<u>\$ 7,308,972</u>	<u>\$ 7,806,131</u>	<u>\$ 27,192,040</u>	<u>\$ 17,182,904</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+
Combination Tax and Revenue Certificates of Obligation, Series 2015		AA-
General Obligation Refunding Bonds, Series 2015		AA-

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 decline slightly across all funds. Therefore, given the historically depressed economy on a national level and the unsettled economy globally, the staff and council have taken a cautious approach to budget planning and the focus on daily operating.

2015 taxable property values increased \$25,247,299 (4.06%) to \$647,155,303 from prior year values at \$621,908,004. The city is experiencing a more robust economy fueled by pent up demand for housing and retail, and greater flexibility from lenders. The average taxable value of a residential home value in 2015 has increased to \$49,785 compared to the average home in 2014 at \$48,763. For this current 2015-2016 Budget, the City Council adopted the tax rate of \$0.733103 (which was above the effective rate but lower than the rollback rate), and an increase of 6.15% compared to the prior year at \$0.690660 per \$100 valuation. The General Fund Ad Valorem tax revenue carries a \$3.75M budget.

Historically, the rise in oil and gas drilling has generated income for the City through higher sales tax revenues, tax base valuations, construction and permit revenues and other related activity. Sales Tax revenues experienced a 10.08% increase in 2013-2014. But, the recent ripple effect of falling oil prices is the main contributor to the 14.92% decline in Sales tax revenues in 2014-2015. Therefore, 2015-2016 sales tax revenues are conservatively projected in the General Fund at \$1.96M.

The 2015-2016 adopted budget includes a 4% cost-of-living increase to all full-time employees which is one percent less 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. As in the past, the City will continue being self-insured and dependents may be added at the expense of the employee with a supplement of one hundred and thirty dollars from the City.

The City of White Settlement uses long-term and short-term debt issuance to maintain a tax rate that is as level as possible. In 2014-2015, City council authorized the issuance of General Obligations Refunding Bonds to refinance the 2013 Tax Notes in the amount of \$2,980,000, and the issuance of Combination Tax and Revenue Certificates of Obligations, Series 2015 in the amount of \$9,540,000.

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. In 2014-2015, City Council approved a \$710,000 Public Finance Contractual Obligations, series 2015 to refund the fire truck lease purchase agreement.

Projects planned for 2015-2016 include municipal building remodeling and upgrades, purchase of sand spreader, street sweeper, street roller, Fire department database servers, streets and drainage improvements. The City will also install additional street lights to make the streets safer for the residents and will invest in building sidewalks. Sidewalks play a vital role in City life. As conduits for pedestrian movement and access, they enhance connectivity and promote walking. As public spaces, sidewalks serve as the front steps to the City, activating streets socially and economically. Safe, accessible, and well-maintained sidewalks are a fundamental and necessary investment, and have been found to enhance general public health and maximize social capital.

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 the last eight years. During this time continued budgetary discretion was directed to staffing, employee compensation, overall service levels and expenditures for capital projects.

The City continues to take steps in developing areas to attract commercial customers and residents. In the last few 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.

The future for the City looks increasingly promising for several reasons. One promising project is a shared project with Hawaiian Falls for a Water and Adventure Park which was constructed in 2013-2014 on the 16 acres abutting Veterans Park. This endeavor has shown signs of boosting our economy by bringing in thousands of visitors and enhancing business growth. Also completed in 2013-2014, another promising event is the relocation of Region XI Education Service Center to White Settlement. Region XI provides professional development, technical assistance and management of educational programs to 77 public school districts and 42 charter schools in a 10-county area in north central Texas. With the move completed, operations began in 2014-2015 marking the generation of over fifty thousand new visitors to our City annually.

Other promising events realized include renovation of the landmark "red iron building" (which has been standing vacant for over 15 years) into an attractive multi-story storage facility that is now open to the

public. The City has seen the addition of three new hotels, one strip center, and the relocation of multiple commercial businesses. Among the commercial businesses include Swinger Gate Fence Company who relocated here from Saginaw, Texas and constructed a beautiful new building located on South Cherry Lane. There was also the addition of a plumbing company that relocated to the City by purchasing property located on North Cherry Lane. There was light remodel to an existing structure and the addition of a new building in order to create extra work space.

The City of White Settlement has also seen continued new construction of homes within the City. Cheldan Homes has developed and constructed up to fifty (50) new homes in two (2) new subdivisions. We have also seen the construction of multiple new homes within the interior of our city as well. These new homes located in the interior of the City were constructed on empty lots that once had homes, but had been removed according to the City's demolition procedures.

There are several encouraging plans for 2015-2016, including the construction of new strip center on North Jim Wright Freeway, construction of a forty eight (48) home subdivision on White Settlement Road, and the relocation of industrial businesses looking to move closer to Lockheed Martin. City staff will continue to advertise and promote the City of White Settlement to developers and future business / building owners throughout the year.

The White Settlement Economic Development Corporation (EDC) budgeted \$1,170,941 in expenditures for the fiscal year. The City council forgave the 2013 debt from the General Fund to the EDC for the renovation of Central Park. This action assists the EDC in providing required reserves for debt service payments and continuing some effort toward business development. The current EDC budget includes \$100,000 for financial assistance for new developments, and \$100,000 for BIG grants and other business incentives.

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 dedicate 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.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Net Position**  
**September 30, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 24,091,561	\$ 6,692,775	\$ 30,784,336	\$ 953,391
Certificates of Deposit	2,712,765	1,924,714	4,637,479	406,554
Receivables (Net of allowances for uncollectibles)				
Property taxes	211,453	-	211,453	-
Franchise taxes	245,259	-	245,259	-
Accounts	-	1,047,023	1,047,023	-
Miscellaneous	225,093	-	225,093	85
Interest	2,651	-	2,651	-
Due from other governments	502,905	-	502,905	172,755
Prepaid expenses	2,230	-	2,230	-
Inventory	63,670	-	63,670	-
Restricted assets:				
Cash and cash equivalents	-	4,229,333	4,229,333	1,752,653
Capital assets:				
Nondepreciable	5,996,722	36,995	6,033,717	961,098
Depreciable, net of accumulated depreciation	19,703,309	20,247,752	39,951,061	15,335,076
<b>Total Assets</b>	<b>53,757,618</b>	<b>34,178,592</b>	<b>87,936,210</b>	<b>19,581,612</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows related to pensions	603,184	71,622	674,806	30,910
Deferred charges on refunding	51,167	-	51,167	-
<b>Total Deferred Outflows of Resources</b>	<b>654,351</b>	<b>71,622</b>	<b>725,973</b>	<b>30,910</b>
<b>LIABILITIES:</b>				
Accounts payable	238,686	562,038	800,724	10,710
Accrued liabilities	197,521	21,775	219,296	9,481
Customer deposits	8,396	-	8,396	-
Current Liabilities Payable from Restricted Assets:				
Interest payable	170,752	37,348	208,100	210,840
Customer deposits	-	569,795	569,795	-
Noncurrent liabilities:				
Due Within One Year	1,282,846	544,231	1,827,077	414,642
Due in More Than One Year	22,202,045	7,090,929	29,292,974	12,331,243
<b>Total Liabilities</b>	<b>24,100,246</b>	<b>8,826,116</b>	<b>32,926,362</b>	<b>12,976,916</b>
<b>NET POSITION:</b>				
Investments in Capital Assets, Net of Debt	18,623,666	13,463,428	32,087,094	3,696,174
Restricted Net Position (Nonexpendable)				
Library and Senior Services	23,210	-	23,210	-
Restricted Net Position (Expendable)				
Debt service	1,271,472	3,134,404	4,405,876	1,752,653
Police and court	755,782	-	755,782	-
Tourism, library and senior services	749,670	-	749,670	-
Unrestricted Net Position	8,887,923	8,826,266	17,714,189	1,186,779
<b>Total Net Position</b>	<b>\$ 30,311,723</b>	<b>\$ 25,424,098</b>	<b>\$ 55,735,821</b>	<b>\$ 6,635,606</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, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 3,236,070	\$ 66,705	\$ -	\$ -
Public safety	6,047,017	846,975	36,393	-
Public works	1,092,938	4,999	34,000	130,272
Public health	232,981	17,790	-	-
Culture and recreation	1,485,946	89,450	-	-
Non departmental	554,996	-	-	-
Interest on long-term debt	384,286	-	-	-
Bond issuance costs	247,157	-	-	-
Total governmental activities	<u>13,281,391</u>	<u>1,025,919</u>	<u>70,393</u>	<u>130,272</u>
Business-type activities:				
Water and wastewater	5,093,589	6,330,324	-	468,334
Stormwater utility	65,735	554,576	-	-
Sanitation	636,180	719,654	-	-
Total business-type activities	<u>5,795,504</u>	<u>7,604,554</u>	<u>-</u>	<u>468,334</u>
Total primary government	<u>\$ 19,076,895</u>	<u>\$ 8,630,473</u>	<u>\$ 70,393</u>	<u>\$ 598,606</u>
<b>Component Unit</b>				
Economic Development	\$ 506,997	\$ -	\$ -	\$ -
Culture and Recreation	1,977,630	909,953	-	-
Interest on long-term debt	632,856	-	-	-
Total component unit	<u>\$ 3,117,483</u>	<u>\$ 909,953</u>	<u>\$ -</u>	<u>\$ -</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

Other revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

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
\$ (3,169,365)	\$ -	\$ (3,169,365)	\$ -
(5,163,649)	-	(5,163,649)	-
(923,667)	-	(923,667)	-
(215,191)	-	(215,191)	-
(1,396,496)	-	(1,396,496)	-
(554,996)	-	(554,996)	-
(384,286)	-	(384,286)	-
(247,157)	-	(247,157)	-
<u>(12,054,807)</u>	<u>-</u>	<u>(12,054,807)</u>	<u>-</u>
-	1,705,069	1,705,069	-
-	488,841	488,841	-
-	83,474	83,474	-
<u>-</u>	<u>2,277,384</u>	<u>2,277,384</u>	<u>-</u>
<u>\$ (12,054,807)</u>	<u>\$ 2,277,384</u>	<u>\$ (9,777,423)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (506,997)
-	-	-	(1,067,677)
-	-	-	(632,856)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,207,530)</u>
\$ 3,449,021	\$ -	\$ 3,449,021	\$ -
875,706	-	875,706	-
3,212,591	-	3,212,591	1,078,003
1,329,368	-	1,329,368	-
268,954	-	268,954	-
32,265	-	32,265	-
49,293	21,351	70,644	4,911
1,153,705	-	1,153,705	849,403
670,000	(670,000)	-	-
<u>11,040,903</u>	<u>(648,649)</u>	<u>10,392,254</u>	<u>1,932,317</u>
(1,013,904)	1,628,735	614,831	(275,213)
33,001,835	24,001,293	57,003,128	6,995,955
<u>(1,676,208)</u>	<u>(205,930)</u>	<u>(1,882,138)</u>	<u>(85,136)</u>
<u>\$ 30,311,723</u>	<u>\$ 25,424,098</u>	<u>\$ 55,735,821</u>	<u>\$ 6,635,606</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2015**

	General	Crime District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Assets:					
Cash and investments	\$ 7,776,003	\$ 458,963	\$ 12,218,213	\$ 3,638,382	\$ 24,091,561
Certificates of Deposit	2,712,765	-	-	-	2,712,765
Receivables (Net of allowances for uncollectibles)					
Property taxes	168,479	-	-	42,974	211,453
Franchise taxes	228,447	-	-	16,812	245,259
Miscellaneous	155,139	17	-	69,937	225,093
Interest	2,651	-	-	-	2,651
Due from other funds	1,021	-	-	-	1,021
Due from other governments	345,509	156,375	-	1,021	502,905
Prepays	2,230	-	-	-	2,230
Inventory - supplies	63,670	-	-	-	63,670
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total assets	<u>\$ 11,455,914</u>	<u>\$ 615,355</u>	<u>\$ 12,218,213</u>	<u>\$ 3,769,126</u>	<u>\$ 28,058,608</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 135,192	\$ 8,715	\$ 89,393	\$ 5,386	\$ 238,686
Accrued liabilities	197,521	-	-	-	197,521
Customer deposits	8,396	-	-	-	8,396
Due to other funds	-	-	-	1,021	1,021
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities	<u>341,109</u>	<u>8,715</u>	<u>89,393</u>	<u>6,407</u>	<u>445,624</u>
Deferred inflows of resources:					
Deferred property tax	168,480	-	-	42,975	211,455
Other deferred revenue	263,775	-	-	-	263,775
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total deferred inflows of resources	<u>432,255</u>	<u>-</u>	<u>-</u>	<u>42,975</u>	<u>475,230</u>
Fund Balances:					
Nonspendable	65,900	-	-	23,210	89,110
Restricted	-	606,640	12,128,820	2,298,061	15,033,521
Committed	-	-	-	1,398,473	1,398,473
Assigned	813,615	-	-	-	813,615
Unassigned	9,803,035	-	-	-	9,803,035
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total fund balances	<u>10,682,550</u>	<u>606,640</u>	<u>12,128,820</u>	<u>3,719,744</u>	<u>27,137,754</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,455,914</u>	<u>\$ 615,355</u>	<u>\$ 12,218,213</u>	<u>\$ 3,769,126</u>	<u>\$ 28,058,608</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, 2015**

Total Fund Balances - Governmental Funds		\$ 27,137,754
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$53,070,653 and the accumulated depreciation was \$27,370,622.		25,700,031
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	(170,752)	
General obligation bonds	(18,205,000)	
Premium on general obligation bonds	(792,842)	
Tax notes	(155,000)	
Capital leases	(730,226)	
Compensated absences	<u>(1,224,591)</u>	
		(21,278,411)
Deferred charges for refunding related to governmental activity debt are not financial resources and, therefore, are not reported in the governmental funds.		51,167
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$2,377,232 and a deferred resource outflow related to pensions in the amount of \$603,184. This amounted to a decrease in net position of \$1,774,048.		(1,774,048)
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	211,455	
Court fines	106,493	
Franchise taxes	<u>157,282</u>	
		475,230
Net Position of Governmental Activities		<u><u>\$ 30,311,723</u></u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2015**

	General	Crime District	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 3,443,108	\$ -	\$ -	\$ 873,663	\$ 4,316,771
Sales and use	2,186,600	1,025,991	-	-	3,212,591
Franchise	989,747	-	-	295,573	1,285,320
Hotel occupancy tax	-	-	-	268,954	268,954
Fines and forfeitures	499,021	-	-	-	499,021
Licenses and permits	344,623	-	-	-	344,623
Intergovernmental revenue	90,541	-	-	36,393	126,934
Charges for service	124,355	-	-	-	124,355
Oil and gas revenues	32,265	-	-	-	32,265
Investment Earnings	20,422	1,110	14,557	13,204	49,293
Other revenue	20,761	-	-	63,086	83,847
Total revenues	<u>7,751,443</u>	<u>1,027,101</u>	<u>14,557</u>	<u>1,550,873</u>	<u>10,343,974</u>
<b>EXPENDITURES</b>					
Current					
General government	2,598,097	-	-	-	2,598,097
Public safety	5,485,926	420,655	-	52,812	5,959,393
Public works	505,010	-	-	-	505,010
Public health	233,778	-	-	-	233,778
Culture and recreation	1,238,995	-	-	128,909	1,367,904
Non departmental	554,996	-	-	-	554,996
Capital outlay	-	-	1,609,706	-	1,609,706
Debt service:					
Principal	-	-	-	488,110	488,110
Interest and fiscal charges	-	-	-	277,076	277,076
Debt issuance costs	-	-	146,979	100,178	247,157
Total expenditures	<u>10,616,802</u>	<u>420,655</u>	<u>1,756,685</u>	<u>1,047,085</u>	<u>13,841,227</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>\$ (2,865,359)</u>	<u>\$ 606,446</u>	<u>\$ (1,742,128)</u>	<u>\$ 503,788</u>	<u>\$ (3,497,253)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from insurance recoveries	1,069,858	-	-	-	1,069,858
Proceeds from sale of general capital assets	33,958	-	-	-	33,958
Proceeds from sale of bonds	-	-	9,540,000	710,000	10,250,000
Refunding bonds issued	-	-	-	2,980,000	2,980,000
Bond (discount)/premium	-	-	626,979	50,989	677,968
Payment to bond refunding escrow agent	-	-	-	(2,962,925)	(2,962,925)
Transfers in	1,513,392	-	-	-	1,513,392
Transfers out	-	(821,262)	-	(22,130)	(843,392)
Total other financing sources (uses)	<u>2,617,208</u>	<u>(821,262)</u>	<u>10,166,979</u>	<u>755,934</u>	<u>12,718,859</u>
<b>NET CHANGE IN FUND BALANCES</b>					
	(248,151)	(214,816)	8,424,851	1,259,722	9,221,606
<b>FUND BALANCE, OCTOBER 1, 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>
<b>FUND BALANCE, SEPTEMBER 30, 2015</b>					
	<u>\$ 10,682,550</u>	<u>\$ 606,640</u>	<u>\$ 12,128,820</u>	<u>\$ 3,719,744</u>	<u>\$ 27,137,754</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, 2015**

Total Net Change in Fund Balances - Governmental Funds		\$ 9,221,606
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 \$1,878,276 of capital outlays and \$488,110 of debt principal payments is to increase net position.		2,366,386
Capital asset donations are revenues in the government-wide financial statements but are not reported in the governmental fund financial statements.		137,199
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.		(661,608)
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.		(1,196,047)
Current year proceeds from the sale of bonds are other financing sources in the fund financial statements. The net effect of the increase in certificates of obligation is a decrease in net position.		(10,876,979)
Transactions involving the issuance of refunding bonds are expenditures and other financing sources (uses) in the fund financial statements but change in deferred charges for refunding and noncurrent liabilities in the government-wide financial statements. The net effect is a decrease to net position.		(74,821)
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	(109,015)	
Premium on general obligation bonds	8,562	
Compensated absences	10,650	
		(89,803)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.		53,383
GASB required the City to recognize their net pension liability and deferred resource outflow related to pensions. The changes in these balances increased net position.		106,780
Change in Net Position of Governmental Activities		\$(1,013,904)

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, 2015**

	Enterprise Funds			
	Water and Wastewater	Stormwater Utility	Sanitation	Totals
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 3,583,266	\$ 2,644,118	\$ 465,391	\$ 6,692,775
Certificates of Deposit	1,924,714	-	-	1,924,714
Receivables (Net of allowance for uncollectibles):				
Accounts	886,384	65,979	94,660	1,047,023
Restricted Assets:				
Cash and cash equivalents	4,229,333	-	-	4,229,333
 Total current assets	 10,623,697	 2,710,097	 560,051	 13,893,845
Noncurrent Assets:				
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	28,001,435	-	-	28,001,435
Stormwater systems	-	1,616,773	-	1,616,773
Machinery and equipment	1,495,488	75,005	-	1,570,493
	29,833,800	1,728,773	-	31,562,573
Less: accumulated depreciation	(11,080,407)	(197,419)	-	(11,277,826)
 Capital assets, net	 18,753,393	 1,531,354	 -	 20,284,747
 Total noncurrent assets	 18,753,393	 1,531,354	 -	 20,284,747
 Total assets	 29,377,090	 4,241,451	 560,051	 34,178,592
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows related to pensions	71,622	-	-	71,622
Total deferred outflows of resources	\$ 71,622	\$ -	\$ -	\$ 71,622

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

	Enterprise Funds			
	Water and Wastewater	Stormwater Utility	Sanitation	Totals
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 453,577	\$ 717	\$ 107,744	\$ 562,038
Accrued liabilities	21,775	-	-	21,775
Current portion of long-term liabilities	544,231	-	-	544,231
Current Liabilities Payable from Restricted Assets:				
Interest payable	37,348	-	-	37,348
Customer deposits payable	569,795	-	-	569,795
 Total current liabilities	 1,626,726	 717	 107,744	 1,735,187
Noncurrent Liabilities:				
Bonds payable	6,796,813	-	-	6,796,813
Net pension liability	294,116	-	-	294,116
 Total noncurrent liabilities	 7,090,929	 -	 -	 7,090,929
 Total liabilities	 8,717,655	 717	 107,744	 8,826,116
 <b>NET POSITION:</b>				
Investment in capital assets, net of debt	11,932,074	1,531,354	-	13,463,428
Restricted for debt service (Expendable)	3,134,404	-	-	3,134,404
Unrestricted	5,664,579	2,709,380	452,307	8,826,266
Total net position	\$ 20,731,057	\$ 4,240,734	\$ 452,307	\$ 25,424,098

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2015**

	Enterprise Funds			Totals
	Water and Wastewater	Stormwater Utility	Sanitation	
Operating revenues:				
Charges for sales and services	\$ 6,330,324	\$ 554,576	\$ 719,654	\$ 7,604,554
Total operating revenue	<u>6,330,324</u>	<u>554,576</u>	<u>719,654</u>	<u>7,604,554</u>
Operating expenses:				
Utility Billing	466,983	-	-	466,983
Water production and distribution	2,135,110	-	-	2,135,110
Wastewater collection and treatment	1,530,700	-	-	1,530,700
Stormwater utility	-	25,810	-	25,810
Sanitation	-	-	636,180	636,180
Depreciation	667,524	39,925	-	707,449
Total operating expenses	<u>4,800,317</u>	<u>65,735</u>	<u>636,180</u>	<u>5,502,232</u>
Operating income (loss)	<u>1,530,007</u>	<u>488,841</u>	<u>83,474</u>	<u>2,102,322</u>
Nonoperating revenues (expenses):				
Investment earnings	16,135	5,216	-	21,351
Interest expense	(293,272)	-	-	(293,272)
Total nonoperating revenues (expenses)	<u>(277,137)</u>	<u>5,216</u>	<u>-</u>	<u>(271,921)</u>
Income (loss) before contributions and transfers	1,252,870	494,057	83,474	1,830,401
Capital contributions and transfers:				
Capital Contributions	468,334	-	-	468,334
Transfers out	(629,800)	-	(40,200)	(670,000)
Change in Net Position	1,091,404	494,057	43,274	1,628,735
Prior Period Adjustments	(205,930)	-	-	(205,930)
Net Position, October 1, 2014	<u>19,845,583</u>	<u>3,746,677</u>	<u>409,033</u>	<u>24,001,293</u>
Net Position, September 30, 2015	<u>\$ 20,731,057</u>	<u>\$ 4,240,734</u>	<u>\$ 452,307</u>	<u>\$ 25,424,098</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, 2015**

	Enterprise Funds			Totals
	Water and Wastewater Fund	Stormwater Utility	Sanitation	
Cash flows from operating activities:				
Cash received from customers	\$ 6,239,344	\$ 554,755	\$ 716,772	\$ 7,510,871
Cash paid to suppliers	(3,316,787)	(25,591)	(579,798)	(3,922,176)
Cash paid to employees	(608,194)	-	-	(608,194)
Net cash provided by operating activities	<u>2,314,363</u>	<u>529,164</u>	<u>136,974</u>	<u>2,980,501</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	(495,000)	-	-	(495,000)
Capital contribution for debt service	304,479	-	-	304,479
Capital outlay	(80,474)	-	-	(80,474)
Interest paid on bonds	(295,431)	-	-	(295,431)
Net cash (used) by capital and related financing activities	<u>(566,426)</u>	<u>-</u>	<u>-</u>	<u>(566,426)</u>
Cash flow from investing activities:				
Investment earnings	16,135	5,217	-	21,352
Sale of Certificates of Deposit	659,476	-	-	659,476
Net cash provided by investing activities	<u>675,611</u>	<u>5,217</u>	<u>-</u>	<u>680,828</u>
Net increase (decrease) in cash and cash equivalents	1,793,748	534,381	96,774	2,424,903
Cash and cash equivalents, beginning	<u>6,018,851</u>	<u>2,109,737</u>	<u>368,617</u>	<u>8,497,205</u>
Cash and cash equivalents, ending	<u>\$ 7,812,599</u>	<u>\$ 2,644,118</u>	<u>\$ 465,391</u>	<u>\$ 10,922,108</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	<u>\$ 1,530,007</u>	<u>\$ 488,841</u>	<u>\$ 83,474</u>	<u>\$ 2,102,322</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	667,524	39,925	-	707,449
(Increase) decrease in accounts receivable	(111,981)	179	(2,882)	(114,684)
Increase (decrease) in accounts payable	224,075	219	56,382	280,676
Increase (decrease) in accrued liabilities	3,455	-	-	3,455
Increase (decrease) in accrued employee expenses	(9,763)	-	-	(9,763)
Increase (decrease) in customer meter deposits	21,001	-	-	21,001
Increase (decrease) in compensated absences payable	(9,955)	-	-	(9,955)
Total adjustments	<u>784,356</u>	<u>40,323</u>	<u>53,500</u>	<u>878,179</u>
Net cash provided by operating activities	<u>\$ 2,314,363</u>	<u>\$ 529,164</u>	<u>\$ 136,974</u>	<u>\$ 2,980,501</u>
Noncash Investing, Capital and Financing Activities				
Contributions of capital assets from developer	<u>\$ 163,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,855</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, 2015**

**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, 2015**

**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, 2015**

**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, 2015**

**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, 2015**

**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, 2015.

**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, 2015, 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, 2015**

**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 \$293,272. 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, 2015**

**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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported by the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

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

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

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.

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	\$ 65,900	\$ -	\$ -	\$ -	\$ 65,900
Library Endowment	-	-	-	12,105	12,105
Senior Services Endowment	-	-	-	11,105	11,105
Restricted:					
Debt Service	-	-	-	1,399,249	1,399,249
Construction	-	-	12,128,820	-	12,128,820
Police and court	-	606,640	-	149,142	755,782
Tourism, library and senior services	-	-	-	749,670	749,670
Committed:					
Street improvement	-	-	-	1,398,473	1,398,473
Assigned:					
Pride Commission	4,767	-	-	-	4,767
Subsequent year budget deficit	325,178	-	-	-	325,178
Insurance proceeds not yet spent	483,670	-	-	-	483,670
Unassigned	9,803,035	-	-	-	9,803,035
	<u>\$ 10,682,550</u>	<u>\$ 606,640</u>	<u>\$ 12,128,820</u>	<u>\$ 3,719,744</u>	<u>\$ 27,137,754</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.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

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

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

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 \$9,803,035 was \$5,881,474 above the minimum fund balance requirement of \$3,921,561.

**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.

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)	\$ 15,033,521
Adjustments	
Accrued interest payable restricted for debt service	(170,752)
Deferred property tax revenue restricted for debt service	42,975
Permanent Fund principal	23,210
Restricted for construction	<u>(12,128,820)</u>
Total adjustments	<u>(12,233,387)</u>
Restricted Net Position (Exhibit A-1)	<u><u>\$ 2,800,134</u></u>

**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.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**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.

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, 2015, 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, 2015, 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.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

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, 2015, 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.

The City’s investments at September 30, 2015 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	79 days	100.00%	\$ 5,393,738	\$ 5,393,738
				<u>\$ 5,393,738</u>	<u>\$ 5,393,738</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	\$ 569,795
Construction	487,786
Interest and sinking funds	3,171,752
Total	<u>\$ 4,229,333</u>

Cash and investments in the amount of \$1,752,653 in the Economic Development Corporation are restricted for debt service.

Investment earnings of \$102,152 are reported net of advisory service fees of \$26,597.

**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 2014 was computed based on 100% of appraised value.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

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.

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, 2015, was \$0.69066 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 2014 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	\$ 240,685	\$ -	\$ 61,392	\$ -	\$ -	\$ -
Franchise taxes	228,447	-	16,812	-	-	-
Occupancy tax	-	-	69,937	-	-	-
Water and wastewater	-	-	-	535,823	-	-
Stormwater utility	-	-	-	-	40,553	-
Sanitation	-	-	-	-	-	55,154
Earned and unbilled services	-	-	-	379,601	27,525	39,506
Miscellaneous	758,602	17	-	-	-	-
Interest	2,651	-	-	-	-	-
Gross Receivables	<u>1,230,385</u>	<u>17</u>	<u>148,141</u>	<u>915,424</u>	<u>68,078</u>	<u>94,660</u>
Less: allowance for uncollectibles	<u>(675,669)</u>	<u>-</u>	<u>(18,418)</u>	<u>(29,040)</u>	<u>(2,099)</u>	<u>-</u>
Net total receivables	<u><u>\$ 554,716</u></u>	<u><u>\$ 17</u></u>	<u><u>\$ 129,723</u></u>	<u><u>\$ 886,384</u></u>	<u><u>\$ 65,979</u></u>	<u><u>\$ 94,660</u></u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 4: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and this, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only two items that qualify in this category, deferred charges on refunding bonds and deferred outflows relating to pensions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as in inflow of resource (revenue) until that time. The city has one type of item in this category, unavailable revenues for governmental funds. 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)	\$	168,480
Franchise tax receivable		157,282
Court fees receivable		106,493
Deferred property taxes receivable (Debt Service Fund)		<u>42,975</u>
 Total deferred inflows of resources for governmental funds	 \$	 <u><u>475,230</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, 2015, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Crime District	\$ 821,262	Crime prevention
	Other Governmental	22,130	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>\$ 1,513,392</u></u>	

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Non - Depreciable Assets:					
Land	\$ 5,841,001	\$ -	\$ (651,264)	\$ -	\$ 5,189,737
Construction in Progress	-	806,985	-	-	806,985
Total non-depreciable assets	<u>5,841,001</u>	<u>806,985</u>	<u>(651,264)</u>	<u>-</u>	<u>5,996,722</u>
Depreciable Assets:					
Land improvements	2,690,138	-	-	-	2,690,138
Building and improvements	6,973,983	183,753	-	-	7,157,736
Machinery and equipment	7,656,943	667,758	(10,344)	(14,534)	8,299,823
Infrastructure	<u>28,569,255</u>	<u>356,979</u>	<u>-</u>	<u>-</u>	<u>28,926,234</u>
Total capital assets being depreciated	<u>45,890,319</u>	<u>1,208,490</u>	<u>(10,344)</u>	<u>(14,534)</u>	<u>47,073,931</u>
Accumulated Depreciation:					
Land improvements	(1,485,226)	(183,182)	-	-	(1,668,408)
Building and improvements	(3,479,167)	(181,005)	-	-	(3,660,172)
Machinery and equipment	(5,277,846)	(508,343)	-	14,534	(5,771,655)
Infrastructure	<u>(15,946,870)</u>	<u>(323,517)</u>	<u>-</u>	<u>-</u>	<u>(16,270,387)</u>
Total accumulated depreciation	<u>(26,189,109)</u>	<u>(1,196,047)</u>	<u>-</u>	<u>14,534</u>	<u>(27,370,622)</u>
Governmental activities capital assets, net	<u>\$ 25,542,211</u>	<u>\$ 819,428</u>	<u>\$ (661,608)</u>	<u>\$ -</u>	<u>\$ 25,700,031</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
<b>Business-type activities:</b>					
Non - Depreciable Assets:					
Land	\$ 36,995	\$ -	\$ -	\$ -	\$ 36,995
Construction in Progress	-	-	-	-	-
Total non-depreciable assets	<u>36,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,995</u>
Depreciable Assets:					
Land improvements	211,511	-	-	-	211,511
Building and improvements	125,366	-	-	-	125,366
Machinery and equipment	1,537,779	32,714	-	-	1,570,493
Water and wastewater systems	27,789,820	224,154	(12,539)	-	28,001,435
Stormwater systems	1,616,773	-	-	-	1,616,773
Total capital assets being depreciated	<u>31,281,249</u>	<u>256,868</u>	<u>(12,539)</u>	<u>-</u>	<u>31,525,578</u>
Accumulated Depreciation:					
Land improvements	(38,350)	(1,887)	-	-	(40,237)
Building and improvements	(22,391)	(2,955)	-	-	(25,346)
Machinery and equipment	(1,156,162)	(100,493)	-	-	(1,256,655)
Water and wastewater systems	(9,195,979)	(569,691)	-	-	(9,765,670)
Stormwater systems	(157,493)	(32,425)	-	-	(189,918)
Total accumulated depreciation	<u>(10,570,375)</u>	<u>(707,451)</u>	<u>-</u>	<u>-</u>	<u>(11,277,826)</u>
Business-type activities capital assets, net	<u>\$ 20,747,869</u>	<u>\$ (450,583)</u>	<u>\$ (12,539)</u>	<u>\$ -</u>	<u>\$ 20,284,747</u>
<b>Component Unit:</b>					
Non - Depreciable Assets:					
Land	\$ 1,116,998	\$ -	\$ (155,900)	\$ -	\$ 961,098
Construction in Progress	-	-	-	-	-
Total non-depreciable assets	<u>1,116,998</u>	<u>-</u>	<u>(155,900)</u>	<u>-</u>	<u>961,098</u>
Depreciable Assets:					
Land improvements	8,344,825	-	-	-	8,344,825
Building and improvements	2,030,853	-	-	-	2,030,853
Machinery and equipment	7,678,713	44,999	-	14,534	7,738,246
Total capital assets being depreciated	<u>18,054,391</u>	<u>44,999</u>	<u>-</u>	<u>14,534</u>	<u>18,113,924</u>
Accumulated Depreciation:					
Land improvements	(1,155,041)	(637,612)	-	-	(1,792,653)
Building and improvements	(28,387)	(52,289)	-	-	(80,676)
Machinery and equipment	(349,425)	(541,560)	-	(14,534)	(905,519)
Total accumulated depreciation	<u>(1,532,853)</u>	<u>(1,231,461)</u>	<u>-</u>	<u>(14,534)</u>	<u>(2,778,848)</u>
Component unit capital assets, net	<u>\$ 17,638,536</u>	<u>\$ (1,186,462)</u>	<u>\$ (155,900)</u>	<u>\$ -</u>	<u>\$ 16,296,174</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

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

Governmental activities:	
General government	\$ 27,096
Public safety	420,108
Public works	617,280
Public health	768
Culture and recreation	130,795
Total depreciation expense - governmental activities	<u>\$ 1,196,047</u>
Business-type activities:	
Water and wastewater	\$ 667,524
Stormwater utility	39,925
Total depreciation expense - business-type activities	<u>\$ 707,449</u>
Component Unit:	
Culture and Recreation	<u>\$ 1,231,461</u>
Total depreciation expense - component unit	<u>\$ 1,231,461</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. In September 2015, the City issued the \$710,000 Public Property Finance Certificates of Obligation to refinance this capital lease in October 2015.

Total capital assets acquired through capital leases were as follows:

	<u>Governmental Activities</u>
Assets:	
Fire Engine	\$ 798,336
Less: accumulated depreciation	<u>(78,934)</u>
Total	<u>\$ 719,402</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**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, 2015, were as follows:

Year Ending September 30,	Governmental Activities
2016	\$ 93,480
2017	93,480
2018	93,480
2019	93,480
2020	93,480
2021 - 2025	373,920
Total debt service requirements	841,320
Less: interest portion	111,094
Obligations under capital lease	\$ 730,226

**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	\$ 155,000

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**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, 2015 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 155,000	\$ 1,550	\$ 156,550

**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	\$ 4,975,000
General government	06/01/15	02/15/35	2.0 - 5.0%	9,540,000	9,540,000
Governmental refunding	06/01/15	02/15/25	2.0 - 3.0%	2,980,000	2,980,000
General government	09/10/15	02/15/28	3.07%	710,000	710,000

The annual debt service requirements to maturity for general obligation bonds and certificates of obligation outstanding as of September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities					
	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 385,000	\$ 276,081	\$ 661,081	\$ 135,000	\$ 465,071	\$ 600,071
2017	570,000	263,057	833,057	170,000	427,662	597,662
2018	585,000	247,231	832,231	175,000	423,704	598,704
2019	605,000	230,106	835,106	180,000	419,619	599,619
2020	625,000	211,606	836,606	180,000	414,834	594,834
2021 - 2025	3,455,000	713,028	4,168,028	950,000	1,989,900	2,939,900
2026 - 2030	1,730,000	161,763	1,891,763	3,235,000	1,671,409	4,906,409
2031 - 2035	-	-	-	5,225,000	679,125	5,904,125
	<u>\$ 7,955,000</u>	<u>\$ 2,102,872</u>	<u>\$ 10,057,872</u>	<u>\$ 10,250,000</u>	<u>\$ 6,491,324</u>	<u>\$ 16,741,324</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

**C. Bonds Payable** (Continued)

June 1, 2015, the City issued \$2,980,000 of General Obligation Refunding Bonds, Series 2015. The bonds consisted of general obligation bonds with interest rates ranging from 2.00% to 3.00%. The net proceeds were used to refund Tax Notes, Series 2013 with a total principal amount of \$2,905,000. The refunding increased debt service payments for the City by \$265,500 with a net present value cost (economic loss) of \$131,358 or 2.88%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded tax notes. As a result, the refundable tax notes are considered to be defeased, and the related liability for the tax notes has been removed from the City's liabilities. At September 30, 2015, \$2,905,000 2013 defeased tax notes are outstanding with scheduled redemption date of February 1, 2016.

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:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
Water and wastewater	05/01/09	02/15/29	2.5 - 4.625%	\$ 8,000,000	\$ 6,230,000
Enterprise refunding	07/15/11	02/15/21	2.0 - 3.0%	1,705,000	1,075,000

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 \$304,479 and was reported as a capital contribution in the water and wastewater fund.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

**C. Bonds Payable** (Continued)

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

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
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	580,000	207,031	787,031
2021 - 2025	2,425,000	736,315	3,161,315
2031 - 2035	2,170,000	203,462	2,373,462
	<u>\$ 7,305,000</u>	<u>\$ 2,165,070</u>	<u>\$ 9,470,070</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:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
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:

Year Ending September 30,	Economic Development Corporation		
	Principal	Interest	Total
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	495,000	531,995	1,026,995
2021 - 2025	2,905,000	2,247,830	5,152,830
2026 - 2030	3,715,000	1,421,288	5,136,288
2031 - 2035	3,730,000	386,319	4,116,319
	<u>\$ 12,600,000</u>	<u>\$ 6,947,178</u>	<u>\$ 19,547,178</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, 2015.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Certificates of obligation	\$ -	\$ 10,250,000	\$ -	\$ 10,250,000	\$ 135,000
General obligation bonds	5,240,000	2,980,000	265,000	7,955,000	385,000
Issuance premium	123,437	677,967	8,562	792,842	45,927
Total bonds payable	<u>5,363,437</u>	<u>13,907,967</u>	<u>273,562</u>	<u>18,997,842</u>	<u>565,927</u>
Capital leases	798,336	-	68,110	730,226	72,084
Tax notes	3,215,000	-	3,060,000	155,000	155,000
Net pension obligation	204,620	-	204,620	-	-
Net pension liability	-	2,377,232	-	2,377,232	-
Compensated absences	1,235,241	550,126	560,776	1,224,591	489,835
Total Governmental Activities	<u>\$ 10,816,634</u>	<u>\$ 16,835,325</u>	<u>\$ 4,167,068</u>	<u>\$ 23,484,891</u>	<u>\$ 1,282,846</u>
<b>Business-type Activities:</b>					
Certificates of obligation	\$ 6,560,000	\$ -	\$ 330,000	\$ 6,230,000	\$ 340,000
General obligation bonds	1,240,000	-	165,000	1,075,000	170,000
Issuance premium/discount	6,131	-	2,159	3,972	2,159
Total bonds payable	<u>7,806,131</u>	<u>-</u>	<u>497,159</u>	<u>7,308,972</u>	<u>512,159</u>
Net pension obligation	26,328	-	26,328	-	-
Net pension liability	-	294,116	-	294,116	-
Compensated absences	42,027	32,072	42,027	32,072	32,072
Total Business-type Activities	<u>\$ 7,874,486</u>	<u>\$ 326,188</u>	<u>\$ 565,514</u>	<u>\$ 7,635,160</u>	<u>\$ 544,231</u>
<b>Economic Development:</b>					
Sales tax revenue bonds	\$ 12,600,000	\$ -	\$ -	\$ 12,600,000	\$ 405,000
Net pension obligation	11,034	-	11,034	-	-
Net pension liability	-	121,781	-	121,781	-
Compensated absences	26,936	4,405	7,237	24,104	9,642
Note payable - General Fund	840,000	-	840,000	-	-
Total Economic Development	<u>\$ 13,477,970</u>	<u>\$ 126,186</u>	<u>\$ 858,271</u>	<u>\$ 12,745,885</u>	<u>\$ 414,642</u>
<b>Total Long-term Liabilities</b>	<u>\$ 32,169,090</u>	<u>\$ 17,287,699</u>	<u>\$ 5,590,853</u>	<u>\$ 43,865,936</u>	<u>\$ 2,241,719</u>

Compensated absences and the net pension liability 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, 2015**

**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: DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

**B. Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	Plan Year 2015
Employee deposit rate	5%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	95
Active employees	117
	278

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 10: DEFINED BENEFIT PENSION PLANS** (Continued)

**C. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.45% and 10.80% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$643,713, and were equal to the required contributions.

**D. Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. These rates were projected on a fully generational basis by scale BB to account to future mortality improvements. For disable annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 10: DEFINED BENEFIT PENSION PLANS** (Continued)

**D. Net Pension Liability** (Continued)

Actuarial assumptions used in the December 31, 2014, valuation were based on results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	<u>100.0%</u>	

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 10: DEFINED BENEFIT PENSION PLANS** (Continued)

**D. Net Pension Liability** (Continued)

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 23,009,625	\$ 20,347,179	\$ 2,662,446
Changes for the year:			
Service cost	611,630	-	611,630
Interest	1,600,861	-	1,600,861
Change of benefit terms	-	-	-
Difference between expected and actual experience	28,147	-	28,147
Changes of assumptions	-	-	-
Contributions - employer	-	643,713	(643,713)
Contributions - employee	-	315,411	(315,411)
Net investment income	-	1,163,983	(1,163,983)
Benefit payments, including refunds of employee contributions	(892,005)	(892,005)	-
Administrative expense	-	(12,153)	12,153
Other changes	-	(999)	999
Net changes	1,348,633	1,217,950	130,683
Balance at 12/31/2014	<u>\$ 24,358,258</u>	<u>\$ 21,565,129</u>	<u>\$ 2,793,129</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 10: DEFINED BENEFIT PENSION PLANS** (Continued)

**D. Net Pension Liability** (Continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase Discount Rate (8.0%)
City's Net Pension Liability	\$ 6,434,905	\$ 2,793,129	\$ (169,807)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

**E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the City recognized pension expense of \$546,064.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,076	\$ -
Changes in actuarial assumptions	\$ -	\$ -
Difference between projected and actual investment earnings.	\$ 208,256	\$ -
Contributions subsequent to the measurement date	\$ 477,384	\$ -
Total	\$ 705,716	\$ -

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 10: DEFINED BENEFIT PENSION PLANS** (Continued)

**E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

\$477,384 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2016	\$ 60,135
2017	60,135
2018	55,998
2019	52,064
2020	-
Thereafter	-
Total	\$ 228,332

**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.

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.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

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

The city's contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$13,161, \$11,938, and \$11,122, 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
2013	0.03%	0.03%	100.0%
2014	0.03%	0.03%	100.0%
2015	0.03%	0.03%	100.0%

**NOTE 12: CONTINGENT LIABILITIES**

Contingencies

The City is exposed to various claims and litigation. The outcome of events are not presently determinable and the amount of the City's potential liability cannot be reasonably estimated at this time.

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.

**NOTE 13: CONTRACTS AND COMMITMENTS**

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 2015 for the purchase of treated water were \$1,420,420 and payments made for the treatment of wastewater by the City of Fort Worth were \$1,303,801.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**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 \$12,506,362, accumulated depreciation of \$871,407, and carrying costs of \$11,634,955.

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

Year Ending <u>September 30,</u>	
2016	900,000
2017	900,000
2018	1,000,000
2019	1,300,000
2020	1,400,000
2020 - 2024	5,064,466
2025 - 2029	5,136,287
2030 - 2034	4,116,289
	<u>\$ 19,817,042</u>

**NOTE 15: HAIL DAMAGE AND INSURANCE RECOVERIES**

In May 2011, a hail storm directly impacted the City causing significant damage to City owned property. Management expects insurance to cover the cost to repair the property less the City's deductible. Insurance received in 2015 related to the hail damage was \$1,023,580. The insurance recoveries were reported as other financing sources in the general fund and general revenues in the government-wide statement of activities. The City completed a significant portion of the repairs in the current year. The City expects to complete the repairs in fiscal year 2016.

**NOTE 16: SUBSEQUENT EVENTS**

The lease payment for the Hawaiian Falls Water and Adventure Park of \$600,000 was due October 1, 2015. As of the date of this report, the payment has not been received.

Subsequent events were evaluated through March 2, 2016, which is the date the financial statements were available to be issued.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2015**

**NOTE 17: NEW ACCOUNTING PRONOUNCEMENTS**

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This Statement was issued to improve the accounting and financial reporting by state and local governments for pensions. This Statement requires government-wide and proprietary fund statements to recognize a liability equal to the net pension liability and changes in the net pension liability be included in pension expense in the period of change.

The City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 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.

Beginning net position of the governmental activities, business-type activities, and component unit was reduced by the following prior period adjustments:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net Pension Liability (12/31/13 measurement date)	\$ (2,266,008)	\$ (280,356)	\$ (2,546,364)	\$ (116,083)
Deferred Outflows of Resources	385,180	48,098	433,278	19,913
Net Pension Obligation at 9/30/14	204,620	26,328	230,948	11,034
Prior Period Adjustment	<u>\$ (1,676,208)</u>	<u>\$ (205,930)</u>	<u>\$ (1,882,138)</u>	<u>\$ (85,136)</u>

**NOTE 18: FUTURE ACCOUNTING PRONOUNCEMENTS**

The Government Accounting Standards Board has issued several statements that will be effective in future years. The City has not yet determined the effect these statements will have on its financial reporting.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures* will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial users. This Statement is effective for fiscal years beginning after December 15, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF WHITE SETTLEMENT, TEXAS

Exhibit E-1

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

## General Fund

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>General Property Taxes</b>				
Current property taxes	\$ 3,070,000	\$ 3,370,000	\$ 3,358,242	\$ (11,758)
Miscellaneous property tax revenue	5,000	8,000	7,189	(811)
Delinquent tax collections	28,000	38,000	45,991	7,991
Taxes - penalties and interest	55,000	55,000	31,686	(23,314)
Total general property taxes	3,158,000	3,471,000	3,443,108	(27,892)
<b>Sales and Use Taxes</b>				
General sales tax	2,610,000	2,307,000	2,149,738	(157,262)
Mixed beverage tax	1,000	1,000	2,324	1,324
Bingo tax	35,000	25,000	34,538	9,538
Total sales and use taxes	2,646,000	2,333,000	2,186,600	(146,400)
<b>Franchise Tax</b>				
Telephone franchise fees	85,000	85,000	73,117	(11,883)
Electric franchise fees	475,000	475,000	529,943	54,943
Cable TV franchise fees	80,000	80,000	129,330	49,330
Gas franchise fees	80,000	80,000	102,252	22,252
Refuse franchise fees	170,000	170,000	155,105	(14,895)
Total franchise tax	890,000	890,000	989,747	99,747
<b>Fines and Fees</b>				
Municipal court fees	350,000	350,000	349,808	(192)
Deferred disposition fee	40,000	40,000	46,494	6,494
Court administrative fee	7,500	7,500	6,114	(1,386)
Extension fee - City	8,500	8,500	9,853	1,353
Warrant fees	75,000	75,000	80,461	5,461
ACO fees	2,500	2,500	2,241	(259)
Code compliance fine	6,500	6,500	4,050	(2,450)
Total fines and fees	490,000	490,000	499,021	9,021
<b>Licenses and Permits</b>				
Building permits	100,000	100,000	130,196	30,196
Mechanical permits	12,000	12,000	14,971	2,971
Appeal/variance permits	2,500	2,500	2,507	7
Plumbing permits	20,000	20,000	18,933	(1,067)
Electrical permits	50,000	50,000	54,282	4,282
Alarm permits	7,500	7,500	8,749	1,249
Sign permits	4,000	4,000	3,731	(269)
Garage sale permits	6,500	6,500	6,300	(200)
Curb and gutter permits	100	100	329	229
Gas and oil permits	90,000	-	-	-
Miscellaneous permits	-	-	1,544	1,544
Demolition fees	1,500	1,500	550	(950)
Occupancy permits	45,000	45,000	44,700	(300)
Fence permits	4,000	4,000	3,853	(147)

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES (Continued)</b>				
<b>Licenses and Permits (Continued)</b>				
Fire sprinkler system permits	\$ -	\$ -	\$ 9,333	\$ 9,333
Contractor registration fee	25,000	25,000	23,100	(1,900)
Fire inspections	15,000	15,000	8,845	(6,155)
Recreational license	5,000	5,000	-	(5,000)
Recreational machine permits	5,000	5,000	8,445	3,445
Platting fees	-	-	2,230	2,230
Other inspection fees	-	-	900	900
False Alarm Fine	2,000	2,000	1,125	(875)
Total licenses and permits	<u>395,100</u>	<u>305,100</u>	<u>344,623</u>	<u>39,523</u>
<b>Intergovernmental</b>	<u>99,000</u>	<u>99,000</u>	<u>90,541</u>	<u>(8,459)</u>
<b>Charges for Services</b>				
Copying Fee	100	100	79	(21)
Returned check fee	125	125	100	(25)
Building rental - cultural center	2,000	2,000	1,845	(155)
Building rental - recreation	20,000	20,000	27,564	7,564
Supervised recreation	65,000	65,000	43,999	(21,001)
Mowing fees	12,000	12,000	5,000	(7,000)
Gas well inspector fees	-	-	7,000	7,000
Animal control fees	25,000	25,000	15,549	(9,451)
Library revenue	13,000	13,000	15,538	2,538
Library memorial	-	-	68	68
Library processing	200	200	199	(1)
Reimburse lost/damaged books	400	400	236	(164)
Fingerprinting fees	300	300	414	114
Police report fees	500	500	629	129
Wrecker service fees	3,000	3,000	3,150	150
Clearview kiosk signage	-	-	2,985	2,985
Total charges for services	<u>141,625</u>	<u>141,625</u>	<u>124,355</u>	<u>(17,270)</u>
<b>Oil and Gas Royalties</b>	<u>150,000</u>	<u>50,000</u>	<u>32,265</u>	<u>(17,735)</u>
<b>Investment Earnings</b>	<u>12,000</u>	<u>12,000</u>	<u>20,422</u>	<u>8,422</u>
<b>Other Revenue</b>				
Pay phone income	750	750	779	29
Council filing fee	-	-	114	114
Mixed beverage annual inspection	-	-	120	120
Over/short	-	-	81	81
Interlocal radio support fee	5,000	5,000	3,700	(1,300)
Miscellaneous revenues	10,000	10,000	15,967	5,967
Total other revenue	<u>15,750</u>	<u>15,750</u>	<u>20,761</u>	<u>5,011</u>
Total revenues	<u>7,997,475</u>	<u>7,807,475</u>	<u>7,751,443</u>	<u>(56,032)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Current				
<b>General Government:</b>				
<b>City Council</b>				
Regular salaries	\$ -	\$ -	\$ (27)	\$ 27
Part-time temporary salaries	10,800	10,800	6,457	4,343
FICA	826	826	492	334
Workers' compensation	28	38	33	5
Unemployment insurance	378	378	48	330
Office supplies	3,000	4,200	4,284	(84)
Postage and freight	100	100	-	100
Legal costs	34,000	35,000	34,723	277
Audit services	25,000	25,000	20,500	4,500
Copy rental/lease	1,000	1,000	-	1,000
Professional services	12,000	28,500	28,417	83
Communications	2,625	2,625	2,511	114
Insurance	25,000	25,000	20,011	4,989
Dues/subscriptions/memberships	18,000	15,200	8,856	6,344
Marketing and promotional services	2,000	2,000	1,608	392
Travel and training	10,000	14,800	17,709	(2,909)
Miscellaneous materials and supplies	1,000	1,800	1,354	446
Appreciation	1,000	1,000	576	424
Plaques, awards and recognition	1,500	1,500	439	1,061
Hawaiian Falls escrow - 75% of sales tax	-	-	7,064	(7,064)
Contribution to EDC	-	-	840,000	(840,000)
Grant match	5,000	5,000	-	5,000
City council reserve	62,162	29,622	5,913	23,709
Vehicle allowance	1,800	1,800	450	1,350
Total City council	217,219	206,189	1,001,418	(795,229)
<b>Administration</b>				
Regular salaries	146,934	284,843	251,957	32,886
Part-time temporary salaries	31,468	-	-	-
Longevity pay	308	308	308	-
FICA	13,544	20,037	17,235	2,802
TMRS	16,618	27,901	27,831	70
Workers' compensation	531	531	430	101
Unemployment insurance	456	456	18	438
Health insurance	-	90	90	-
Dental insurance	286	286	286	-
Life insurance	103	103	59	44
Vehicle allowance	4,800	1,600	1,600	-
Office supplies	1,200	1,466	1,466	-
Postage and freight	150	150	72	78
Copy rental/lease	2,100	3,425	3,269	156
Communications	1,500	1,700	1,604	96
Dues/subscriptions/memberships	200	284	284	-
Marketing and promotional services	1,000	1,000	329	671

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Administration (Continued)</b>				
Travel and training	\$ 1,000	\$ 3,139	\$ 3,198	\$ (59)
Employee appreciation	12,500	8,996	7,070	1,926
Plaques, awards and recognition	2,500	1,900	1,426	474
City manager reserve	25,000	25,000	9,927	15,073
Other professional services	2,000	2,000	132	1,868
Total administration	<u>264,198</u>	<u>385,215</u>	<u>328,591</u>	<u>56,624</u>
<b>City Secretary</b>				
Regular salaries	55,596	56,196	56,163	33
Certification pay	-	25	25	-
Longevity pay	316	316	316	-
FICA	4,277	4,277	4,141	136
TMRS	6,111	6,186	6,177	9
Workers' compensation	168	168	136	32
Unemployment insurance	228	228	9	219
Health insurance	6,335	6,465	6,455	10
Dental insurance	286	286	286	-
Life insurance	103	103	91	12
Office supplies	1,500	1,500	1,385	115
Postage and freight	200	200	177	23
Copy rental/lease	2,100	3,300	3,269	31
Election services	35,000	34,600	33,744	856
Other professional services	8,000	8,000	7,231	769
Communications	-	400	392	8
Dues/subscriptions/memberships	450	450	152	298
Travel and training	2,500	4,800	4,772	28
Advertisement/notices	4,500	11,200	11,110	90
Total City secretary	<u>127,670</u>	<u>138,700</u>	<u>136,031</u>	<u>2,669</u>
<b>Finance</b>				
Regular salaries	244,930	290,795	289,455	1,340
Overtime	15,306	13,941	5,641	8,300
Certification pay	1,800	3,650	3,300	350
Longevity pay	693	710	696	14
FICA	20,282	23,829	22,018	1,811
TMRS	28,979	34,047	32,991	1,056
Workers' compensation	795	935	644	291
Unemployment insurance	912	1,035	54	981
Health insurance	20,566	23,976	17,837	6,139
Dental insurance	1,144	1,298	1,263	35
Life insurance	412	468	371	97
Vehicle allowance	2,400	2,400	2,400	-
Office supplies	4,000	6,300	5,353	947
Postage and freight	3,500	3,500	3,291	209

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Finance (Continued)</b>				
Copy rental/lease	\$ 1,850	\$ 1,850	\$ 1,246	\$ 604
Other professional services	45,000	42,000	38,875	3,125
Communications	1,500	1,200	1,056	144
Computer maintenance	18,000	18,000	15,571	2,429
Insurance	1,800	1,800	1,678	122
Dues/subscriptions/memberships	2,530	3,530	3,047	483
Travel and training	9,100	9,100	8,406	694
Advertisement/notices	2,000	2,000	1,831	169
Total finance	427,499	486,364	457,024	29,340
<b>Human Resources</b>				
Regular salaries	77,947	78,447	78,385	62
Overtime	611	611	-	611
Part-time/temporary salaries	30,538	29,538	27,211	2,327
Longevity pay	682	682	488	194
FICA	8,398	8,398	7,904	494
TMRS	10,405	10,805	10,769	36
Workers' compensation	329	329	266	63
Unemployment insurance	684	684	37	647
Health insurance	6,335	6,435	6,425	10
Dental insurance	286	286	286	-
Life insurance	103.0	103.0	91.0	12.0
Office supplies	1,200	1,439	1,286	153
Education materials	4,000	3,300	858	2,442
Postage and freight	400	400	195	205
Legal services	6,000	6,000	3,713	2,287
Copier lease/rental	850	850	534	316
Other professional services	24,000	24,000	18,865	5,135
Communications	665	665	391	274
Insurance	2,400	2,600	2,561	39
Dues/subscriptions/memberships	300	561	561	-
Travel and training	1,400	1,400	182	1,218
Employee appreciation	500	500	-	500
Advertisement/notices	5,000	5,000	2,360	2,640
Total human resources	183,033	183,033	163,368	19,665
<b>Management Information Services</b>				
Regular salaries	108,326	105,776	100,835	4,941
Overtime	4,499	7,049	6,987	62
Longevity pay	676	676	624	52
FICA	8,866	8,866	7,877	989
TMRS	12,668	12,668	11,977	691
Workers' compensation	348	348	282	66
Unemployment insurance	456	456	27	429

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Management Information Services (Continued)</b>				
Health insurance	\$ 14,231	\$ 14,231	\$ 11,269	\$ 2,962
Dental insurance	572	572	500	72
Life insurance	206	206	160	46
Vehicle allowance	2,400	2,400	1,200	1,200
Office supplies	3,000	3,000	2,922	78
Miscellaneous materials and supplies	1,000	-	-	-
Tools and equipment < \$5,000	500	-	-	-
Copier lease/rental	8,500	8,500	6,344	2,156
Other professional services	10,000	8,500	7,387	1,113
Communications	18,000	17,932	15,886	2,046
Equipment maintenance/repair	43,400	46,400	44,600	1,800
Dues/subscriptions/memberships	1,000	1,068	1,068	-
Travel and training	500	500	-	500
Data processing equipment	4,800	4,800	-	4,800
Total management information services	243,948	243,948	219,945	24,003
<b>Purchasing/Warehouse</b>				
Regular salaries	70,718	72,118	72,077	41
Overtime	354	354	59	295
Longevity pay	1,357	1,360	1,360	-
FICA	5,541	5,541	5,449	92
TMRS	7,916	8,036	8,030	6
Workers' compensation	3,527	3,527	3,230	297
Unemployment insurance	456	456	18	438
Health insurance	12,670	12,850	12,849	1
Dental insurance	572	572	572	-
Life insurance	206	206	182	24
Office supplies	2,000	2,000	708	1,292
Janitorial supplies	200	200	41	159
Building, electrical and plumbing supplies	500	600	573	27
Uniforms	500	500	180	320
Fuel and lubricants	2,900	2,900	1,240	1,660
Safety supplies and equipment	100	100	20	80
Tools and equipment < \$5,000	2,500	2,400	1,729	671
Obsolete/salvaged inventory	-	-	250	(250)
Pest control services	150	108	59	49
Copier lease/rental	700	700	654	46
Other professional services	-	89	52	37
Communications	2,400	2,350	1,654	696
Utilities	6,800	6,800	5,609	1,191
Vehicle/equipment non-target	2,000	2,000	890	1,110
Vehicle maintenance/repairs	17,000	15,300	13,564	1,736
Equipment maintenance/repairs	400	400	-	400
Building maintenance and repair	1,000	1,040	1,036	4

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Purchasing/Warehouse (Continued)</b>				
Insurance	\$ 3,000	\$ 3,000	\$ 2,913	\$ 87
Dues/subscriptions/memberships	1,000	960	805	155
Travel and training	3,000	3,000	1,313	1,687
Advertisement/notices	400	400	-	400
Employee testing/physicals	100	100	80	20
First aid and medical supplies	250	250	210	40
Total purchasing/warehouse	150,217	150,217	137,406	12,811
<b>Municipal Facilities</b>				
Regular salaries	76,833	76,623	62,224	14,399
Overtime	936	936	-	936
Longevity pay	1,151	1,152	1,152	-
FICA	6,037	6,037	4,476	1,561
TMRS	8,626	8,626	6,921	1,705
Workers' compensation	2,573	2,573	2,084	489
Unemployment insurance	456	456	26	430
Health insurance	14,231	14,441	14,436	5
Dental insurance	572	572	572	-
Life insurance	206	206	182	24
Office supplies	1,200	1,200	1,049	151
Janitorial supplies	1,000	1,000	974	26
Building, electrical and plumbing supplies	1,000	1,000	258	742
Miscellaneous materials and supplies	1,000	1,000	227	773
Uniforms	750	750	241	509
Fuel and lubricants	2,250	2,250	1,839	411
Safety supplies and equipment	250	250	-	250
Tools and equipment < \$5,000	1,000	1,000	872	128
First aid and medical supplies	500	500	415	85
Janitorial services	12,000	12,000	9,853	2,147
Pest control services	800	800	520	280
Other professional services	3,000	3,000	1,825	1,175
Communications	1,325	1,126	680	446
Utilities	28,000	28,000	25,060	2,940
Vehicle/equipment non-target	655	655	25	630
Vehicle maintenance/repairs	6,550	6,550	6,376	174
Equipment maintenance/repairs	1,000	1,000	-	1,000
Building maintenance and repair	24,500	24,500	10,790	13,710
Rental equipment and building	250	250	-	250
Insurance	1,000	1,198	1,197	1
Travel and training	250	250	-	250
Employee testing/physicals	150	150	40	110
Total municipal facilities	200,051	200,051	154,314	45,737
<b>Total general government</b>	1,813,835	1,993,717	2,598,097	(604,380)

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public Safety:</b>				
<b>Police Administration</b>				
Regular salaries	\$ 1,080,069	\$ 1,111,186	\$ 1,110,227	\$ 959
Overtime	16,220	15,220	14,606	614
Certification pay	16,500	17,200	17,175	25
Longevity pay	10,988	10,988	10,923	65
FICA	85,959	85,099	84,998	101
TMRS	122,829	126,387	126,293	94
Workers' compensation	19,004	16,104	16,011	93
Unemployment insurance	5,016	516	479	37
Health insurance	150,297	141,877	141,771	106
Dental insurance	6,291	6,591	6,578	13
Life insurance	2,266	2,266	2,125	141
Office supplies	10,350	9,453	9,119	334
Shop and lab supplies	2,920	2,920	1,868	1,052
Photo and duplication supplies	1,000	1,000	-	1,000
Janitorial supplies	1,428	1,428	1,109	319
Building, electrical and plumbing supplies	1,892	3,625	3,306	319
Batteries	150	187	186	1
Miscellaneous materials and supplies	8,800	8,800	6,930	1,870
Uniforms	2,550	2,550	2,204	346
Postage and freight	1,200	1,200	1,142	58
Fuel and lubricants	10,000	9,127	6,117	3,010
Safety supplies and equipment	590	590	583	7
Tools and equipment < \$5,000	2,000	2,000	1,981	19
First aid and medical supplies	1,648	1,648	697	951
Janitorial services	16,000	15,900	13,662	2,238
Pest control services	750	750	431	319
Copier lease/rental	5,000	6,700	6,436	264
Other professional services	3,000	2,900	2,067	833
Communications	9,400	9,200	7,841	1,359
Utilities	33,000	31,400	31,369	31
Vehicle/equipment non-target	2,600	2,000	50	1,950
Vehicle maintenance/repairs	26,000	26,000	25,215	785
Equipment maintenance/repairs	4,769	4,869	4,822	47
Building maintenance and repair	5,150	6,350	5,989	361
Insurance	32,000	32,000	26,932	5,068
Dues/subscriptions/memberships	1,475	1,475	1,444	31
Employee appreciation	1,000	1,000	878	122
Employee testing/physicals	1,500	1,100	620	480
Total police administration	1,701,611	1,719,606	1,694,184	25,422
<b>Police Patrol/CID</b>				
Regular salaries	1,593,019	1,621,041	1,620,952	89
Overtime	31,613	29,913	29,850	63
Part-time temporary salaries	20,352	15,952	15,863	89
Certification pay	35,100	37,100	37,100	-
Longevity pay	12,740	12,764	12,764	-

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Police Patrol/CID (Continued)</b>				
FICA	\$ 129,501	\$ 130,069	\$ 130,062	\$ 7
TMRS	182,801	189,463	189,412	51
Workers' compensation	42,584	40,784	40,710	74
Unemployment insurance	6,640	440	368	72
Health insurance	177,289	182,865	182,826	39
Dental insurance	7,435	7,203	7,138	65
Life insurance	2,678	2,330	2,272	58
Office supplies	3,000	3,268	3,264	4
Building, electrical and plumbing supplies	1,000	721	176	545
Batteries	1,500	2,350	2,287	63
Miscellaneous materials and supplies	1,500	2,076	2,075	1
Uniforms	5,000	4,703	1,125	3,578
Fuel and lubricants	82,000	73,150	57,610	15,540
Safety supplies and equipment	500	500	380	120
Tools and equipment < \$5,000	5,000	3,889	2,398	1,491
First aid and medical supplies	1,600	1,039	577	462
Furniture and fixtures < \$5,000	-	643	642	1
Other professional services	500	500	10	490
Communications	1,380	1,380	-	1,380
Vehicle/equipment non-target	5,700	5,595	1,927	3,668
Vehicle maintenance/repairs	57,000	57,000	55,985	1,015
Equipment maintenance/repairs	3,500	3,500	440	3,060
Insurance	12,000	12,537	12,537	-
Dues/subscriptions/memberships	1,700	1,805	1,805	-
Employee testing/physicals	1,600	1,600	565	1,035
Total police patrol/CID	<u>2,426,232</u>	<u>2,446,180</u>	<u>2,413,120</u>	<u>33,060</u>
<b>Municipal Court</b>				
Regular salaries	150,253	172,110	170,690	1,420
Overtime	6,629	6,629	6,345	284
Certification pay	1,500	2,950	2,950	-
Longevity pay	1,084	1,084	1,084	-
FICA	12,199	13,785	13,473	312
TMRS	17,430	19,822	19,811	11
Workers' compensation	2,000	2,000	1,620	380
Unemployment insurance	684	684	18	666
Health insurance	19,005	19,305	19,274	31
Dental insurance	858	858	858	-
Life insurance	309	309	274	35
Office supplies	5,000	5,000	3,716	1,284
Miscellaneous materials and supplies	500	500	-	500
Uniforms	1,000	1,000	29	971
Postage and freight	2,500	2,500	1,676	824
Fuel and lubricants	2,200	2,200	418	1,782

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Municipal Court (Continued)</b>				
Legal services	\$ 48,000	\$ 46,550	\$ 44,206	\$ 2,344
Copier lease/rental	700	700	356	344
Other professional services	1,800	1,800	1,450	350
Communications	1,225	1,225	1,056	169
Computer maintenance	3,500	3,500	3,309	191
Vehicle/equipment non-target	315	315	14	301
Vehicle maintenance/repairs	3,145	3,145	3,083	62
Dues/subscriptions/memberships	1,500	1,500	266	1,234
Travel and training	4,500	4,500	3,577	923
Employee testing/physicals	100	100	40	60
Total municipal court	287,936	314,071	299,593	14,478
<b>Fire Department</b>				
Regular salaries	52,023	78,721	78,672	49
Part-time temporary salaries	145,502	117,602	117,084	518
Certification pay	8,365	8,365	8,365	-
Longevity pay	56	56	56	-
FICA	15,755	15,664	15,620	44
TMRS	6,607	8,536	8,417	119
Workers' compensation	3,964	3,964	3,210	754
Unemployment insurance	4,104	4,004	382	3,622
Health insurance	6,335	6,435	6,425	10
Dental insurance	286	286	286	-
Life insurance	103	206	91	115
Volunteer injury insurance	6,700	6,700	6,432	268
Volunteer worker's compensation	8,135	8,135	7,634	501
Volunteer fire retirement	4,800	4,800	4,800	-
Office supplies	2,187	2,162	1,630	532
Photo and duplication supplies	-	-	(25)	25
Janitorial supplies	600	1,150	958	192
Building, electrical and plumbing supplies	450	450	-	450
Batteries	300	300	285	15
Miscellaneous materials and supplies	2,500	2,480	1,967	513
Uniforms	7,000	7,500	7,258	242
Postage and freight	100	125	113	12
Fuel and lubricants	18,750	18,750	12,969	5,781
Safety supplies and equipment	23,229	23,229	22,319	910
Tools and equipment < \$5,000	3,500	3,500	2,090	1,410
Chemicals	250	250	125	125
EMO Supplies	800	820	819	1
First aid and medical supplies	4,000	3,250	2,256	994
Janitorial services	500	200	-	200

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, 2015**

**Exhibit E-1 (Continued)**

	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	\$ 212	\$ 38
Copier lease/rental	1,200	1,300	1,267	33
Other professional services	1,000	100	425	(325)
Hazmat clean-up	2,000	2,000	1,729	271
Communications	1,400	1,400	1,251	149
Utilities	18,150	18,150	14,930	3,220
Vehicle/equipment non-target	3,550	3,750	3,701	49
Vehicle maintenance/repairs	35,500	35,300	33,872	1,428
Equipment maintenance/repairs	14,950	14,550	12,195	2,355
Building maintenance and repair	3,000	4,200	3,678	522
Insurance	12,500	12,500	11,241	1,259
Dues/subscriptions/memberships	1,885	2,585	2,400	185
Marketing and promotional services	3,000	3,000	516	2,484
Travel and training	6,500	5,800	5,313	487
VFD utility service	20,000	20,000	17,083	2,917
Employee testing/physicals	700	700	360	340
Firefighter incentive program	196,500	196,500	194,683	1,817
Motor Vehicles	35,000	35,000	34,128	872
Total fire department	683,986	684,725	649,222	35,503
<b>Code Compliance</b>				
Regular salaries	307,609	266,752	265,637	1,115
Overtime	4,479	4,479	1,741	2,738
Certification pay	2,700	2,700	1,425	1,275
Longevity pay	1,098	1,099	1,099	-
FICA	24,303	20,569	19,640	929
TMRS	34,723	30,868	29,514	1,354
Workers' compensation	1,729	1,787	1,787	-
Unemployment insurance	1,824	1,824	97	1,727
Health insurance	34,797	28,927	27,079	1,848
Dental insurance	1,716	1,607	1,597	10
Life insurance	818	743	464	279
Office supplies	3,000	3,000	2,729	271
Photo and duplication supplies	2,500	2,500	1,197	1,303
Uniforms	1,000	1,000	435	565
Postage and freight	3,000	3,000	2,100	900
Fuel and lubricants	3,500	3,500	2,133	1,367
Tools and equipment < \$5,000	500	500	172	328
Legal services	2,000	2,000	301	1,699
Copier lease/rental	2,500	3,800	3,733	67
Other professional services	5,500	7,400	7,370	30
Demolitions and lot clearing	50,000	45,100	33,069	12,031

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Code Compliance (Continued)</b>				
Communications	\$ 3,065	\$ 2,634	\$ 2,115	\$ 519
Computer maintenance	3,500	3,500	3,142	358
Vehicle/equipment non-target	950	950	13	937
Vehicle maintenance/repairs	9,500	9,500	9,281	219
Insurance	1,600	1,600	1,270	330
Dues/subscriptions/memberships	500	500	354	146
Travel and training	3,000	3,872	4,132	(260)
Advertisement/notices	5,000	6,200	6,061	139
Employee testing/physicals	200	200	120	80
Total code compliance	516,611	462,111	429,807	32,304
 <b>Total public safety</b>	 5,616,376	 5,626,693	 5,485,926	 140,767
 <b>Public Works:</b>				
<b>Streets and Drainage</b>				
Regular salaries	204,968	184,747	136,012	48,735
Overtime	9,735	9,535	1,996	7,539
Part-time/temporary salaries	16,244	16,444	16,358	86
Certification pay	2,400	2,400	850	1,550
Longevity pay	1,578	1,578	1,073	505
FICA	17,972	16,425	11,798	4,627
TMRS	23,902	21,669	15,273	6,396
Workers' compensation	16,233	16,233	14,653	1,580
Unemployment insurance	1,596	1,596	162	1,434
Health insurance	38,010	35,086	26,377	8,709
Dental insurance	1,716	1,584	1,192	392
Life insurance	618	570	380	190
Office supplies	300	300	150	150
Janitorial supplies	200	200	99	101
Building, electrical and plumbing supplies	200	200	131	69
Batteries	250	250	77	173
Miscellaneous materials and supplies	500	500	273	227
Uniforms	2,500	2,500	535	1,965
Fuel and lubricants	19,500	19,500	12,727	6,773
Safety supplies and equipment	3,000	2,500	2,458	42
Tools and equipment < \$5,000	5,000	5,000	4,327	673
Chemicals	2,000	2,500	2,026	474
Parts for equipment	1,500	1,500	163	1,337
Street maintenance	72,604	72,604	35,137	37,467
Street sign supplies	6,000	6,000	4,035	1,965
First aid and medical supplies	250	250	210	40
Sanitation services	10,000	10,000	-	10,000
Pest control service	125	125	59	66
Copier lease/rental	700	700	654	46

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Streets and Drainage (Continued)</b>				
Street lights and signals	\$ 135,000	\$ 135,000	\$ 112,529	\$ 22,471
Other professional services	2,000	2,000	86	1,914
Communications	2,400	2,400	1,666	734
Utilities	2,400	2,400	1,437	963
Vehicle/equipment non-target	5,800	6,300	6,266	34
Vehicle maintenance/repairs	58,000	57,500	56,215	1,285
Equipment maintenance/repairs	1,500	1,500	112	1,388
Building maintenance and repair	1,500	1,500	1,099	401
Building and equipment rental	2,000	2,000	-	2,000
Insurance	12,000	12,000	10,368	1,632
Dues/subscriptions/memberships	250	250	-	250
Travel and training	1,440	1,440	-	1,440
Employee testing/physicals	1,000	1,000	825	175
Motor vehicles	27,000	27,000	25,222	1,778
Total streets and drainage	711,891	684,786	505,010	179,776
<b>Total public works</b>	711,891	684,786	505,010	179,776
<b>Public Health:</b>				
<b>Animal Control</b>				
Regular salaries	103,718	104,678	104,672	6
Overtime	6,223	4,923	4,820	103
Certification pay	3,600	3,600	3,600	-
Longevity pay	830	832	832	-
FICA	8,749	8,639	8,473	166
TMRS	12,501	12,501	12,450	51
Workers' compensation	3,395	3,295	3,054	241
Unemployment insurance	684	84	27	57
Health insurance	19,005	20,155	20,139	16
Dental insurance	858	858	858	-
Life insurance	309	309	274	35
Office supplies	4,000	4,000	3,755	245
Janitorial supplies	4,000	4,000	2,395	1,605
Building, electrical and plumbing supplies	3,000	3,800	3,237	563
Miscellaneous materials and supplies	10,000	10,000	9,846	154
Uniforms	1,450	590	90	500
Postage and freight	200	300	258	42
Fuel and lubricants	2,800	3,000	2,984	16
Safety supplies and equipment	900	900	724	176
Tools and equipment < \$5,000	5,400	4,600	3,019	1,581
Street sign supplies	200	200	120	80
First aid and medical supplies	5,000	3,000	1,256	1,744
Pest control service	300	621	527	94

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Animal Control (Continued)</b>				
Copier lease/rental	\$ 400	\$ 400	\$ 178	\$ 222
Other professional services	6,100	14,250	12,282	1,968
Communications	4,000	3,000	1,565	1,435
Utilities	23,000	18,300	18,293	7
Vehicle/equipment non-target	650	650	36	614
Vehicle maintenance/repairs	6,500	6,500	6,198	302
Equipment maintenance/repairs	800	800	-	800
Building maintenance and repair	5,000	4,662	3,122	1,540
Rental equipment and building	300	300	-	300
Insurance	2,600	2,600	2,512	88
Dues/subscriptions/memberships	150	275	275	-
Travel and training	1,000	1,000	785	215
Advertisements/notices	1,500	1,500	1,082	418
Employee testing/physicals	300	300	40	260
Total animal control	249,422	249,422	233,778	15,644
<b>Total public health</b>	249,422	249,422	233,778	15,644
<b>Culture and Recreation:</b>				
<b>Senior Services</b>				
Regular salaries	186,732	190,632	190,579	53
Overtime	574	74	-	74
Part-time temporary salaries	-	500	476	24
Longevity pay	2,416	2,421	2,420	1
FICA	14,514	14,714	14,698	16
TMRS	20,737	21,137	21,094	43
Workers' compensation	1,800	1,800	1,595	205
Unemployment insurance	1,140	140	45	95
Health insurance	19,005	19,405	19,364	41
Dental insurance	1,430	1,430	1,430	-
Life insurance	515	510	288	222
Office supplies	1,850	1,850	1,375	475
Janitorial supplies	1,280	1,050	991	59
Building, electrical and plumbing supplies	150	150	30	120
Landscaping supplies	500	500	-	500
Miscellaneous materials and supplies	300	300	206	94
Postage and freight	200	200	111	89
Fuel and lubricants	5,800	5,800	3,636	2,164
Safety supplies and equipment	75	75	-	75
Senior special supplies	-	230	116	114
First aid and medical supplies	1,000	100	-	100
Janitorial services	10,000	8,700	6,700	2,000

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Senior Services (Continued)</b>				
Pest control service	\$ 600	\$ 600	\$ 345	\$ 255
Copier lease/rental	1,200	1,350	1,274	76
Other professional services	2,600	2,200	2,112	88
Communications	665	815	754	61
Utilities	19,000	18,000	16,247	1,753
Computer maintenance	4,025	1,925	1,719	206
Vehicle/equipment non-target	600	1,500	1,422	78
Vehicle maintenance/repairs	6,000	6,300	6,198	102
Equipment maintenance/repairs	300	300	-	300
Building maintenance and repair	2,000	2,100	2,088	12
Insurance	5,000	5,000	3,929	1,071
Dues/subscriptions/memberships	145	145	131	14
Travel and training	1,580	1,280	972	308
Marketing and promotional services	700	700	616	84
Advertisement/notices	150	150	150	-
Employee testing/physicals	150	450	435	15
Building improvements	10,000	10,000	-	10,000
Total senior services	<u>324,733</u>	<u>324,533</u>	<u>303,546</u>	<u>20,987</u>
<b>Parks Maintenance</b>				
Regular salaries	135,615	135,615	111,599	24,016
Overtime	8,075	8,075	4,927	3,148
Part-time temporary salaries	-	7,000	5,629	1,371
Longevity pay	1,880	1,880	1,502	378
FICA	11,228	11,228	8,989	2,239
TMRS	16,042	16,042	13,025	3,017
Workers' compensation	4,051	4,051	3,813	238
Unemployment insurance	912	912	33	879
Health insurance	28,462	28,462	22,446	6,016
Dental insurance	1,001	1,001	858	143
Life insurance	361	361	242	119
Vehicle allowance	1,200	1,200	1,200	-
Office supplies	500	925	601	324
Janitorial supplies	1,200	1,200	257	943
Building, electrical and plumbing supplies	300	300	-	300
Landscaping supplies	3,100	1,600	562	1,038
Miscellaneous materials and supplies	1,600	1,600	595	1,005
Uniforms	1,000	1,000	766	234
Fuel and lubricants	7,200	7,200	6,908	292
Safety supplies and equipment	500	500	439	61
Tools and equipment < \$5,000	5,500	5,255	5,193	62
Chemicals	500	510	508	2
Parts for equipment	1,300	1,300	948	352
First aid and medical supplies	250	250	-	250

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Parks Maintenance (Continued)</b>				
Pest control service	\$ 500	\$ 500	\$ 245	\$ 255
Copier lease/rental	700	700	178	522
Other professional services	40,000	31,900	29,587	2,313
Communications	2,500	2,500	1,838	662
Utilities	1,500	3,700	3,653	47
Vehicle/equipment non-target	2,850	2,850	341	2,509
Vehicle maintenance/repairs	28,500	28,500	26,980	1,520
Equipment maintenance/repairs	1,000	1,000	180	820
Building and equipment rental	7,500	7,500	5,225	2,275
Insurance	5,300	5,300	4,982	318
Dues/subscriptions/memberships	350	350	245	105
Travel and training	1,000	1,015	1,015	-
Employee testing/physicals	200	395	395	-
Other equipment	13,500	13,500	12,745	755
Total parks maintenance	337,177	337,177	278,649	58,528
<b>Recreation</b>				
Regular salaries	74,081	77,381	77,287	94
Overtime	5,927	8,347	8,259	88
Part-time temporary salaries	36,095	31,295	31,138	157
Longevity pay	247	247	160	87
FICA	8,901	8,901	8,786	115
TMRS	8,763	9,363	9,303	60
Workers' compensation	3,211	3,211	2,866	345
Unemployment insurance	912	912	183	729
Health insurance	12,670	13,126	12,849	277
Dental insurance	572	572	572	-
Life insurance	206	206	182	24
Office supplies	2,000	2,500	2,424	76
Janitorial supplies	800	1,090	930	160
Building, electrical and plumbing supplies	1,200	1,200	1,099	101
Miscellaneous materials and supplies	18,000	16,000	12,089	3,911
Uniforms	750	750	370	380
Postage and freight	300	300	79	221
Tools and equipment < \$5,000	2,000	744	576	168
Street sign supplies	150	150	-	150
First aid and medical supplies	300	300	8	292
Pest control service	300	300	229	71
Copier lease/rental	1,800	1,800	1,128	672
Other professional services	1,500	1,625	1,522	103
Program instructors	30,000	30,000	28,224	1,776
Communications	-	980	813	167
Utilities	19,000	18,400	17,789	611
Computer maintenance	1,000	1,250	1,250	-

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Recreation (Continued)</b>				
Building maintenance and repair	\$ 10,000	\$ 9,685	\$ 7,877	\$ 1,808
Rental equipment and building	400	400	361	39
Insurance	1,900	1,900	1,743	157
Dues/subscriptions/memberships	300	300	113	187
Marketing & promotional service	1,200	1,850	1,765	85
Travel and training	500	500	400	100
Advertisement/notices	800	200	175	25
Employee testing/physicals	500	500	170	330
Total recreation	246,285	246,285	232,719	13,566
<b>Library</b>				
Regular salaries	183,390	183,390	165,784	17,606
Overtime	1,224	1,224	406	818
Part-time temporary salaries	85,477	81,377	68,485	12,892
Longevity pay	1,507	1,507	1,325	182
FICA	20,777	20,777	17,880	2,897
TMRS	20,250	20,250	19,791	459
Workers' compensation	815	815	738	77
Unemployment insurance	2,280	2,280	423	1,857
Health insurance	25,340	29,440	29,419	21
Dental insurance	1,144	1,144	1,065	79
Life insurance	412	412	317	95
Office supplies	7,300	8,200	7,645	555
Janitorial supplies	750	800	768	32
Landscaping supplies	1,500	600	338	262
Miscellaneous materials and supplies	7,750	7,700	5,712	1,988
Uniforms	300	300	-	300
Postage and freight	3,000	3,000	2,068	932
Computer parts and software	4,000	4,704	4,704	-
Books	30,560	30,560	30,126	434
First aid and medical supplies	150	150	77	73
Janitorial services	14,000	14,000	11,385	2,615
Copier lease/rental	6,500	6,500	6,436	64
Other professional services	500	500	35	465
Other leases/books	8,040	9,272	8,605	667
Communications	1,800	1,800	1,756	44
Utilities	15,000	15,000	14,159	841
Equipment maintenance/repairs	4,500	3,796	1,472	2,324
Building maintenance and repair	2,000	2,200	1,485	715
Insurance	2,700	2,700	2,560	140
Dues/subscriptions/memberships	7,600	9,100	7,679	1,421
Marketing and promotional services	5,890	5,890	5,329	561

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, 2015**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Library (Continued)</b>				
Travel and training	\$ 3,100	\$ 268	\$ 231	\$ 37
Employee testing/physicals	200	300	255	45
Total library	<u>469,756</u>	<u>469,956</u>	<u>418,458</u>	<u>51,498</u>
<b>Pride Commission</b>				
Landscaping supplies	(1,880)	1,680	-	1,680
Street sign supplies	(200)	400	373	27
Dues/subscriptions/memberships	(120)	120	100	20
Marketing & promotional services	(5,300)	5,300	5,150	150
Total Pride Commission	<u>(7,500)</u>	<u>7,500</u>	<u>5,623</u>	<u>1,877</u>
<b>Total culture and recreation</b>	<u>1,370,451</u>	<u>1,385,451</u>	<u>1,238,995</u>	<u>146,456</u>
<b>Non Departmental</b>				
Insurance claims paid	<u>-</u>	<u>-</u>	<u>554,996</u>	<u>(554,996)</u>
<b>Total non departmental</b>	<u>-</u>	<u>-</u>	<u>554,996</u>	<u>(554,996)</u>
<b>Total expenditures</b>	<u>9,761,975</u>	<u>9,940,069</u>	<u>10,616,802</u>	<u>(676,733)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,764,500)	(2,132,594)	(2,865,359)	(732,765)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from insurance refunds/claims	-	-	1,069,858	1,069,858
Proceeds from sale of general capital assets	-	-	33,958	33,958
Transfers in:				
Administrative cost share water/sewer fund	562,800	562,800	562,800	-
Administrative cost share crime district fund	62,500	62,500	54,262	(8,238)
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	-	-	-
Crime district	767,000	767,000	789,130	22,130
Total transfers in	<u>1,779,500</u>	<u>1,499,500</u>	<u>1,513,392</u>	<u>13,892</u>
Transfers out	<u>-</u>	<u>(560,000)</u>	<u>-</u>	<u>560,000</u>
Total other financing sources (uses)	<u>1,779,500</u>	<u>939,500</u>	<u>2,617,208</u>	<u>1,677,708</u>
<b>NET CHANGE IN FUND BALANCES</b>	15,000	(1,193,094)	(248,151)	944,943
<b>FUND BALANCE, OCTOBER 1, 2014</b>	<u>10,930,701</u>	<u>10,930,701</u>	<u>10,930,701</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 30, 2015</b>	<u>\$ 10,945,701</u>	<u>\$ 9,737,607</u>	<u>\$ 10,682,550</u>	<u>\$ 944,943</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Sales and use taxes	\$ 1,250,000	\$ 1,130,000	\$ 1,025,991	\$ (104,009)
Investment earnings	1,000	1,000	1,110	110
Total revenues	<u>1,251,000</u>	<u>1,131,000</u>	<u>1,027,101</u>	<u>(103,899)</u>
<b>EXPENDITURES</b>				
Current				
<b>Public Safety</b>				
Office supplies	-	432	432	-
Miscellaneous materials and supplies	1,300	1,300	842	458
Education materials	6,000	5,662	4,570	1,092
Ammunition	14,300	14,300	13,323	977
Uniforms	15,300	16,938	14,554	2,384
Tools and equipment < \$5,000	21,165	21,165	14,830	6,335
First aid and medical supplies	2,000	2,000	-	2,000
Other professional services	13,700	18,908	18,907	1
Communications	13,000	9,677	9,190	487
Equipment maintenance/repair	99,598	93,641	69,528	24,113
Building maintenance/repairs	-	5,117	5,117	-
Insurance	-	140	140	-
Dues/subscriptions/memberships	2,850	2,850	2,820	30
Travel and training	32,000	29,215	20,745	8,470
Contribute to other agencies	8,000	8,300	8,300	-
Data processing equipment	17,900	17,900	15,952	1,948
Motor vehicles	120,000	115,185	111,412	3,773
Building improvements	30,603	30,603	29,678	925
Other equipment	75,500	80,315	80,315	-
<b>Total public safety</b>	<u>473,216</u>	<u>473,648</u>	<u>420,655</u>	<u>52,993</u>
<b>Total expenditures</b>	<u>473,216</u>	<u>473,648</u>	<u>420,655</u>	<u>52,993</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	777,784	657,352	606,446	(50,906)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out:				
Administrative cost share to general fund	(62,500)	(62,500)	(54,262)	8,238
Transfer to general fund	(767,000)	(767,000)	(767,000)	-
Total transfers out	<u>(829,500)</u>	<u>(829,500)</u>	<u>(821,262)</u>	<u>8,238</u>
Total other financing sources (uses)	<u>(829,500)</u>	<u>(829,500)</u>	<u>(821,262)</u>	<u>8,238</u>
<b>NET CHANGE IN FUND BALANCES</b>	(51,716)	(172,148)	(214,816)	(42,668)
<b>FUND BALANCE, OCTOBER 1, 2014</b>	<u>821,456</u>	<u>821,456</u>	<u>821,456</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 30, 2015</b>	<u>\$ 769,740</u>	<u>\$ 649,308</u>	<u>\$ 606,640</u>	<u>\$ (42,668)</u>

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

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last 10 Years (will ultimately be displayed)**

**Exhibit E-3**

	2014
<b>Total Pension Liability</b>	
Service Cost	\$ 611,630
Interest (on the Total Pension Liability)	1,600,861
Changes of benefit terms (TMRS Plan Participation)	-
Difference between expected and actual experience	28,147
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(892,005)
Net Change in Total Pension Liability	1,348,633
Total Pension Liability - Beginning	23,009,625
Total Pension Liability - Ending	\$ 24,358,258
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 643,713
Contributions - Employee	315,411
Net Investment Income	1,163,983
Benefit payments, including refunds of employee contributions	(892,005)
Administrative Expense	(12,153)
Other	(999)
Net Change in Plan Fiduciary Net Position	1,217,950
Plan Fiduciary Net Position - Beginning	20,347,179
Plan Fiduciary Net Position - Ending	\$ 21,565,129
 <b>Net Pension Liability - Ending</b>	\$ 2,793,129
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.53%
 Covered Employee Payroll	\$ 5,973,238
 Net Pension Liability as a Percentage of Covered Employee Payroll	46.76%

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

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Schedule of Contributions**  
**Last 10 Fiscal Years (will ultimately be displayed)**

**Exhibit E-4**

	2014	2015
Actuarially Determined Contribution	\$ 591,914	\$ 651,832
Contributions in relation to the actuarially determined contribution	\$ 591,914	\$ 651,832
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 5,684,882	\$ 6,056,693
Contributions as a percentage of covered employee payroll	10.41%	10.76%

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

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2015**

**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, 2015**

**C. Excess of Expenditures Over Appropriations**

The expenditures of the general fund were greater than appropriations by \$676,733.

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	Hawaiian Falls escrow - 75% of sales tax	\$ 7,064
City Council	Contribution to EDC	840,000
Non Departmental	Insurance claims paid	554,996

The City Council over budget amount was for a contribution to the EDC for the balance of the note receivable from the EDC. The Non Departmental over budget amount was for insurance claims paid that were covered by insurance.

**D. Schedule of Contributions**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	
Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

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**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

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**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.*

**CITY OF WHITE SETTLEMENT, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$8,145,000**

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AS BOND COUNSEL FOR THE CITY OF WHITE SETTLEMENT, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Refunding Bonds, Series 2016, 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 that the Bonds, 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 refinanced 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 respective due dates. 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,

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Financial Advisory Services  
Provided By

