

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

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

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



**\$2,995,000**  
**CITY OF WHITE SETTLEMENT, TEXAS**  
**(Tarrant County)**  
**COMBINATION TAX AND LIMITED SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2018**

**Dated Date: October 1, 2018**  
**Interest Accrues from Delivery Date**

**Due: February 15, as shown on page 2**

**PAYMENT TERMS . . .** Interest on the \$2,995,000 City of White Settlement, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018 (the "Certificates") will accrue from the Delivery Date (defined below), and will be payable February 15 and August 15 of each year, commencing February 15, 2019, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of White Settlement, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's Water and Wastewater System, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "The Certificates - Authority for Issuance").

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

---

**MATURITY SCHEDULE**

**See page 2**

---

**LEGALITY . . .** The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

**DELIVERY . . .** It is expected that the Certificates will be available for delivery through the facilities of DTC on or about October 16, 2018 (the "Delivery Date").

**MATURITY SCHEDULE**

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

<u>Principal Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>	<u>Principal Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>
\$ 95,000	2019	5.000%	1.850%	PJ7	\$ 115,000	2024	5.000%	2.450%	PP3
85,000	2020	5.000%	2.050%	PK4	120,000	2025	5.000%	2.600%	PQ1
90,000	2021	5.000%	2.150%	PL2	140,000	2026	5.000%	2.700%	PR9
95,000	2022	5.000%	2.250%	PM0	150,000	2027	5.000%	2.800%	PS7
110,000	2023	5.000%	2.350%	PN8					

**\$315,000 3.000% Term Bonds Due February 15, 2029 Priced To Yield 2.950%<sup>(2)</sup>– Cusip #964542PU2**  
**\$330,000 3.250% Term Bonds Due February 15, 2031 Priced To Yield 3.100%<sup>(2)</sup>– Cusip #964542PW8**  
**\$355,000 3.375% Term Bonds Due February 15, 2033 Priced To Yield 3.200%<sup>(2)</sup>– Cusip #964542PY4**  
**\$375,000 3.500% Term Bonds Due February 15, 2035 Priced To Yield 3.350%<sup>(2)</sup>– Cusip #964542QA5**  
**\$620,000 3.625% Term Bonds Due February 15, 2038 Priced To Yield 3.500%<sup>(2)</sup>– Cusip #964542QD9**

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence 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 Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield to first call date of August 15, 2027.

**REDEMPTION . . .** The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see “The Certificates – Optional Redemption”). In addition, the Certificates maturing on February 15, 2029, February 15, 2031, February 15, 2033, February 15, 2035, and February 15, 2038 are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "The Certificates - Mandatory Sinking Fund Redemption").

*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 representation, 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. Any information and expressions of opinion herein contained 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 since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.*

*Neither the City nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.*

*The cover page of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.*

*The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with a purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

*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 statements.*

*The Certificates are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Certificates in accordance with applicable securities law provisions of the jurisdiction in which the Certificates have been registered, qualified or exempted should not be regarded as a recommendation thereof.*

**TABLE OF CONTENTS**

<b>OFFICIAL STATEMENT SUMMARY .....</b>	<b>4</b>	<b>OTHER INFORMATION .....</b>	<b>35</b>
<b>CITY OFFICIALS, STAFF AND CONSULTANTS .....</b>	<b>6</b>	RATING .....	35
ELECTED OFFICIALS .....	6	LITIGATION .....	35
SELECTED ADMINISTRATIVE STAFF .....	6	REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR	
CONSULTANTS AND ADVISORS .....	6	SALE .....	35
<b>INTRODUCTION .....</b>	<b>7</b>	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC	
<b>PLAN OF FINANCING .....</b>	<b>7</b>	FUNDS IN TEXAS .....	35
<b>THE CERTIFICATES .....</b>	<b>8</b>	LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE .....	35
<b>TAX INFORMATION .....</b>	<b>14</b>	AUTHENTICITY OF FINANCIAL DATA AND OTHER	
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL		INFORMATION .....	36
OBLIGATION DEBT .....	18	FINANCIAL ADVISOR .....	36
TABLE 2 - TAXABLE ASSESSED VALUATIONS		FORWARD-LOOKING STATEMENTS DISCLAIMER .....	36
BY CATEGORY .....	19	INITIAL PURCHASER OF THE CERTIFICATES .....	36
TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT		CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-	
HISTORY .....	20	LITIGATION .....	37
TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY .....	20	MISCELLANEOUS .....	37
TABLE 5 - TEN LARGEST TAXPAYERS .....	20	<b>APPENDICES</b>	
TABLE 6 - ESTIMATED OVERLAPPING DEBT .....	21	GENERAL INFORMATION REGARDING THE CITY .....	A
<b>DEBT INFORMATION .....</b>	<b>22</b>	EXCERPTS FROM THE COMPREHENSIVE ANNUAL	
TABLE 7 - GENERAL OBLIGATION DEBT SERVICE		FINANCIAL REPORT .....	B
REQUIREMENTS .....	22	FORM OF OPINION OF BOND COUNSEL .....	C
TABLE 8 - INTEREST AND SINKING FUND BUDGET			
PROJECTION .....	23		
TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT .....	23		
TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL			
OBLIGATION BONDS .....	23		
TABLE 11 - OTHER OBLIGATIONS .....	23		
<b>FINANCIAL INFORMATION .....</b>	<b>26</b>		
TABLE 12 - CHANGES IN NET ASSETS .....	26		
TABLE 12-A - GENERAL FUND REVENUES AND			
EXPENDITURE HISTORY .....	27		
TABLE 13 - MUNICIPAL SALES TAX HISTORY .....	28		
TABLE 14 - CURRENT INVESTMENTS .....	30		
<b>TAX MATTERS .....</b>	<b>31</b>		
<b>CONTINUING DISCLOSURE OF INFORMATION 34</b>			

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

**OFFICIAL STATEMENT SUMMARY**

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

- THE CITY**..... The City of White Settlement, 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 CERTIFICATES** ..... The \$2,995,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018 are to mature on February 15 in the years 2019 through 2027, inclusive, and in part as term certificates to mature on February 15, 2029, February 15, 2031, February 15, 2033, February 15, 2035, and February 15, 2038 (see "The Certificates - Description of the Certificates").
  
- PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from the Delivery Date, and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates").
  
- AUTHORITY FOR ISSUANCE**..... The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance passed by the City Council of the City (see "The Certificates - Authority for Issuance").
  
- SECURITY FOR THE CERTIFICATES** ..... The Certificates constitute direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's Water and Wastewater System (the "System") as provided in the Ordinance (see "The Certificates - Security and Source of Payment").
  
- REDEMPTION** ..... The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption"). In addition, the Certificates maturing on February 15, 2029, February 15, 2031, February 15, 2033, February 15, 2035, and February 15, 2038 are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "The Certificates - Mandatory Sinking Fund Redemption").
  
- TAX MATTERS** ..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "Tax Matters" herein.
  
- USE OF PROCEEDS**..... Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related drainage, signalization, landscaping, screening walls, lighting and signage for said projects; (ii) major repairs and renovations to existing municipal buildings, including primarily City Hall, Police Department building, Animal Control building, fire station, municipal library building, recreation center building and park maintenance building; (iii) acquisition of equipment and vehicles for street department, public works department, animal control department, police department, fire department, parks department, and other municipal departments; (iv) construction and installation of stormwater drainage improvements; (v) constructing, acquiring, installing and equipping of additions, extensions and improvements to the City's water and wastewater system; (vi) acquisition of land and interests in land necessary for such projects; and (vii) paying legal, fiscal, engineering and other professional fees in connection with such projects and the costs associated with the issuance of the Certificates (see "Plan of Financing - Purpose of the Certificates").
  
- RATING** ..... The Certificates are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement. The City also has debt rated by Moody's Investors Service, Inc. ("Moody's").

**QUALIFIED TAX-EXEMPT**

**OBLIGATIONS** ..... The City designated the Certificates as “qualified tax-exempt obligations” for financial institutions (see “TAX MATERS – Qualified Tax-Exempt Obligations for Financial Institutions”).

**PAYING AGENT/REGISTRAR**..... The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.

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

**PAYMENT RECORD** ..... The City has never defaulted in payment of its general obligation tax debt.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation <sup>(3)</sup>	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Fiscal Year	Per Capita Net Funded Tax Debt	Ratio Net Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2014	16,680 <sup>(1)</sup>	\$ 547,793,362	\$ 32,841	\$ 8,455,000	\$ 507	1.54%	99.40%
2015	16,740 <sup>(1)</sup>	551,700,707	32,957	15,045,000	899	2.73%	99.48%
2016	16,830 <sup>(1)</sup>	635,818,116	37,779	15,170,000	901	2.39%	99.74%
2017	16,915 <sup>(2)</sup>	651,417,014	38,511	14,435,000	853	2.22%	98.95%
2018	17,000 <sup>(2)</sup>	702,737,371	41,337	16,115,000 <sup>(4)</sup>	948	2.29%	99.46% <sup>(5)</sup>

- (1) Source: North Central Texas Council of Governments.
- (2) Estimated, provide by City Staff.
- (3) As reported by Tarrant Appraisal District.
- (4) Projected; includes the Certificates.
- (5) Collections through partial year only, through August 1, 2018.

*(The Remainder of This Page Left Blank Intentionally)*

**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	3 Years 9 Months	November, 2020	Retired
Paul Moore Councilmember, Place 1	7 Years 2 Months	November, 2017	Retired
Evelyn Spurlock Councilmember, Place 2	1 Year 9 Months	November, 2019	Mortgage Underwriter
Danny Anderson Councilmember, Place 3	1 Year 9 Months	November, 2019	Lockheed Martin Employee
VACANT <sup>(1)</sup> Councilmember, Place 4		November, 2018	
Gregg Geesa Councilmember, Place 5	9 Months	November, 2018	Business Owner

(1) The Vacancy in Place 4 to be filled following the City’s general election on November 6, 2018.

**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>
Jeff James	City Manager	10 Years	1 Year
Krystal Crump	Interim Finance Director	1 Year 5 Months	3 Months
Amy Arnold	City Secretary	10 Years 6 Months	10 Years 6 Months
Warren Spencer	City Attorney	7 Years	7 Years

**CONSULTANTS AND ADVISORS**

Auditors .....George, Morgan & Sneed, P.C.  
Weatherford, Texas

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

Financial Advisors ..... Hilltop Securities Inc.  
Fort Worth, Texas

For additional information regarding the City, please contact:

Krystal Crump Interim Finance Director City of White Settlement 214 Meadow Park Drive White Settlement, Texas 76108 (817) 246-4971	or	Laura Alexander Adam LanCarte Hilltop Securities Inc. 777 Main Street, Suite 1200 Fort Worth, Texas 76102 (817) 332-9710
---	----	---

**OFFICIAL STATEMENT**

**RELATING TO**

**\$2,995,000**

**COMBINATION TAX AND LIMITED SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2018**

**INTRODUCTION**

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$2,995,000 City of White Settlement, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined) adopted on September 18, 2018, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates 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, Hilltop Securities Inc. ("HilltopSecurities"), 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 16, 2015. 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 2018 population is 17,000. The City covers approximately 4.87 square miles.

**PLAN OF FINANCING**

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

## THE CERTIFICATES

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated October 1, 2018, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Delivery Date and 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, 2019 until maturity or prior redemption. The definitive Certificates 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 Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance adopted by the City Council authorizing the issuance of the Certificates (the "Ordinance").

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

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts a maximum rate of \$1.50 per \$100 Taxable Assessed Valuation.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2027, or any date thereafter, at a price equal to the principal amount called for redemption plus accrued interest to the fixed date for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and amounts thereof to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the City shall direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to call by lot the Certificates, or portions thereof, within such maturity or maturities and in such principal amounts for redemption. If any Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

**MANDATORY SINKING FUND REDEMPTION . . .** In addition to being subject to optional redemption as provided above, the Certificates maturing on February 15, 2029, February 15, 2031, February 15, 2033, February 15, 2035, and February 15, 2038 (the "Term Certificates") are subject to mandatory sinking fund redemption in in the following amounts (subject to reduction as hereinafter provided) on the following dates at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to redemption.:

Term Bonds Due February 15, 2029	
Redemption Date	Principal Amount
February 15, 2028	\$ 155,000
February 15, 2029*	160,000
	<u>\$ 315,000</u>

Term Bonds Due February 15, 2031	
Redemption Date	Principal Amount
February 15, 2030	\$ 160,000
February 15, 2031*	170,000
	<u>\$ 330,000</u>

Term Bonds Due February 15, 2033	
Redemption Date	Principal Amount
February 15, 2032	\$ 175,000
February 15, 2033*	180,000
	<u>\$ 355,000</u>

Term Bonds Due February 15, 2035	
Redemption Date	Principal Amount
February 15, 2034	\$ 185,000
February 15, 2035*	190,000
	<u>\$ 375,000</u>

Term Bonds Due February 15, 2038	
Redemption Date	Principal Amount
February 15, 2036	\$ 200,000
February 15, 2037	205,000
February 15, 2038*	215,000
	<u>\$ 620,000</u>

\* Stated Maturity.

The particular Term Certificates to be redeemed shall be selected by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection. The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of the same maturity which, at least forty-five (45) days prior to a mandatory redemption date (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ALL OTHER CONDITIONS TO REDEMPTION SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, 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, 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 Certificates, 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 Certificates, 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 (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (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. 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.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to take any action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

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

*The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, 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 Certificates), 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 Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of

Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 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 Certificates 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 Certificates, 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 Initial Purchaser.

**Effect of Termination of Book-Entry-Only System** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Certificates - 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 Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**PAYMENT** . . . Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the definitive Certificates will be registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-entry-only System" herein.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "The Certificates - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (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 Certificate called for redemption, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

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

In the event of a non payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**AMENDMENTS . . .** In 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 sure 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 interest of the holders. The Ordinance further provides that the holders of the Certificates, as applicable, aggregating in principal amount 51% of the outstanding Certificates, as the case may be, 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 Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

**CERTIFICATEHOLDERS' REMEDIES** . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the 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 of a Certificate 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 Certificates or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates 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 owners of the Certificate 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 Interest, Ltds. v. City of Jacksonville*, 489 S.W.3d 427 (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 has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Certificates may not be able to bring such a suit against the City for breach of the Certificates or the Ordinance covenants in the absence of City action. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders 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 Certificates are qualified with respect to governmental immunity and to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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

*(The Remainder of This Page Left Blank Intentionally)*

## 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 that would not 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 in the preceding tax year, plus (b) the property's appraised value in the preceding tax 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 Appraisal Review Board.

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

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

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

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

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

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

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes 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, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding repairs or improvements required to comply with governmental requirements) and such freeze 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, the tax rate limitation may not 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. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

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

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision in the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner 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 is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to 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 obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

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

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

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

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

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

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

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

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

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
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.

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.

*(The Remainder of This Page Left Blank Intentionally)*

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

2017/18 Market Valuation Established by Tarrant Appraisal District		\$ 789,063,548
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead, Over 65 and Disabled	\$ 83,224,724	
Disabled Veterans	3,028,700	
Solar & Wind	1	
Nominal Value	<u>72,752</u>	<u>86,326,177</u>
2017/18 Taxable Assessed Valuation		<u><u>\$ 702,737,371</u></u>
2018/19 Taxable Assessed Valuation (as certified July 20, 2018)		\$ 820,393,586
General Obligation Debt Payable from Ad Valorem Taxes (as of 8-1-18)		
General Obligation Debt	\$ 21,230,000	
The Certificates	<u>2,995,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 24,225,000
Less: Self Supporting Debt <sup>(1)</sup>		
Water and Wastewater Certificates of Obligation		<u>8,110,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 16,115,000
Interest and Sinking Fund (as of 8-1-18)		\$ 563,049
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation . . . . .		2.29%

2018 Estimated Population - 17,000  
Per Capita Taxable Assessed Valuation - \$41,337  
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$948

(1) General obligation debt in the amounts shown for which repayment is provided from revenues of the water and wastewater system. The amount of self-supporting debt is based on the percentage of revenue support as shown in Table 9. It is the City's current policy to provide these payments from water and wastewater system revenues; this policy is subject to change in the future. If future water and wastewater system revenues are insufficient to pay self-supporting debt service, the City will levy an ad valorem tax sufficient to pay debt service.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2018		2017		2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 392,125,875	49.70%	\$ 369,016,629	50.20%	\$ 307,225,337	43.01%
Real, Residential, Multi-Family	91,833,007	11.64%	71,518,057	9.73%	58,134,404	8.14%
Real, Vacant Lots/Tracts	10,632,399	1.35%	10,287,656	1.40%	10,946,821	1.53%
Real, Acreage (Land Only)	968	0.00%	968	0.00%	1,176	0.00%
Real, Commercial	165,228,818	20.94%	144,742,640	19.69%	139,416,745	19.52%
Real, Industrial	13,649,429	1.73%	17,723,511	2.41%	12,158,599	1.70%
Real Property, Oil, Gas and Other Minerals	332,480	0.04%	456,860	0.06%	12,150,590	1.70%
Real and Tangible Personal, Utilities	17,686,707	2.24%	15,097,812	2.05%	12,794,397	1.79%
Tangible Personal, Commercial	42,191,673	5.35%	27,976,466	3.81%	34,673,248	4.85%
Tangible Personal, Industrial	47,430,766	6.01%	70,618,718	9.61%	118,835,297	16.63%
Tangible Personal, Mobile Homes	1,156,834	0.15%	1,254,128	0.17%	1,133,287	0.16%
Tangible Personal, Other	6,794,592	0.86%	6,443,592	0.88%	6,911,276	0.97%
Total Appraised Value Before Exemptions	\$ 789,063,548	100.00%	\$ 735,137,037	100.00%	\$ 714,381,177	100.00%
Less: Total Exemptions/Reductions	(86,326,177)		(83,720,023)		(78,563,061)	
Taxable Assessed Value	<u>\$ 702,737,371</u>		<u>\$ 651,417,014</u>		<u>\$ 635,818,116</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 298,518,798	47.55%	\$ 279,972,341	45.06%
Real, Residential, Multi-Family	53,261,944	8.48%	48,171,461	7.75%
Real, Vacant Lots/Tracts	11,491,009	1.83%	7,372,271	1.19%
Real, Acreage (Land Only)	278,348	0.04%	3,116,921	0.50%
Real, Commercial	135,714,323	21.62%	136,496,627	21.97%
Real, Industrial	9,410,436	1.50%	1,399,400	0.23%
Real Property, Oil, Gas and Other Minerals	13,725,930	2.19%	5,593,230	0.90%
Real and Tangible Personal, Utilities	15,149,166	2.41%	12,212,468	1.97%
Tangible Personal, Commercial	38,648,700	6.16%	34,110,633	5.49%
Tangible Personal, Industrial	49,327,557	7.86%	89,868,298	14.47%
Tangible Personal, Mobile Homes	1,000,250	0.16%	975,400	0.16%
Tangible Personal, Other	1,307,479	0.21%	1,976,696	0.32%
Total Appraised Value Before Exemptions	\$ 627,833,940	100.00%	\$ 621,265,746	100.00%
Less: Total Exemptions/Reductions	(76,133,233)		(73,472,384)	
Taxable Assessed Value	<u>\$ 551,700,707</u>		<u>\$ 547,793,362</u>	

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

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

Fiscal Year Ended 9-30	Estimated Population	Taxable Assessed Valuation <sup>(3)</sup>	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
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	16,915 <sup>(2)</sup>	651,417,014	38,511	14,435,000	2.22%	853
2018	17,000 <sup>(2)</sup>	702,737,371	41,337	16,115,000 <sup>(4)</sup>	2.29%	948

(1) Source: North Texas Council of Governments.

(2) Estimated, provided by City staff.

(3) As reported by Tarrant Appraisal District.

(4) Projected; includes the Certificates and excludes self-supporting debt.

**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
2014	\$ 0.670653	\$ 0.535754	\$ 0.134899	\$ 3,846,840	98.56%	99.40%
2015	0.690660	0.550295	0.140365	4,282,033	98.43%	99.48%
2016	0.733103	0.579116	0.153987	4,731,884	98.56%	99.74%
2017	0.755693	0.602893	0.152800	5,086,294	98.21%	98.95%
2018	0.762127	0.611219	0.150908	5,549,224	98.93% <sup>(1)</sup>	99.46% <sup>(1)</sup>

(1) Collections for part year only, through August 1, 2018.

**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2017/18 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
SPM Flow Control Inc.	Petroleum	\$ 45,721,595	6.51%
WG NLA LLC	Commercial	17,315,136	2.46%
Lowrance Properties	Real Estate	10,376,996	1.48%
Manitoba Management Inc	Real Estate	9,963,703	1.42%
Deepdale Investments LTD	Real Estate	9,900,000	1.41%
AV Brickell Pointe Ltd	Real Estate	9,801,150	1.39%
AV Beacon LLC	Real Estate	8,375,000	1.19%
Graham Realty Investments Ltd.	Commercial	7,889,000	1.12%
Lowe's Home Centers Inc.	Home Improvement	7,555,800	1.08%
ABC Supply Co. Inc.	Building Materials Retail	6,948,974	0.99%
		<u>\$ 133,847,354</u>	<u>19.05%</u>

**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 (see "The Certificates - 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	2017/18	2017/18	Total	Estimated	City's	Authorized
	Taxable				Overlapping	
	Assessed	Tax	Funded	%	Funded Debt	Debt as of
	Value	Rate	Debt	Applicable	As of 8-1-18	8/1/2018
City of White Settlement	\$ 702,737,371	\$ 0.755693	\$ 16,115,000 <sup>(1)</sup>	100.00%	\$ 16,115,000 <sup>(1)</sup>	\$ -
Fort Worth Independent School District	36,004,103,760	1.352000	966,280,000	0.06%	579,768.00	564,360,000
Tarrant County	173,599,602,263	0.244000	294,500,000	0.45%	1,325,250.00	30,600,000
Tarrant County College District	174,307,301,881	0.140100	-	0.45%	-	-
Tarrant County Hospital District	173,702,738,366	0.224400	19,300,000	0.45%	86,850.00	-
White Settlement Independent School District	1,867,123,354	1.540000	156,267,001	40.63%	63,491,282.51	-
Total Direct and Overlapping G.O. Debt . . . . .					\$ 81,598,151	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation . . . . .						11.61%
Per Capita Overlapping G.O. Debt . . . . .					\$ 4,800	

(1) Excludes self-supporting debt, includes the Certificates.

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service <sup>(1)</sup>			The Certificates <sup>(2)</sup>			Total Tax Supported Debt Service	Less: Self- Supporting Debt Service	Net Tax Supported Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2018	\$ 1,315,000	\$ 798,742	\$ 2,113,742	\$ -	\$ -	\$ -	\$ 2,113,742	\$ 905,662	\$ 1,208,080	
2019	1,360,000	757,919	2,117,919	95,000	95,428	190,428	2,308,347	909,300	1,399,047	
2020	1,370,000	720,759	2,090,759	85,000	110,881	195,881	2,286,640	884,900	1,401,740	
2021	1,410,000	687,622	2,097,622	90,000	106,506	196,506	2,294,129	893,475	1,400,654	
2022	1,235,000	655,109	1,890,109	95,000	101,881	196,881	2,086,990	689,600	1,397,390	27.62%
2023	1,265,000	621,195	1,886,195	110,000	96,756	206,756	2,092,952	691,450	1,401,502	
2024	1,305,000	582,607	1,887,607	115,000	91,131	206,131	2,093,738	695,850	1,397,888	
2025	1,345,000	542,817	1,887,817	120,000	85,256	205,256	2,093,073	694,725	1,398,348	
2026	1,375,000	497,875	1,872,875	140,000	78,756	218,756	2,091,631	690,975	1,400,656	
2027	1,425,000	446,825	1,871,825	150,000	71,506	221,506	2,093,331	694,188	1,399,143	56.40%
2028	1,480,000	392,548	1,872,548	155,000	65,431	220,431	2,092,979	696,113	1,396,867	
2029	1,535,000	335,413	1,870,413	160,000	60,706	220,706	2,091,119	692,000	1,399,119	
2030	900,000	283,750	1,183,750	160,000	55,706	215,706	1,399,456	191,125	1,208,331	
2031	945,000	237,625	1,182,625	170,000	50,344	220,344	1,402,969	193,625	1,209,344	
2032	990,000	189,250	1,179,250	175,000	44,628	219,628	1,398,878	190,750	1,208,128	82.52%
2033	1,040,000	138,500	1,178,500	180,000	38,638	218,638	1,397,138	192,500	1,204,638	
2034	1,100,000	85,000	1,185,000	185,000	32,363	217,363	1,402,363	193,750	1,208,613	
2035	1,150,000	28,750	1,178,750	190,000	25,800	215,800	1,394,550	189,625	1,204,925	
2036	-	-	-	200,000	18,850	218,850	218,850	-	218,850	
2037	-	-	-	205,000	11,509	216,509	216,509	-	216,509	99.16%
2038	-	-	-	215,000	3,897	218,897	218,897	-	218,897	100.00%
	<u>\$ 22,545,000</u>	<u>\$ 8,002,303</u>	<u>\$ 30,547,303</u>	<u>\$ 2,995,000</u>	<u>\$ 1,245,975</u>	<u>\$ 4,240,975</u>	<u>\$ 34,352,872</u>	<u>\$ 10,289,611</u>	<u>\$ 24,063,261</u>	

(1) "Outstanding Debt" includes self-supporting debt.

(2) Average life of the issue - 11.364 years. Interest on the Certificates has been calculated at the rates stated on page 2 hereof.

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

Tax Supported Debt Service Requirements, Fiscal Year Ended, 9/30/18 . . . . .		\$ 1,208,080
Budgeted Interest and Sinking Fund Balance, 9/30/17 . . . . .	\$ 273,144	
2017/18 Budgeted Interest and Sinking Fund Tax Levy . . . . .	1,116,747	
Budgeted Transfers . . . . .	283,617	
Investment Earnings . . . . .	<u>2,090</u>	<u>1,675,598</u>
Estimated Balance, 9/30/18 . . . . .		<u><u>\$ 467,518</u></u>

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

Net Revenue Available for Debt Service from Water and Wastewater System, Fiscal Year Ended 9-30-17 . . . . .	\$ 1,340,964
Less: Revenue Bond Requirements, 2018 Fiscal Year . . . . .	<u>-</u>
Balance Available for Other Purposes . . . . .	\$ 1,340,964
System General Obligation Bond Requirements, 2018 Fiscal Year . . . . .	<u>905,662</u>
Balance . . . . .	<u><u>\$ 435,302</u></u>
Percentage of Water and Wastewater System General Obligation Bonds Self-Supporting . . . . .	100.00%

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

The City currently does not have any authorized but unissued general obligation debt as of August 1, 2018.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . .** The City does not anticipate issuing additional tax-supported debt in the next 12 months.

**TABLE 11 – OTHER OBLIGATIONS**

As of August 1, 2018, the City has not outstanding lease obligations.

**PENSION FUND . . .** The City participates as one of 872 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. TMR'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-finance monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment 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:

	<u>Plan Year 2016</u>	<u>Plan Year 2017</u>
Employee deposit rate	5.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuitiy Increase (to retirees)	70% of CPI	70% of CPI

As of the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	81
Inactive Employees Entitled to But Not Yet Receiving Benefits	103
Active Employees	<u>117</u>
	301

*Contributions* . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earning, 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 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 October – December 2016 and 7% of their annual gross earnings during January – September 2017. The contribution rates for the City were 10.52% and 17.88% in calendar years 2016 and 2017, respectively. The City’s contributions to TMRS for the year ended September 30, 2017, were \$992,694, and were equal to the required contributions

*Net Pension Liability* . . . The City’s Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, 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 Blue Collar Adjustment, 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 are projected on a fully generational basis by scale BB to account to future mortality improvements. For disable annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and well as the protection of income, in order to satisfy the short-term and long-term funding needs to 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. In

determining their best estimate of a recommended investment return assumption under the various alternate asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

*Discount Rate* . . . The discount rate used to measure the Total Pension Liability was 6.75%. 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance as of 12/31/2015	\$ 25,659,650	\$ 21,585,493	\$ 4,074,157
Changes for the year:			
Service cost	729,404	-	\$ 729,404
Interest	2,003,764	-	2,003,764
Change of benefit terms	4,294,719	-	4,294,719
Difference between expected and actual experience	(182,401)	-	(182,401)
Change of assumptions	-	-	-
Contributions - employer	-	644,276	(644,276)
Contributions - employee	-	306,215	(306,215)
Net investment income	-	1,458,796	(1,458,796)
Benefit payments, including refunds of employee contributions	(1,267,348)	(1,267,348)	-
Administrative expense	-	(16,475)	16,475
Other changes	-	(888)	888
Net changes	5,578,138	1,124,576	4,453,562
Balance as of 12/31/2016	\$ 31,237,788	\$ 22,710,069	\$ 8,527,719

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculate using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 13,284,462	\$ 8,527,719	\$ 4,663,088

For additional information regarding the City's Pension Fund, See Note 10 in the City's 2017 CAFR - located in Appendix B of this Official Statement.

## FINANCIAL INFORMATION

**TABLE 12 - CHANGES IN NET ASSETS**

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Revenues:					
<u>Program Revenues</u>					
Charges for Services	\$ 1,338,959	\$ 1,092,407	\$ 1,025,919	\$ 1,159,455	\$ 1,294,734
Operating Grants and Contributions	100,866	92,910	70,393	67,809	53,723
Capital Grants and Contributions	397,251	-	130,272	6,642,294 <sup>(1)</sup>	-
<u>General Revenues</u>					
Property Taxes	5,108,248	4,712,833	4,324,727	3,919,467	3,954,575
Sales Taxes	4,017,558	4,461,628	3,212,591	3,979,692	3,615,774
Franchise Taxes	1,253,174	1,218,433	1,329,368	1,247,023	1,168,219
Hotel Occupancy Taxes	357,912	318,010	268,954	206,043	185,394
Oil and Gas Royalties	35,314	38,836	32,265	178,041	126,346
Interest Earnings	207,537	125,753	49,293	31,932	25,035
Gain on Sale of Assets	385,427	25,359	33,958	(90,969)	25,265
Other Revenue	208,641	198,943	1,119,747	56,160	102,580
Total Revenues	<u>\$ 13,410,887</u>	<u>\$ 12,285,112</u>	<u>\$ 11,597,487</u>	<u>\$ 17,396,947</u>	<u>\$ 10,551,645</u>
Expenses:					
General Government	\$ 3,004,317	\$ 1,770,465	\$ 3,236,070	\$ 2,622,855	\$ 1,467,221
Public Safety	8,351,956	6,165,619	6,047,017	5,908,877	5,768,084
Public Works	1,510,737	1,310,577	1,092,938	1,349,597	1,196,989
Public Health	261,628	218,176	232,981	227,709	206,776
Economic Development	351,446	194,280	-	-	-
Culture and Recreation	4,816,249	3,073,280	1,485,946	1,489,447	1,458,161
Non-Departmental	-	468,674	554,996	-	-
Interest on Long-Term Debt	1,161,107	1,283,842	384,286	303,809	275,917
Bond Issuance Costs	62,870	-	247,157	-	-
Total Expenses	<u>\$ 19,520,310</u>	<u>\$ 14,484,913</u>	<u>\$ 13,281,391</u>	<u>\$ 11,902,294</u>	<u>\$ 10,373,148</u>
Increase in Net Position					
before Transfers	\$ (6,109,423)	\$ (2,199,801)	\$ (1,683,904)	\$ 5,494,653	\$ 178,497
Transfers	<u>(788,362)</u>	<u>464,139</u>	<u>670,000</u>	<u>670,000</u>	<u>584,700</u>
Increase (Decrease) in Net Position	\$ (6,897,785)	\$ (1,735,662)	\$ (1,013,904)	\$ 6,164,653	\$ 763,197
Net Position October 1	35,211,667	30,311,723	33,001,835	26,837,182	26,236,397
Prior Period Adjustment	-	6,635,606	(1,676,208)	-	(162,412)
Net Position September 30	<u>\$ 28,313,882</u>	<u>\$ 35,211,667</u>	<u>\$ 30,311,723</u>	<u>\$ 33,001,835</u>	<u>\$ 26,837,182</u>

(1) Includes \$6,553,000 for Farmers Branch Flood Reduction Improvements funded by the U.S. Corps of Engineers.

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

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
<u>Taxes:</u>					
Ad Valorem	\$ 4,063,967	\$ 3,813,041	\$ 3,443,108	\$ 3,111,733	\$ 2,915,658
Sales	2,051,058	2,280,010	2,186,600	2,695,789	2,456,233
Franchise	939,417	901,835	989,747	962,473	905,973
Fines and Forefeitures	527,474	492,184	499,021	498,862	488,501
Licenses and Permits	467,211	296,454	344,623	446,404	552,803
Intergovernmental Revenue	36,000	36,000	90,541	99,419	69,847
Charges for Services	170,115	130,530	124,355	160,882	191,455
Oil and Gas Royalties	35,314	38,836	32,265	178,041	126,346
Investment Earnings	105,316	30,329	20,422	15,940	18,933
Other Revenue	125,084	49,238	20,761	26,652	19,931
Total Revenues	<u>\$ 8,520,956</u>	<u>\$ 8,068,457</u>	<u>\$ 7,751,443</u>	<u>\$ 8,196,195</u>	<u>\$ 7,745,680</u>
<u>Expenditures</u>					
<u>Current:</u>					
General Government	\$ 2,182,511	\$ 1,688,726	\$ 2,598,097	\$ 2,540,547	\$ 1,437,870
Public Safety	5,308,011	5,423,459	5,485,926	5,119,154	5,812,395
Public Works	467,785	467,602	505,010	568,797	622,595
Public Health	181,188	224,739	233,778	220,462	199,625
Culture and Recreation	1,133,726	1,280,752	1,238,995	1,274,713	1,190,652
Non-Departmental	-	462,424	554,996	-	-
Total Expenditures	<u>\$ 9,273,221</u>	<u>\$ 9,547,702</u>	<u>\$ 10,616,802</u>	<u>\$ 9,723,673</u>	<u>\$ 9,263,137</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (752,265)	\$ (1,479,245)	\$ (2,865,359)	\$ (1,527,478)	\$ (1,517,457)
<u>Other Financing Sources (Uses):</u>					
Proceeds from Insurance Recoveries	\$ 41,333	\$ 24,882	\$ 1,069,858	\$ 3,234	\$ 30,341
Proceeds from Sale of General Capital Assets	363,842	59,219	33,958	54,999	25,265
Proceeds from Capital Lease	-	-	-	-	798,336
Transfers In	1,742,654	1,705,330	1,513,392	1,500,024	1,561,872
Transfers Out	(1,082,075)	(602,663)	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 1,065,754</u>	<u>\$ 1,186,768</u>	<u>\$ 2,617,208</u>	<u>\$ 1,558,257</u>	<u>\$ 2,415,814</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 313,489	\$ (292,477)	\$ (248,151)	\$ 30,779	\$ 898,357
Fund Balance - October 1	10,390,073	10,682,550	10,930,701	10,899,922	10,001,565
Prior Period Adjustments	-	-	-	-	-
Fund Balance - September 30	<u>\$ 10,703,562</u> <sup>(1)</sup>	<u>\$ 10,390,073</u>	<u>\$ 10,682,550</u>	<u>\$ 10,930,701</u>	<u>\$ 10,899,922</u>

(1) \$9,831,907 of the fund balance is unassigned.

**TABLE 13 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Texas, 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 Certificates. 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
2014	\$ 2,695,789	70.08%	\$ 0.4921	\$ 162
2015	2,261,653	52.82%	0.4099	135
2016	2,280,010	48.18%	0.3586	135
2017	2,051,058	40.33%	0.3149	121
2018 <sup>(1)</sup>	2,166,046	39.03%	0.3082	127

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
2014	1,283,903	1,331,070
2015	1,085,232	1,130,826
2016	1,088,398	1,093,220
2017	955,842	1,010,658
2018 <sup>(1)</sup>	1,048,025	1,083,023

(1) Collections through August 1, 2018.

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	6.25¢
Total	8.25¢

**FINANCIAL POLICIES**

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

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

*General Fund Balance* . . . According to City Policy, the minimum unassigned fund balance acceptable in the General Fund is the equivalent of one-hundred forty-four (144) days expenditure. The General Fund has a four-hundred and twenty one days (421) reserve as of September 30, 2017.

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 State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) 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 (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the City, (iv) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (v) the agreement to lend securities has a term of one year or less.

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

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

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

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

**TABLE 14 - CURRENT INVESTMENTS**

As of August 1, 2018, the City's investable funds were invested as shown below.

<u>Description</u>	<u>Percent</u>	<u>Book Value</u>	<u>Market Value</u>
Demand Accounts	4.40%	\$ 1,846,631	\$ 1,846,631
Money Market Accounts	45.81%	19,210,031	19,210,031
BBVA Libor	0.00%	0.20	0.20
CD's	49.78%	20,874,234	20,874,234
TexPool	0.00%	1,621	1,621
	100.00%	\$ 41,932,517	\$ 41,932,517

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to another instrument, index, or commodity.

## TAX MATTERS

**OPINION** . . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates 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 Certificates. See Appendix C -- Form of Opinion of Bond Counsel.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates 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 Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

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. The 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 such 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 Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed with the proceeds of the Certificates. 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 Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates 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 Certificates may be less than the maturity amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates 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 Certificate 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 Certificate 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 Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate 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 Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate 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 dates of the date of the Certificates 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 Certificate 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 Certificate.

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

**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 Certificates. 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 Subchapter C earnings and profits, 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 RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, 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 Certificates, 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 certificates" to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount certificate" 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 Certificates 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 Certificates will be sent to each registered holder and to the Internal Revenue Service. 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 Certificates under Federal or state law and could affect the market price or marketability of the Certificates. 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 Certificates 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 Certificates have been designated by the City, 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 Certificates 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 \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations".**

*(The Remainder of This Page Left Blank Intentionally)*

## 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 Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. 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 Municipal Securities Rulemaking Board (the "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 certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the [EMMA](#) System. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2018. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2018. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated quantitative financial information and operating data by March 31 in each year, unless the City changes its fiscal year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described in the preceding paragraph. If the City changes its fiscal year, it will notify the MSRB of the change.

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 EMMA Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

**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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificates calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar events of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates 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 Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

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

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **OTHER INFORMATION**

### **RATING**

The Certificates are rated "AA-" by S&P Global Ratings, a Division of S&P Global Inc. ("S&P") without regard to credit enhancement. The City also has debt rated by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the 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 and marketability of the Certificates.

### **LITIGATION**

It is the opinion of the City Attorney and City Staff that there is no pending or, to its knowledge, threatened litigation or other proceeding against the City that would have a material adverse financial impact upon the City, its operations or its financial statements.

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

The sale of the Certificates 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates 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 Certificates are legal investments for various institutions in those states.

### **LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE**

The City will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates 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 Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and 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 describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

#### **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 the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Ordinance. 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**

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, 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.

#### **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.

#### **INITIAL PURCHASER OF THE CERTIFICATES**

After requesting competitive bids for the Certificates, the City accepted the bid of Stifel, Nicolaus & Co., Inc. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$87,342.55. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

**CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION**

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by an authorized representative of the City, acting in such officer's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Certificates or which would affect the provisions made for their payment or security or in any manner question the validity of the Certificates.

**MISCELLANEOUS**

The Ordinance authorized the issuance of the Certificates and approved 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 Certificates by the Initial Purchaser.

RONALD A. WHITE

---

Mayor  
City of White Settlement, Texas

ATTEST:

---

AMY ARNOLD  
City Secretary

**THIS PAGE LEFT BLANK INTENTIONALLY**

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

**THIS PAGE LEFT BLANK INTENTIONALLY**

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

The City is a political subdivision of the State of Texas and was incorporated in 1941. The current charter was approved by the voters in 1954 and last amended in 2012. 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 17,000.

<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	16,915
2018	17,000

**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	739
PDX Inc.	Software Development	485
Education Service Center Region XI	Resource Provider for School Districts	170
Trinity Health Care Courtyards	Rehabilitation/nursing	142
Lowe's Home Center #1619	Building materials/hardware retail	140
City of White Settlement	Municipal government	127
Co-Operative Industries	Electrical wiring harnesses mfg.	108
Academy Sports & Outdoors #97	Retail	80
West Side Campus of Care	Rehabilitation/nursing	79
Toys R Us	Retail	36
Southside Bank	Financial Institution	35

**THIS PAGE LEFT BLANK INTENTIONALLY**

**APPENDIX B**

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

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the City of White Settlement, Texas Annual Financial Report for the Year Ended September 30, 2017, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

**THIS PAGE LEFT BLANK INTENTIONALLY**



## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, 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, 2017, 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, 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 55-81 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*

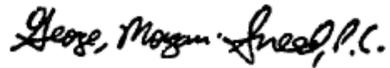
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining nonmajor funds financial statements, individual fund schedules, and statistical section, are presented for purposes of 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 February 21, 2018, 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  
February 21, 2018

**THIS PAGE INTENTIONALLY LEFT BLANK**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of White Settlement, Texas, we offer readers of The City of White Settlement's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$56,888,434 (*net position*) compared to \$62,226,454 for the prior year. Of this amount, \$19,489,746 (*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 \$5,338,020. The City's operations decreased the governmental activities by \$6,897,785 and increased the business-type activities by \$1,559,765.
- As of the close of the current fiscal year, the City of White Settlement's governmental funds reported combined ending fund balances of \$24,971,758 compared to \$26,868,066 for the prior year. \$9,831,907 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 \$9,831,907, or 106% of total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Corporation and a legally separate Crime Control and Prevention District for which the City is financially accountable. Although legally separate, they function for all practical purposes as departments of the City, and therefore have 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, Economic Development Corporation, debt service fund, 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, storm water utility district and Splash Dayz.

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, the Stormwater Utility Fund, and the Splash Dayz Fund, which are considered major funds.

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 28-54 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 are presented immediately following the required supplementary information. These statements can be found on Exhibits F-1 through F-6 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 and deferred inflows of resources by \$56,888,434 as of September 30, 2017.

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

An additional portion of the City's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$19,489,746 may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 25,846,474	\$ 27,788,520	\$ 15,893,008	\$ 14,723,850	\$ 41,739,482	\$ 42,512,370
Capital assets	39,813,132	42,137,011	20,403,324	20,411,585	60,216,456	62,548,596
Total Assets	<u>65,659,606</u>	<u>69,925,531</u>	<u>36,296,332</u>	<u>35,135,435</u>	<u>101,955,938</u>	<u>105,060,966</u>
Deferred outflows of resources	<u>1,831,715</u>	<u>1,703,569</u>	<u>637,967</u>	<u>197,288</u>	<u>2,469,682</u>	<u>1,900,857</u>
Long-term liabilities	38,170,461	35,405,443	7,181,909	7,232,961	45,352,370	42,638,404
Other liabilities	817,153	886,130	1,153,695	1,070,990	1,970,848	1,957,120
Total liabilities	<u>38,987,614</u>	<u>36,291,573</u>	<u>8,335,604</u>	<u>8,303,951</u>	<u>47,323,218</u>	<u>44,595,524</u>
Deferred inflows of resources	<u>189,825</u>	<u>125,860</u>	<u>24,143</u>	<u>13,985</u>	<u>213,968</u>	<u>139,845</u>
Net Position:						
Net investment in capital assets	18,757,574	20,969,268	14,251,059	13,614,773	33,008,633	34,584,041
Restricted	4,390,055	5,181,632	-	3,937,052	4,390,055	9,118,684
Unrestricted	5,166,253	9,060,767	14,323,493	9,462,962	19,489,746	18,523,729
Total Net Position	<u>\$ 28,313,882</u>	<u>\$ 35,211,667</u>	<u>\$ 28,574,552</u>	<u>\$ 27,014,787</u>	<u>\$ 56,888,434</u>	<u>\$ 62,226,454</u>

### Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,338,959	\$ 1,092,407	\$ 8,858,598	\$ 8,293,846	\$ 10,197,557	\$ 9,386,253
Operating grants and contributions	100,866	92,910	-	-	100,866	92,910
Capital grants and contributions	397,251	-	786,273	436,337	1,183,524	436,337
General revenues:						
Property taxes	5,108,248	4,712,833	-	-	5,108,248	4,712,833
Sales taxes	4,017,558	4,461,628	-	-	4,017,558	4,461,628
Franchise taxes	1,253,174	1,218,433	-	-	1,253,174	1,218,433
Hotel Occupancy taxes	357,912	318,010	-	-	357,912	318,010
Oil & gas revenues	35,314	38,836	-	-	35,314	38,836
Investment earnings	207,537	125,753	115,708	38,370	323,245	164,123
Gain (loss) on sale of capital assets	385,427	25,359	-	24,842	385,427	50,201
Other revenue	208,641	198,943	3,340	23,040	211,981	221,983
Total revenues	13,410,887	12,285,112	9,763,919	8,816,435	23,174,806	21,101,547
Expenses						
General government	3,004,317	1,770,465	-	-	3,004,317	1,770,465
Public safety	8,351,956	6,165,619	-	-	8,351,956	6,165,619
Public works	1,510,737	1,310,577	-	-	1,510,737	1,310,577
Public health	261,628	218,176	-	-	261,628	218,176
Economic development	351,446	194,280	-	-	351,446	194,280
Culture and recreation	4,816,249	3,073,280	-	-	4,816,249	3,073,280
Non departmental	-	468,674	-	-	-	468,674
Interest on long-term debt	1,161,107	1,283,842	-	-	1,161,107	1,283,842
Bond issuance costs	62,870	-	-	-	62,870	-
Water and wastewater	-	-	6,562,769	5,337,586	6,562,769	5,337,586
Storm water utility	-	-	312,558	43,225	312,558	43,225
Sanitation	-	-	671,221	638,722	671,221	638,722
Splash Dayz	-	-	1,445,968	742,074	1,445,968	742,074
Total expenses	19,520,310	14,484,913	8,992,516	6,761,607	28,512,826	21,246,520
Increase (decrease) in net position before transfers	(6,109,423)	(2,199,801)	771,403	2,054,828	(5,338,020)	(144,973)
Transfers	(788,362)	464,139	788,362	(464,139)	-	-
Increase (decrease) in net position	(6,897,785)	(1,735,662)	1,559,765	1,590,689	(5,338,020)	(144,973)
Net Position October 1	35,211,667	36,947,329	27,014,787	25,424,098	62,226,454	62,371,427
Net Position September 30	\$ 28,313,882	\$ 35,211,667	\$ 28,574,552	\$ 27,014,787	\$ 56,888,434	\$ 62,226,454

**Governmental Activities.** Governmental activities decreased the City's net position by \$6,897,785 in the current year compared with a decrease of \$1,735,662 in the prior year.

Total governmental activities revenues increased \$1,125,775 (9%) to \$13,410,887. Key elements of this change are as follows:

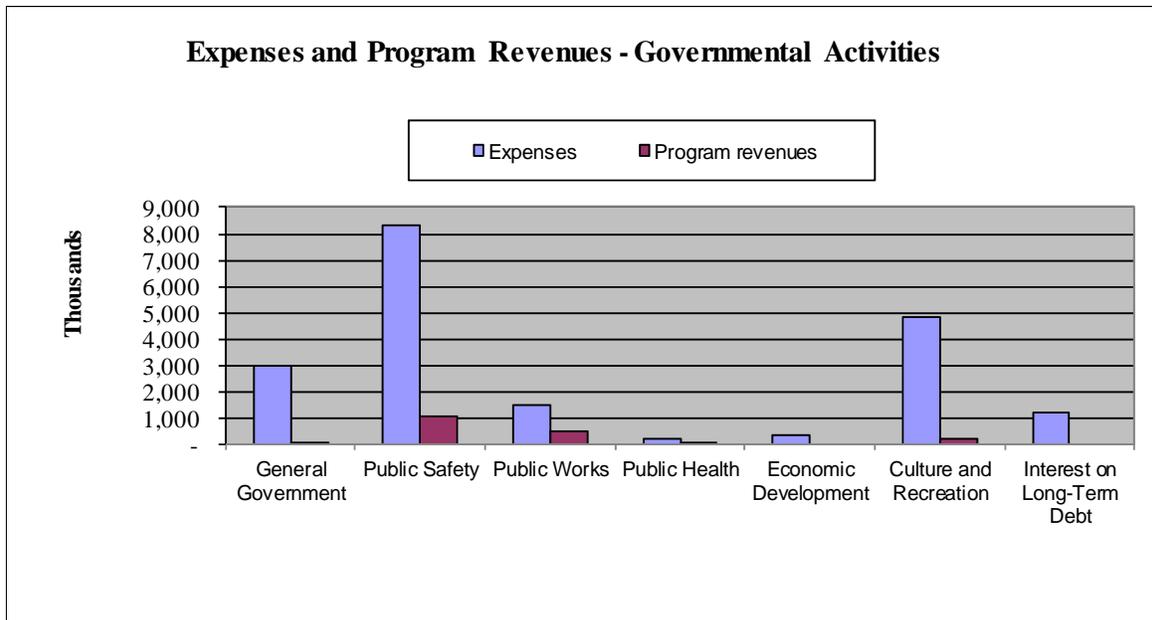
- Charges for services increased \$246,552 primarily due to an increase in licenses and permit revenue of \$170,758 due to new construction including a large apartment building.
- Capital grants and contributions increased \$397,251 due to developer contributions of streets in two additions during the current year.
- Property taxes increased \$395,415 due to an increase in M&O rate and an increase in appraised property values.
- Sales taxes decreased \$444,070 as a result of a sales tax audit and a one-time payment in the prior year of \$330,749 and the loss of sales tax from West Worth Village in the current year.

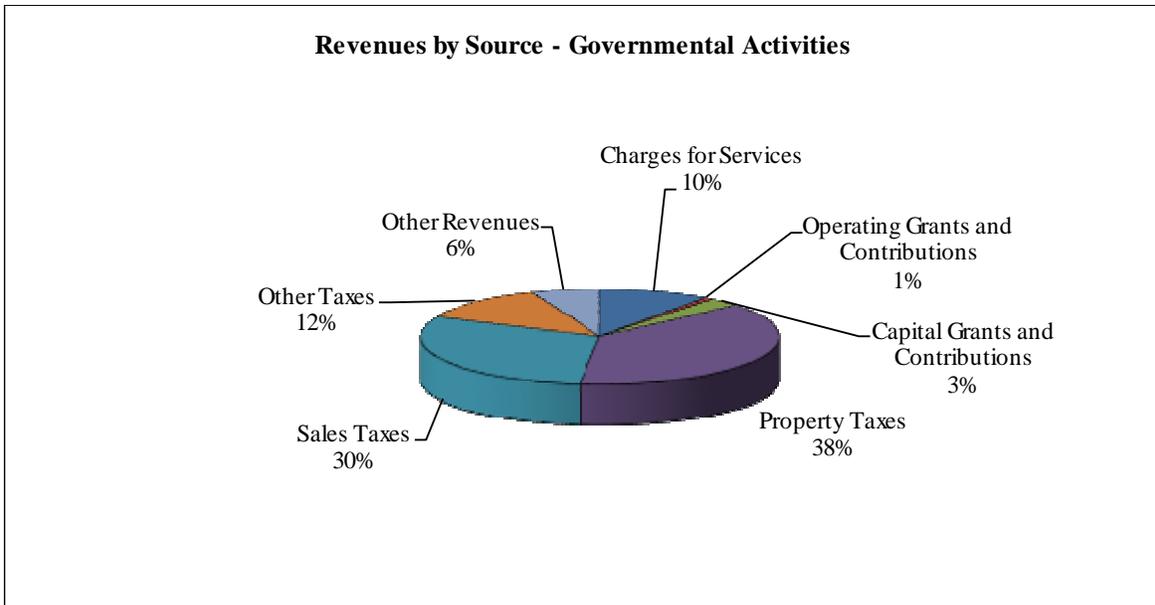
- Gain on sale of capital assets increased \$360,068 in the current year due to the sale of three pieces of land in the current year.

Total governmental activities expenses increased \$5,035,397 to \$19,520,310. Key changes are as follows.

- TMRS pension expense increased \$3,773,497 due to a change in employee required contributions of 5% to 7% of gross earnings.
- General government expenses increased \$1,233,852 (70%) primarily due to an increase in TMRS pension expense of \$762,752; \$95,714 spent in lawsuits with Hawaiian Falls and Westworth Village; and an increase in salaries and benefits of \$346,868 in the administration and MIS departments due to adding an information officer, paying out the compensated absences of the city manager and finance director at retirement, and increase in salaries and overtime in the MIS department.
- Public safety expenses increased \$2,186,337 (35%) primarily due to an increase in TMRS pension expense of \$2,228,485.
- Public works expenses increased \$200,160 (15%) primarily due to a \$133,720 increase in depreciation due to approximately \$700,000 in assets added and a \$98,378 increase in TMRS pension expense.
- Economic development increased \$157,166 (81%) primarily due to an increase in TMRS pension expense of \$188,451.
- Culture and recreation expenses increased \$1,742,969 (57%) primarily due to a decrease in salaries and related expenses of \$116,087 due to employees that were moved to the Stormwater Utility, \$1,726,248 loss on the disposal of Hawaiian Falls assets, and an increase in TMRS pension expense of \$420,489.
- There were no nondepartmental expenses in the current year because the roof expenses were completed in the prior year.
- Interest on long-term debt decreased due to the refunding of the 2009 General Obligation bonds.

Below are two graphs summarizing governmental revenue and expense:





**Business-type activities.** Business-type activities increased the City’s net position by \$1,559,765 in the current year compared to an increase in net position of \$1,590,689 in the prior year.

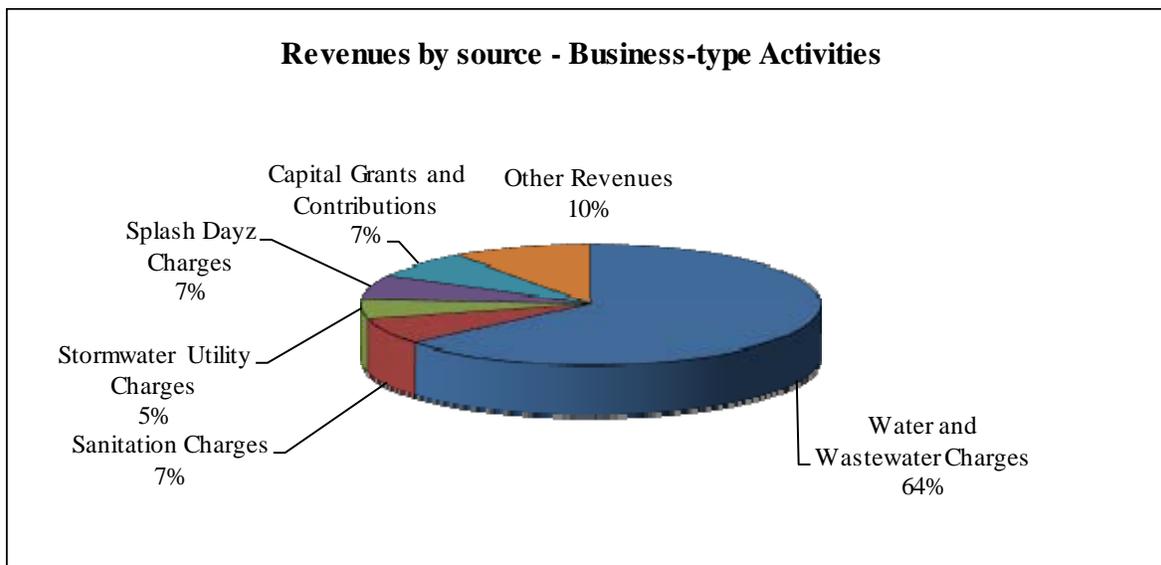
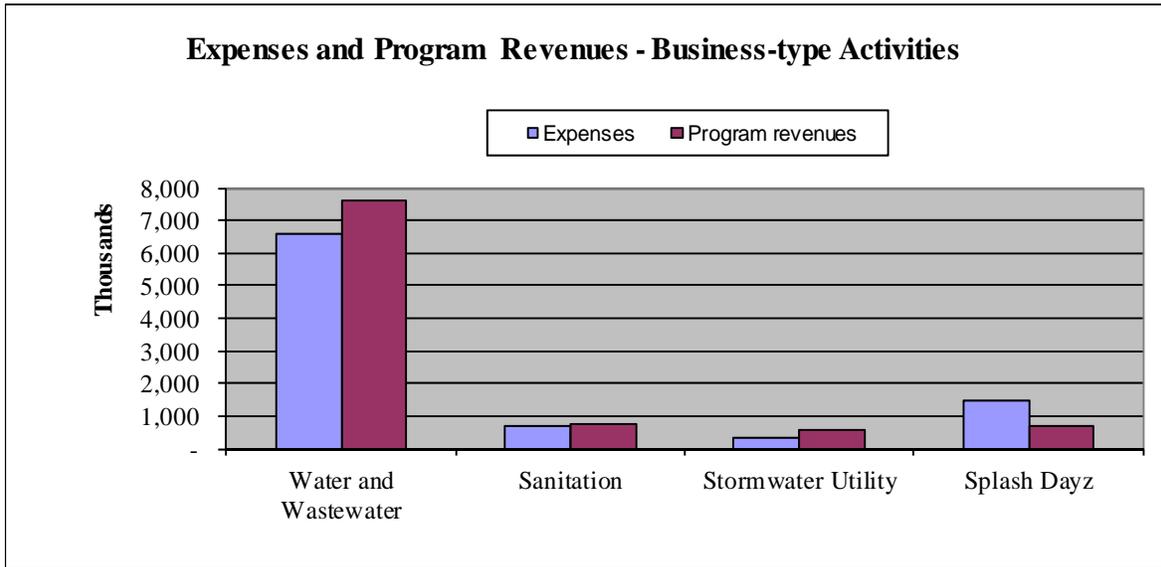
Total revenues increased \$947,484 (11%) to \$9,763,919. Key elements of these changes are as follows.

- Charges for services increased \$564,752 (7%) primarily due to an increase in water and wastewater revenue of \$120,028 resulting from water and wastewater rate increases effective 5/1/16 and an increase in consumption and an increase in charges for services of \$447,323 for Splash Dayz due to it being open an entire season in the current year compared to half a season in the prior year.
- Capital grants and contributions increased \$349,936 due to an increase in developer contributions in the current year.

Total expenses increased \$2,230,909 (33%) to \$8,992,516. Key elements of these changes are as follows.

- Water and wastewater expenses increased \$1,225,183 primarily because TMRS pension expenses increased \$545,463 due to a change in employee required contribution from 5% to 7% of gross earnings, wastewater treatment expense decreased \$220,828 because the volume treated decreased, and a loss of \$913,246 on the disposal of water meters from 2005 and prior.
- Stormwater utility expense increased \$269,333 primary because the City moved employees from the General Fund to do maintenance work on the drainage areas in the City.
- Splash Dayz expenses increased \$703,894 because the park was open for an entire summer season in the current year. It did not open until July in the prior year.

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 \$24,971,758. \$9,831,907 (39%) 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 \$9,831,907. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 106% of the total General Fund expenditures. Fund balance of the General Fund increased \$313,489 compared to a decrease of \$292,477 in the prior year. Key factors in this increase are as follows:

- Revenues increased \$452,499. Property taxes increased \$250,926 due to a rate increase and an increase in appraisal values. Sales tax decreased \$228,952 due to the loss of sales tax from Westworth Village and a one-time payment in the prior year of \$330,749 resulting from an audit collection. Licenses and permits increased \$170,758 due to an increase in new construction, including a large apartment complex.
- Total expenditures decreased \$274,481. General government expenditures increased \$493,785 primarily due to attorney fees and compensated absences payouts to a retiring City Manager and Finance Director in the current year. Public safety expenditures decreased \$115,448 primarily because two positions were vacant during the year and two positions were moved to other departments. Culture and recreation expenditures decreased \$147,026 because some employees were moved to the stormwater utility department. Non departmental expenses decreased \$462,424 because roof repairs were completed in the prior year.
- Other financing sources decreased \$121,014 from the prior year primarily due to an increase in proceeds from the sale of capital assets of \$304,623 from land sold during the current year and a decrease in net transfers of \$442,088.

The White Settlement Economic Development Corporation (the "EDC") was created to stimulate economic growth for the City of White Settlement. It is funded with a .5% sales tax. Fund balance of the EDC decreased \$369,153 to \$2,386,554. Revenues decreased \$104,888 primarily because sales tax decreased due to the loss of sales tax from Westworth Village and a one-time payment received in the prior year resulting from a sales tax audit. Expenditures decreased \$149,060 primarily due to a decrease in the EDC parks operation expenditures.

**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 Splash Dayz Fund are enterprise funds that comprise the City's proprietary funds. Unrestricted net position of the Water and Wastewater Fund, Stormwater Utility Fund and Splash Dayz Fund at the end of the year amounted to \$11,170,510, \$3,192,234 and (\$39,251) respectively. The total change in net position for the three funds was an increase of \$1,038,801, \$116,100 and \$404,864 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 once during the year. Expenditures were decreased \$230,855.

During the year, actual revenues were \$391,366 greater than budgeted and actual expenditures were \$981,401 less than budgeted.

## Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2017, amounts to \$60,216,456 (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:

- \$183,014 for MIS security.
- \$129,686 for signal lights in the City.
- \$112,434 for Council chambers remodel.
- \$1,210,167 for improvements on various streets.

### Business-type activities:

- \$292,238 for a toddler area at Splash Dayz.
- \$403,841 for the Lanham wastewater line.
- \$304,221 for water park additions.
- \$149,809 for water infrastructure, \$209,910 for wastewater infrastructure, and \$81,304 for storm water infrastructure resulting from new additions and developer agreements.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 6,133,435	\$ 6,150,835	\$ 195,139	\$ 195,139	\$ 6,328,574	\$ 6,345,974
Construction in progress	189,714	-	453,470	462,654	643,184	462,654
Land improvements	7,071,611	7,439,014	31,399	3,242	7,103,010	7,442,256
Buildings and improvements	5,142,208	5,293,919	114,889	118,474	5,257,097	5,412,393
Machinery and equipment	6,421,048	9,050,625	832,906	442,289	7,253,954	9,492,914
Infrastructure	14,855,116	14,202,618	-	-	14,855,116	14,202,618
Water and sewer systems	-	-	17,031,281	17,794,944	17,031,281	17,794,944
Stormwater systems	-	-	1,744,240	1,394,843	1,744,240	1,394,843
Total	\$ 39,813,132	\$ 42,137,011	\$ 20,403,324	\$ 20,411,585	\$ 60,216,456	\$ 62,548,596

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 \$35,765,667 in bonds outstanding, a decrease of \$1,658,061 from the prior year. \$12,743,548 are General Obligation Bonds that are backed by the full faith and credit of the City, \$11,252,119 are Certificates of Obligation secured by surplus revenues of the Water and Wastewater Fund and ad valorem taxes, and \$11,770,000 are Sales Tax Revenue Bonds.

### City of White Settlement's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Sales Tax Revenue Bonds	\$ 11,770,000	\$ 12,195,000	\$ -	\$ -	\$ 11,770,000	\$ 12,195,000
General Obligation Bonds	7,336,284	7,722,367	5,407,264	920,928	12,743,548	8,643,295
Certificates of Obligation	10,507,119	10,709,548	745,000	5,875,885	11,252,119	16,585,433
<b>Total</b>	<b>\$ 29,613,403</b>	<b>\$ 30,626,915</b>	<b>\$ 6,152,264</b>	<b>\$ 6,796,813</b>	<b>\$ 35,765,667</b>	<b>\$ 37,423,728</b>

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-
General Obligation Refunding Bonds, Series 2016		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 sales tax revenue. Overall operating revenues are projected to increase slightly across all funds. City management and council took a conservative approach to budget planning.

#### Ad Valorem Tax

2017 taxable property values increased \$55,570,374 (8.26%) to \$728,090,810 from prior year values at \$672,520,436. The average taxable value of a residential home in 2017 has increased to \$68,549 compared to the average home in 2016 at \$49,861. The City continues to take steps in developing areas to attract commercial customers and residents. For the 2017-2018 Budget, the City Council adopted the tax rate of \$0.762127 (which was above the effective rate but equal to the rollback rate), and an increase of 0.85% compared to the prior year at \$0.755693 per \$100 valuation. The General Fund Ad Valorem tax revenue carries a \$4.45M budget.

#### Sales Tax

Historically, sales tax revenues have risen and fall in response to oil and gas drilling. Therefore, 2017-2018 sales tax revenues are conservatively projected in the General Fund at \$2.1M. As the oil industry stabilizes and recovers, sales tax could add additional sales tax revenues.

#### Budget

The 2017-2018 adopted budget has a minimum of a 3% across the board increase in salaries and wages for full-time employees. City Council and City Management 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 health insurance coverage for full-time employees and dependents may be added at the expense of the employee.

#### Debt

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 2016-2017, the City refinanced an additional portion of the City's existing debt which will save approximately \$774k over the next thirteen years.

#### Capital

Projects planned for 2017-2018 include remodeling at the library and the female locker room at the Police station, purchase of a fully equipped fire engine and other fire equipment, parking lot reconstruction and surfacing, street resurfacing and reconstruction, City-wide IT infrastructure and phone upgrade, and replacement of water and sewer lines and adding a new well.

#### Looking Forward

In the last few years, redevelopment efforts along with conservative fiscal policy have shown signs of stabilization and economic revitalization in the City. The 2017-2018 budget gives added emphasis to its efforts of long-term strategic plans developed by City Council and City Management. Data has been included to quantify the strategic plan and its projected effect on future year's operational budgets. These plans provide vision for the future, are helpful in the evaluation of Capital Improvement Projects, and serve to help shape the current budget.

The biggest challenge for the City as a whole is the water park. In 2013-2014, a water park was constructed as a promising economic project with Hawaiian Falls. The City's cost for development, construction and start-up was \$12.5 Million, with financing through Economic Development Corporation (EDC) issued bonds. The Debt payments were to be paid through lease payments from Hawaiian Falls. In January, 2016, the Hawaiian Falls informed the City that they would again not make the currently due debt service payments, but wished to continue to operate the park. City Council and the Economic Development Board decided to terminate the lease agreement based on breach of contract. A budget amendment was authorized by City Council and the City opened and operated SPLASH DAYZ water.

The financial impact of the water park is two-fold – operational requirements and debt service requirements. In the 2017-2018 Budget, operational requirements continue to be subsidized by the General Fund in the form of a \$747k transfer while the debt service is budgeted in the Economic Development Corporation (EDC). Operationally, the park is expected to be self-sustaining in 3-4 years, which will help the General Fund stabilize and rebuild. Debt service payments will continue to be made by the EDC. While the EDC can support the debt service payments, the Fund can no longer fund park operations. In the 2017-2018 Budget, all park operations and maintenance is budgeted in the General Fund.

City Management 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 Management and Council are dedicated to improving the delivery of services and quality of life for the citizens of White Settlement.

**Request for Information**

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

## **BASIC FINANCIAL STATEMENTS**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Net Position**  
**September 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 14,549,028	\$ 8,683,972	\$ 23,233,000
Certificates of Deposit	8,055,171	5,519,558	13,574,729
Receivables (Net of allowances for uncollectibles)			
Property taxes	120,645	-	120,645
Franchise taxes	244,864	-	244,864
Accounts	-	1,077,562	1,077,562
Miscellaneous	176,504	100	176,604
Interest	29,651	8,670	38,321
Due from other governments	709,981	-	709,981
Prepaid expenses	136,794	312	137,106
Inventory	-	4,569	4,569
Restricted assets:			
Cash and cash equivalents	1,823,836	598,265	2,422,101
Capital assets:			
Nondepreciable	6,323,149	648,609	6,971,758
Depreciable, net of accumulated depreciation	33,489,983	19,754,715	53,244,698
<b>Total Assets</b>	<b>65,659,606</b>	<b>36,296,332</b>	<b>101,955,938</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows related to pensions	1,589,503	235,288	1,824,791
Deferred charges on refunding	242,212	402,679	644,891
<b>Total Deferred Outflows of Resources</b>	<b>1,831,715</b>	<b>637,967</b>	<b>2,469,682</b>
<b>LIABILITIES:</b>			
Accounts payable	305,490	485,412	790,902
Accrued liabilities	233,428	44,536	277,964
Unearned revenue	-	1,431	1,431
Customer deposits	2,000	-	2,000
Current Liabilities Payable from Restricted Assets:			
Interest payable	276,235	22,959	299,194
Customer deposits	-	599,357	599,357
Noncurrent liabilities:			
Due Within One Year	1,585,449	622,031	2,207,480
Due in More Than One Year	36,585,012	6,559,878	43,144,890
<b>Total Liabilities</b>	<b>38,987,614</b>	<b>8,335,604</b>	<b>47,323,218</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows related to pensions	189,825	24,143	213,968
<b>Total Deferred Inflows of Resources</b>	<b>189,825</b>	<b>24,143</b>	<b>213,968</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	18,757,574	14,251,059	33,008,633
Restricted Net Position (Expendable)			
Police and court	866,531	-	866,531
Tourism, library and senior services	3,523,524	-	3,523,524
Unrestricted Net Position	5,166,253	14,323,493	19,489,746
<b>Total Net Position</b>	<b>\$ 28,313,882</b>	<b>\$ 28,574,552</b>	<b>\$ 56,888,434</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, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 3,004,317	\$ 19,237	\$ -	\$ -
Public safety	8,351,956	995,748	64,866	-
Public works	1,510,737	83,562	36,000	397,251
Public health	261,628	12,910	-	-
Economic development	351,446	-	-	-
Culture and recreation	4,816,249	227,502	-	-
Interest on long-term debt	1,161,107	-	-	-
Bond issuance costs	62,870	-	-	-
Total governmental activities	<u>19,520,310</u>	<u>1,338,959</u>	<u>100,866</u>	<u>397,251</u>
Business-type activities:				
Water and wastewater	6,562,769	6,826,371	-	786,273
Sanitation	671,221	757,895	-	-
Stormwater utility	312,558	565,575	-	-
Splash Dayz	1,445,968	708,757	-	-
Total business-type activities	<u>8,992,516</u>	<u>8,858,598</u>	<u>-</u>	<u>786,273</u>
Total primary government	<u>\$ 28,512,826</u>	<u>\$ 10,197,557</u>	<u>\$ 100,866</u>	<u>\$ 1,183,524</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales and use

Franchise

Hotel occupancy tax

Oil and gas revenues

Investment Earnings

Gain (loss) on sale of capital assets

Other revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

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		
Governmental Activities	Business-type Activities	Total
\$ (2,985,080)	\$ -	\$ (2,985,080)
(7,291,342)	-	(7,291,342)
(993,924)	-	(993,924)
(248,718)	-	(248,718)
(351,446)	-	(351,446)
(4,588,747)	-	(4,588,747)
(1,161,107)	-	(1,161,107)
(62,870)	-	(62,870)
<u>(17,683,234)</u>	<u>-</u>	<u>(17,683,234)</u>
-	1,049,875	1,049,875
-	86,674	86,674
-	253,017	253,017
-	<u>(737,211)</u>	<u>(737,211)</u>
-	<u>652,355</u>	<u>652,355</u>
<u>\$ (17,683,234)</u>	<u>\$ 652,355</u>	<u>\$ (17,030,879)</u>
\$ 4,075,882	\$ -	\$ 4,075,882
1,032,366	-	1,032,366
4,017,558	-	4,017,558
1,253,174	-	1,253,174
357,912	-	357,912
35,314	-	35,314
207,537	115,708	323,245
385,427	-	385,427
208,641	3,340	211,981
(788,362)	788,362	-
<u>10,785,449</u>	<u>907,410</u>	<u>11,692,859</u>
(6,897,785)	1,559,765	(5,338,020)
<u>35,211,667</u>	<u>27,014,787</u>	<u>62,226,454</u>
<u>\$ 28,313,882</u>	<u>\$ 28,574,552</u>	<u>\$ 56,888,434</u>

## CITY OF WHITE SETTLEMENT, TEXAS

## Balance Sheet

## Governmental Funds

September 30, 2017

	General	Economic Development Corporation	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Assets:						
Cash and investments	\$ 6,108,792	\$ 429,822	\$ 272,880	\$ 5,014,215	\$ 2,723,319	\$ 14,549,028
Certificates of Deposit	4,419,834	-	-	3,635,337	-	8,055,171
Receivables (Net of allowances for uncollectibles)						
Property taxes	95,903	-	24,742	-	-	120,645
Franchise taxes	227,024	-	-	-	17,840	244,864
Miscellaneous	82,530	-	-	-	93,974	176,504
Interest	21,184	1,291	264	5,202	1,710	29,651
Due from other governments	359,895	179,948	-	-	170,138	709,981
Prepays	113,453	23,005	-	-	336	136,794
Restricted Assets:						
Cash and investments	-	1,780,070	-	-	43,766	1,823,836
Total assets	<u>\$ 11,428,615</u>	<u>\$ 2,414,136</u>	<u>\$ 297,886</u>	<u>\$ 8,654,754</u>	<u>\$ 3,051,083</u>	<u>\$ 25,846,474</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 187,828	\$ 20,323	\$ -	\$ 91,706	\$ 5,633	\$ 305,490
Accrued liabilities	226,169	7,259	-	-	-	233,428
Customer deposits	2,000	-	-	-	-	2,000
Total liabilities	<u>415,997</u>	<u>27,582</u>	<u>-</u>	<u>91,706</u>	<u>5,633</u>	<u>540,918</u>
Deferred inflows of resources:						
Deferred property tax	95,903	-	24,742	-	-	120,645
Other deferred revenue	213,153	-	-	-	-	213,153
Total deferred inflows of resources	<u>309,056</u>	<u>-</u>	<u>24,742</u>	<u>-</u>	<u>-</u>	<u>333,798</u>
Fund Balances:						
Nonspendable	113,453	23,005	-	-	336	136,794
Restricted	-	2,363,549	273,144	8,563,048	2,003,165	13,202,906
Committed	-	-	-	-	1,041,949	1,041,949
Assigned	758,202	-	-	-	-	758,202
Unassigned	9,831,907	-	-	-	-	9,831,907
Total fund balances	<u>10,703,562</u>	<u>2,386,554</u>	<u>273,144</u>	<u>8,563,048</u>	<u>3,045,450</u>	<u>24,971,758</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,428,615</u>	<u>\$ 2,414,136</u>	<u>\$ 297,886</u>	<u>\$ 8,654,754</u>	<u>\$ 3,051,083</u>	<u>\$ 25,846,474</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, 2017**

Total Fund Balances - Governmental Funds \$ 24,971,758

Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$62,188,209 and the accumulated depreciation was \$22,375,077. 39,813,132

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	(276,235)	
General Obligation and Certificates of Obligation bonds	(16,850,000)	
Premium on bonds	(993,403)	
Sales Tax Revenue bonds	(11,770,000)	
Compensated absences	<u>(991,578)</u>	(30,881,216)

Deferred charges for refunding related to governmental activity debt are not financial resources and, therefore, are not reported in the governmental funds. 242,212

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 \$7,565,480, a deferred resource inflow related to pensions of \$189,825, and a deferred resource outflow related to pensions in the amount of \$1,589,503. This amounted to a decrease in net position of \$6,165,802. (6,165,802)

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	120,645	
Court fines	58,936	
Franchise taxes	<u>154,217</u>	333,798

Net Position of Governmental Activities \$ 28,313,882

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2017**

	General	Economic Development Corporation	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$ 4,063,967	\$ -	\$ 1,029,956	\$ -	\$ -	\$ 5,093,923
Sales and use	2,051,058	1,010,658	-	-	955,842	4,017,558
Franchise	939,417	-	-	-	318,479	1,257,896
Hotel occupancy tax	-	-	-	-	357,912	357,912
Fines and forfeitures	527,474	-	-	-	-	527,474
Licenses and permits	467,211	-	-	-	-	467,211
Intergovernmental revenue	36,000	-	-	-	64,866	100,866
Charges for service	170,115	175,908	-	-	-	346,023
Oil and gas revenues	35,314	-	-	-	-	35,314
Investment Earnings	105,316	26,336	5,930	39,057	30,898	207,537
Other revenue	125,084	6,967	-	-	35,257	167,308
Total revenues	<u>8,520,956</u>	<u>1,219,869</u>	<u>1,035,886</u>	<u>39,057</u>	<u>1,763,254</u>	<u>12,579,022</u>
<b>EXPENDITURES</b>						
Current						
General government	2,182,511	-	-	-	-	2,182,511
Public safety	5,308,011	-	-	-	400,603	5,708,614
Public works	467,785	-	-	-	692,584	1,160,369
Public health	181,188	-	-	-	-	181,188
Economic development	-	161,078	-	-	-	161,078
Culture and recreation	1,133,726	442,795	-	-	88,348	1,664,869
Capital outlay	-	-	-	670,532	-	670,532
Debt service:						
Principal	-	425,000	825,000	-	-	1,250,000
Interest and fiscal charges	-	601,403	608,423	-	-	1,209,826
Debt issuance costs	-	-	62,870	-	-	62,870
Total expenditures	<u>9,273,221</u>	<u>1,630,276</u>	<u>1,496,293</u>	<u>670,532</u>	<u>1,181,535</u>	<u>14,251,857</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (752,265)</u>	<u>\$ (410,407)</u>	<u>\$ (460,407)</u>	<u>\$ (631,475)</u>	<u>\$ 581,719</u>	<u>\$ (1,672,835)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from insurance recoveries	41,333	-	-	-	-	41,333
Proceeds from sale of general capital assets	363,842	92,522	-	-	-	456,364
Refunding bonds issued	-	-	3,815,000	-	-	3,815,000
Bond (discount)/premium	-	-	415,046	-	-	415,046
Payment to bond refunding escrow agent	-	-	(4,162,854)	-	-	(4,162,854)
Transfers in	1,742,654	-	300,000	-	-	2,042,654
Transfers out	(1,082,075)	(51,268)	(488,825)	(280,462)	(928,386)	(2,831,016)
Total other financing sources (uses)	<u>1,065,754</u>	<u>41,254</u>	<u>(121,633)</u>	<u>(280,462)</u>	<u>(928,386)</u>	<u>(223,473)</u>
<b>NET CHANGE IN FUND BALANCES</b>	313,489	(369,153)	(582,040)	(911,937)	(346,667)	(1,896,308)
<b>FUND BALANCE, OCTOBER 1, 2016</b>	<u>10,390,073</u>	<u>2,755,707</u>	<u>855,184</u>	<u>9,474,985</u>	<u>3,392,117</u>	<u>26,868,066</u>
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>	<u>\$ 10,703,562</u>	<u>\$ 2,386,554</u>	<u>\$ 273,144</u>	<u>\$ 8,563,048</u>	<u>\$ 3,045,450</u>	<u>\$ 24,971,758</u>

**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, 2017**

Total Net Change in Fund Balances - Governmental Funds	\$(1,896,308)
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 \$1,421,168 of capital outlays and \$1,250,000 of debt principal payments is to increase net position.	2,671,168
Capital asset donations are revenues in the government-wide financial statements but are not reported in the governmental fund financial statements.	397,251
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.	(1,790,185)
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.	(2,352,113)
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.	(67,192)
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	15,385
Premium on General Obligation bonds	33,334
Compensated absences	<u>120,211</u>
	168,930
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,854
GASB required the City to recognize their net pension liability and deferred resource outflow related to pensions. The changes in these balances decreased net position.	(4,037,190)
Change in Net Position of Governmental Activities	<u><u>\$(6,897,785)</u></u>

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

**CITY OF WHITE SETTLEMENT, TEXAS**

**Statement of Net Position**

**Proprietary Funds**

**September 30, 2017**

	Enterprise Funds			Totals
	Water and Wastewater	Stormwater Utility	Splash Dayz	
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 6,855,384	\$ 1,821,014	\$ 7,574	\$ 8,683,972
Certificates of Deposit	4,199,312	1,320,246	-	5,519,558
Receivables (Net of allowance for uncollectibles):				
Accounts	1,008,438	68,258	866	1,077,562
Miscellaneous	100	-	-	100
Interest	6,819	1,851	-	8,670
Prepaid expenses	-	-	312	312
Supplies Inventory	-	-	4,569	4,569
Restricted Assets:				
Cash and cash equivalents	598,265	-	-	598,265
Total current assets	12,668,318	3,211,369	13,321	15,893,008
Noncurrent Assets:				
Capital assets, at cost:				
Land	158,144	36,995	-	195,139
Construction in progress	453,470	-	-	453,470
Buildings and improvements	147,403	-	-	147,403
Land improvements	38,484	-	29,221	67,705
Waterworks and wastewater system	27,529,958	-	-	27,529,958
Stormwater systems	-	2,014,955	-	2,014,955
Machinery and equipment	1,381,304	84,220	723,279	2,188,803
	29,708,763	2,136,170	752,500	32,597,433
Less: accumulated depreciation	(11,761,433)	(294,091)	(138,585)	(12,194,109)
Capital assets, net	17,947,330	1,842,079	613,915	20,403,324
Total noncurrent assets	17,947,330	1,842,079	613,915	20,403,324
Total assets	30,615,648	5,053,448	627,236	36,296,332
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred charge on refunding	402,679	-	-	402,679
Deferred outflows related to pensions	200,600	9,773	24,915	235,288
Total deferred outflows of resources	\$ 603,279	\$ 9,773	\$ 24,915	\$ 637,967

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

	Enterprise Funds			Totals
	Water and Wastewater	Stormwater Utility	Splash Dayz	
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 456,157	\$ 6,682	\$ 22,573	\$ 485,412
Accrued liabilities	31,389	2,278	10,869	44,536
Unearned revenue	-	-	1,431	1,431
Current portion of long-term liabilities	610,530	6,028	5,473	622,031
Current Liabilities Payable from Restricted Assets:				
Interest payable	22,959	-	-	22,959
Customer deposits payable	598,265	-	1,092	599,357
Total current liabilities	<u>1,719,300</u>	<u>14,988</u>	<u>41,438</u>	<u>1,775,726</u>
Noncurrent Liabilities:				
Compensated absences payable	21,698	13,920	-	35,618
Net pension liability	927,072	-	35,167	962,239
Bonds payable	5,562,021	-	-	5,562,021
Total noncurrent liabilities	<u>6,510,791</u>	<u>13,920</u>	<u>35,167</u>	<u>6,559,878</u>
Total liabilities	<u>8,230,091</u>	<u>28,908</u>	<u>76,605</u>	<u>8,335,604</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows related to pensions	<u>23,261</u>	<u>-</u>	<u>882</u>	<u>24,143</u>
Total deferred inflows of resources	<u>23,261</u>	<u>-</u>	<u>882</u>	<u>24,143</u>
<b>NET POSITION:</b>				
Net investment in capital assets	11,795,065	1,842,079	613,915	14,251,059
Unrestricted	11,170,510	3,192,234	(39,251)	14,323,493
Total net position	<u>\$ 22,965,575</u>	<u>\$ 5,034,313</u>	<u>\$ 574,664</u>	<u>\$ 28,574,552</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2017**

	Enterprise Funds			Totals
	Water and Wastewater	Stormwater Utility	Splash Dayz	
Operating revenues:				
Charges for sales and services	\$ 7,584,266	\$ 565,575	\$ 708,757	\$ 8,858,598
Total operating revenue	<u>7,584,266</u>	<u>565,575</u>	<u>708,757</u>	<u>8,858,598</u>
Operating expenses:				
Utility billing	648,689	-	-	648,689
Water production and distribution	3,264,244	-	-	3,264,244
Wastewater collection and treatment	1,683,935	-	-	1,683,935
Stormwater utility	-	255,812	-	255,812
Sanitation	671,221	-	-	671,221
Splash Dayz	-	-	1,328,577	1,328,577
Non Departmental	59,142	-	-	59,142
Depreciation	690,332	56,746	117,391	864,469
Total operating expenses	<u>7,017,563</u>	<u>312,558</u>	<u>1,445,968</u>	<u>8,776,089</u>
Operating income (loss)	<u>566,703</u>	<u>253,017</u>	<u>(737,211)</u>	<u>82,509</u>
Nonoperating revenues (expenses):				
Proceeds from insurance recoveries	3,340	-	-	3,340
Investment earnings	83,929	31,779	-	115,708
Interest expense	(216,427)	-	-	(216,427)
Total nonoperating revenues (expenses)	<u>(129,158)</u>	<u>31,779</u>	<u>-</u>	<u>(97,379)</u>
Income (loss) before contributions and transfers	437,545	284,796	(737,211)	(14,870)
Capital contributions and transfers:				
Capital Contributions	704,969	81,304	-	786,273
Transfers in	769,287	-	1,142,075	1,911,362
Transfers out	(873,000)	(250,000)	-	(1,123,000)
Change in Net Position	1,038,801	116,100	404,864	1,559,765
Net Position, October 1, 2016	<u>21,926,774</u>	<u>4,918,213</u>	<u>169,800</u>	<u>27,014,787</u>
Net Position, September 30, 2017	<u>\$ 22,965,575</u>	<u>\$ 5,034,313</u>	<u>\$ 574,664</u>	<u>\$ 28,574,552</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, 2017**

	Enterprise Funds			Totals
	Water and Wastewater Fund	Stormwater Utility	Splash Dayz	
Cash flows from operating activities:				
Cash received from customers	\$ 7,583,651	\$ 570,822	\$ 716,988	\$ 8,871,461
Cash paid to suppliers	(4,137,920)	(141,436)	(788,024)	(5,067,380)
Cash paid to employees	(674,679)	(95,975)	(506,067)	(1,276,721)
Net cash provided by operating activities	<u>2,771,052</u>	<u>333,411</u>	<u>(577,103)</u>	<u>2,527,360</u>
Cash flow from noncapital financing activities:				
Transfers from other funds	769,287	-	1,142,075	1,911,362
Transfers to other funds	(873,000)	(250,000)	-	(1,123,000)
Net cash provided (used) by noncapital financing activities	<u>(103,713)</u>	<u>(250,000)</u>	<u>1,142,075</u>	<u>788,362</u>
Cash flow from capital and related financing activities:				
Principal payments on long-term debt	(635,000)	-	-	(635,000)
Payment to refunding escrow agent	(488,825)	-	-	(488,825)
Capital contribution for debt service	303,274	-	-	303,274
Capital outlay	(602,940)	(85,478)	(616,036)	(1,304,454)
Proceeds from insurance recoveries	3,340	-	-	3,340
Interest paid on bonds	(150,869)	-	-	(150,869)
Net cash (used) by capital and related financing activities	<u>(1,571,020)</u>	<u>(85,478)</u>	<u>(616,036)</u>	<u>(2,272,534)</u>
Cash flow from investing activities:				
Investment earnings	77,110	29,928	-	107,038
Purchase of Certificates of Deposit	(901,341)	358,294	-	(543,047)
Net cash provided by investing activities	<u>(824,231)</u>	<u>388,222</u>	<u>-</u>	<u>(436,009)</u>
Net increase (decrease) in cash and cash equivalents	272,088	386,155	(51,064)	607,179
Cash and cash equivalents, beginning	<u>7,181,561</u>	<u>1,434,859</u>	<u>58,638</u>	<u>8,675,058</u>
Cash and cash equivalents, ending	<u>\$ 7,453,649</u>	<u>\$ 1,821,014</u>	<u>\$ 7,574</u>	<u>\$ 9,282,237</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	<u>\$ 566,703</u>	<u>\$ 253,017</u>	<u>\$ (737,211)</u>	<u>\$ 82,509</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	690,332	56,746	117,391	864,469
Loss on disposal of capital assets	931,246	-	-	931,246
(Increase) decrease in accounts receivable	(18,317)	5,247	7,689	(5,381)
(Increase) decrease in supplies inventory	-	-	(312)	(312)
(Increase) decrease in prepaid expenses	-	-	(4,569)	(4,569)
Increase (decrease) in accounts payable	39,039	5,948	8,473	53,460
Increase (decrease) in accrued liabilities	10,257	2,278	9,504	22,039
Increase (decrease) in accrued net pension balances	519,751	(9,773)	17,001	526,979
Increase (decrease) in customer deposits	17,702	-	542	18,244
Increase (decrease) in compensated absences payable	14,339	19,948	4,389	38,676
Total adjustments	<u>2,204,349</u>	<u>80,394</u>	<u>160,108</u>	<u>2,444,851</u>
Net cash provided by operating activities	<u>\$ 2,771,052</u>	<u>\$ 333,411</u>	<u>\$ (577,103)</u>	<u>\$ 2,527,360</u>
Noncash Investing, Capital and Financing Activities				
Decrease in principal on bonds due to refinancing	\$ 465,000	\$ -	\$ -	\$ 465,000
Disposal of capital assets	(931,246)	-	-	(931,246)
Contributions of capital assets from developer	401,695	81,304	-	482,999
	<u>\$ (64,551)</u>	<u>\$ 81,304</u>	<u>\$ -</u>	<u>\$ 16,753</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, 2017**

**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 and Prevention District 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.

**Blended Component Units**

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. The Economic Development Corporation is presented as a special revenue fund. Separate unaudited financial statements may be obtained at the City's administrative office.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

**A. Reporting Entity** (Continued)

Blended Component Units (Continued)

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 Fund of the City for police salaries. 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.

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, 2017**

**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 *Economic Development Corporation* ("EDC") is a blended component unit that is financed with a ½ percent sales tax. The EDC was created to develop, implement, provide and finance projects allowed under the Development Corporation Act.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

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

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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 sanitation, 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.

The *Splash Dayz Fund* is used to account for the maintenance and operations of the water park owned by 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, 2017**

**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 accounts over 5 years old and 85% respectively of the outstanding balances at September 30, 2017.

**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, 2017, 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, 2017**

**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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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 \$216,427. 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, 2017**

**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 effective rate of interest. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as they are incurred.

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, 2017**

**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 General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

	General Fund	Economic Development Corporation	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepays and inventory	\$ 113,453	\$ 23,005	\$ -	\$ -	\$ 336	\$ 136,794
Restricted:						
Debt Service	-	-	273,144	-	-	273,144
Construction	-	-	-	8,563,048	-	8,563,048
Police and court	-	-	-	-	866,531	866,531
Tourism, library and senior services	-	2,363,549	-	-	1,136,634	3,500,183
Committed:						
Street improvement	-	-	-	-	1,041,949	1,041,949
Assigned:						
Pride Commission	11,658	-	-	-	-	11,658
Subsequent year budget deficit	746,544	-	-	-	-	746,544
Unassigned	9,831,907	-	-	-	-	9,831,907
	<u>\$ 10,703,562</u>	<u>\$ 2,386,554</u>	<u>\$ 273,144</u>	<u>\$ 8,563,048</u>	<u>\$ 3,045,450</u>	<u>\$ 24,971,758</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, 2017**

**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 \$9,831,907 was \$5,786,249 above the minimum fund balance requirement of \$4,045,658.

**10. Net Position**

Net position represents the difference between assets and liabilities. Net position net investment in capital assets 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)	\$ 13,202,906
Adjustments	
Accrued interest payable restricted for debt service	(274,545)
Deferred property tax revenue restricted for debt service	24,742
Restricted for construction	(8,563,048)
Total adjustments	(8,812,851)
Restricted Net Position (Exhibit A-1)	\$ 4,390,055

**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, 2017**

**NOTE 2: DEPOSITS AND INVESTMENTS**

Substantially all operating cash and investments 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, 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). TexPool is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the Pool are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas.

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, 2017, 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, 2017**

**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, 2017, 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, 2017 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	100 days	100.00%	<u>\$ 5,446,895</u>	<u>\$ 5,446,895</u>
				<u>\$ 5,446,895</u>	<u>\$ 5,446,895</u>

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

	<u>Cash and Investments</u>
Enterprise Funds	
Customer deposits	<u>\$ 598,265</u>
Total	<u>\$ 598,265</u>

Cash and investments in the amount of \$1,780,070 in the Economic Development Corporation are restricted for debt service.

Investment earnings of \$353,377 are reported net of advisory service fees of \$30,132.

**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 2016 was computed based on 100% of appraised value.

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

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

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, 2017, was \$0.755693 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 2016 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:

	General	Economic Development Corporation	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental	Water and Wastewater	Stormwater Utility	Splash Dayz
Receivables:								
Property taxes	\$ 248,299	\$ -	\$ 71,516	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise taxes	227,024	-	-	-	17,840	-	-	-
Occupancy tax	-	-	-	-	93,974	-	-	-
Water and wastewater	-	-	-	-	-	564,334	-	-
Stormwater utility	-	-	-	-	-	-	40,577	-
Sanitation	-	-	-	-	-	60,002	-	-
Earned and unbilled services	-	-	-	-	-	406,719	29,361	-
Miscellaneous	416,501	-	-	-	-	100	-	866
Interest	21,184	1,291	264	5,202	1,710	6,819	1,851	-
Gross Receivables	913,008	1,291	71,780	5,202	113,524	1,037,974	71,789	866
Less: allowance for uncollectibles	(486,367)	-	(46,774)	-	-	(22,617)	(1,680)	-
Net total receivables	\$ 426,641	\$ 1,291	\$ 25,006	\$ 5,202	\$ 113,524	\$ 1,015,357	\$ 70,109	\$ 866

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

**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 two types of items in this category, unavailable revenues for governmental funds and deferred inflows related to pensions in the government-wide statement of net position and proprietary funds statements. 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)	\$ 95,903
Franchise tax receivable	154,217
Court fees receivable	58,936
Deferred property taxes receivable (Debt Service Fund)	24,742
 Total deferred inflows of resources for governmental funds	 \$ 333,798

**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, 2017, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General	Crime District	\$ 715,473	Crime prevention
	Economic Development Corp	51,268	Payments in lieu of taxes
	Other Governmental	2,913	Grant match
	Water and Wastewater	873,000	Payments in lieu of taxes
	Stormwater Utility	100,000	Payments in lieu of taxes
 Debt Service	Street Improvement	 150,000	 Debt service
	Stormwater Utility	150,000	Debt service
 Total Governmental Funds Transfers In		 \$ 2,042,654	

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (Continued)**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Water and Wastewater	Debt Service	\$ 488,825	Debt service
	Capital Projects	280,462	Capital assets
Splash Dayz	General	1,082,075	Transfer water park
	Occupancy Tax	<u>60,000</u>	Transfer water park
Total Enterprise Funds Transfers In		<u><u>\$ 1,911,362</u></u>	

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017 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	\$ 6,150,835	\$ -	\$ (17,400)	\$ -	\$ 6,133,435
Construction in Progress	-	189,714	-	-	189,714
Total non-depreciable assets	<u>6,150,835</u>	<u>189,714</u>	<u>(17,400)</u>	<u>-</u>	<u>6,323,149</u>
Depreciable Assets:					
Land improvements	11,256,183	160,936	-	-	11,417,119
Building and improvements	9,302,405	129,232	(59,667)	(4,452)	9,367,518
Machinery and equipment	16,505,222	128,370	(3,815,913)	(41,373)	12,776,306
Infrastructure	31,091,025	1,210,167	(9,997,075)	-	22,304,117
Total capital assets being depreciated	<u>68,154,835</u>	<u>1,628,705</u>	<u>(13,872,655)</u>	<u>(45,825)</u>	<u>55,865,060</u>
Accumulated Depreciation:					
Land improvements	(3,817,169)	(528,339)	-	-	(4,345,508)
Building and improvements	(4,008,486)	(280,943)	59,667	4,452	(4,225,310)
Machinery and equipment	(7,454,597)	(985,162)	2,043,128	41,373	(6,355,258)
Infrastructure	(16,888,407)	(557,669)	9,997,075	-	(7,449,001)
Total accumulated depreciation	<u>(32,168,659)</u>	<u>(2,352,113)</u>	<u>12,099,870</u>	<u>45,825</u>	<u>(22,375,077)</u>
Governmental activities capital assets, net	<u><u>\$ 42,137,011</u></u>	<u><u>\$ (533,694)</u></u>	<u><u>\$ (1,790,185)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,813,132</u></u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
<b>Business-type activities:</b>					
Non - Depreciable Assets:					
Land	\$ 195,139	\$ -	\$ -	\$ -	\$ 195,139
Construction in Progress	462,654	980,648	-	(989,832)	453,470
Total non-depreciable assets	<u>657,793</u>	<u>980,648</u>	<u>-</u>	<u>(989,832)</u>	<u>648,609</u>
Depreciable Assets:					
Land improvements	38,484	29,221	-	-	67,705
Building and improvements	147,403	-	-	-	147,403
Machinery and equipment	1,553,609	313,435	(11,853)	333,612	2,188,803
Water and wastewater systems	28,165,596	359,719	(1,399,198)	403,841	27,529,958
Stormwater systems	1,616,773	104,430	-	293,752	2,014,955
Total capital assets being depreciated	<u>31,521,865</u>	<u>806,805</u>	<u>(1,411,051)</u>	<u>1,031,205</u>	<u>31,948,824</u>
Accumulated Depreciation:					
Land improvements	(35,242)	(1,064)	-	-	(36,306)
Building and improvements	(28,929)	(3,585)	-	-	(32,514)
Machinery and equipment	(1,111,320)	(215,057)	11,853	(41,373)	(1,355,897)
Water and wastewater systems	(10,370,652)	(595,978)	467,953	-	(10,498,677)
Stormwater systems	(221,930)	(48,785)	-	-	(270,715)
Total accumulated depreciation	<u>(11,768,073)</u>	<u>(864,469)</u>	<u>479,806</u>	<u>(41,373)</u>	<u>(12,194,109)</u>
Business-type activities capital assets, net	<u>\$ 20,411,585</u>	<u>\$ 922,984</u>	<u>\$ (931,245)</u>	<u>\$ -</u>	<u>\$ 20,403,324</u>

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

Governmental activities:	
General government	\$ 45,633
Public safety	368,220
Public works	944,677
Culture and recreation	993,583
Total depreciation expense - governmental activities	<u>\$ 2,352,113</u>
Business-type activities:	
Water and wastewater	\$ 690,332
Stormwater utility	56,746
Splash Dayz	117,391
Total depreciation expense - business-type activities	<u>\$ 864,469</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 7: LONG-TERM LIABILITIES**

**A. Bonds Payable**

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 and Certificates of Obligation 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	\$ 595,000
General government	06/01/15	02/15/35	2.0 - 5.0%	9,540,000	9,325,000
Governmental refunding	06/01/15	02/15/25	2.0 - 3.0%	2,980,000	2,580,000
General government	09/10/15	02/15/28	3.07%	710,000	620,000
Governmental refunding	12/13/16	02/15/29	2.0 - 4.0%	3,815,000	3,730,000

The annual debt service requirements to maturity for General Obligation Bonds and Certificates of Obligation outstanding as of September 30, 2017, are as follows:

Year Ending September 30,	Governmental Activities					
	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2018	600,000	200,375	\$ 800,375	175,000	423,704	\$ 598,704
2019	620,000	182,950	802,950	180,000	419,619	599,619
2020	635,000	167,350	802,350	180,000	414,834	594,834
2021	650,000	152,925	802,925	185,000	409,322	594,322
2022	665,000	136,575	801,575	185,000	403,734	588,734
2023 - 2027	2,895,000	390,200	3,285,200	1,705,000	1,909,443	3,614,443
2028 - 2032	840,000	34,000	874,000	4,045,000	1,365,685	5,410,685
2033 - 2037	-	-	-	3,290,000	252,250	3,542,250
	<u>\$ 6,905,000</u>	<u>\$ 1,264,375</u>	<u>\$ 8,169,375</u>	<u>\$ 9,945,000</u>	<u>\$ 5,598,591</u>	<u>\$ 15,543,591</u>

The Economic Development Corporation issued Sales Tax Revenue Bonds for the purpose of constructing a water park. Sales Tax Revenue Bonds outstanding are as follows:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
Water park	11/12/13	12/01/33	2.93%	\$ 12,600,000	\$ 11,770,000

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

**A. Bonds Payable** (Continued)

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

<u>Year Ending September 30,</u>	<u>Economic Development Corporation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 450,000	\$ 579,559	\$ 1,029,559
2019	475,000	556,342	1,031,342
2020	495,000	531,995	1,026,995
2021	525,000	506,393	1,031,393
2022	550,000	479,410	1,029,410
2023 - 2027	3,205,000	1,941,360	5,146,360
2028 - 2032	4,110,000	1,028,597	5,138,597
2033 - 2037	1,960,000	99,646	2,059,646
	<u>\$ 11,770,000</u>	<u>\$ 5,723,302</u>	<u>\$ 17,493,302</u>

On December 13, 2016, the City issued \$8,145,000 of General Obligation Refunding Bonds, Series 2016. The bonds consisted of General Obligation Bonds with interest rates ranging from 2.0% to 4.0%. The net proceeds were used to partially refund General Obligation Bonds, Series 2009 and Certificates of Obligation, Series 2009. \$8,620,000 of the total principal amount of \$9,960,000 was refunded. The refunding decreased debt service payments for the City by \$1,458,266 with a net present value savings (economic gain) of \$773,583 or 8.97%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into a irrevocable trust with an escrow agent to provide for future debt service payments on the refunded General Obligation Bonds and Certificates of Obligation. As a result, the refundable General Obligation Bonds and Certificates of Obligation are considered to be defeased, and the related liability for the General Obligation Bonds and Certificates of Obligation have been removed from the City's liabilities. At September 30, 2017, \$8,620,000 defeased General Obligation Bonds and Certificates of Obligation are outstanding with a scheduled redemption date of February 15, 2019.

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:

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

**A. Bonds Payable** (Continued)

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	\$ 745,000
Enterprise refunding	07/15/11	02/15/21	2.0 - 3.0%	1,705,000	735,000
Enterprise refunding	12/13/16	02/15/29	2.0 - 4.0%	4,330,000	4,215,000

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 and partially refunded them with the 2016 General Obligation Refunding Bonds. 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 \$303,274 and was reported as a capital contribution in the Water and Wastewater Fund.

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

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2018	\$ 540,000	\$ 174,663	\$ 714,663
2019	560,000	155,350	715,350
2020	555,000	138,575	693,575
2021	575,000	125,375	700,375
2022	385,000	114,800	499,800
2023 - 2027	2,115,000	391,675	2,506,675
2028 - 2032	965,000	38,900	1,003,900
	<u>\$ 5,695,000</u>	<u>\$ 1,139,338</u>	<u>\$ 6,834,338</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, 2017.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Certificates of Obligation	\$ 10,115,000	\$ -	\$ 170,000	\$ 9,945,000	\$ 175,000
General Obligation Bonds	7,570,000	3,815,000	4,480,000	6,905,000	600,000
Sales Tax Revenue Bonds	12,195,000	-	425,000	11,770,000	450,000
Issuance premium	746,915	415,046	168,558	993,403	78,628
Total bonds payable	<u>30,626,915</u>	<u>4,230,046</u>	<u>5,243,558</u>	<u>29,613,403</u>	<u>1,303,628</u>
Net pension liability	3,666,739	3,898,741	-	7,565,480	-
Compensated absences	<u>1,111,789</u>	<u>636,136</u>	<u>756,347</u>	<u>991,578</u>	<u>281,821</u>
Total Governmental Activities	<u>\$ 35,405,443</u>	<u>\$ 8,764,923</u>	<u>\$ 5,999,905</u>	<u>\$ 38,170,461</u>	<u>\$ 1,585,449</u>
<b>Business-type Activities:</b>					
Certificates of Obligation	\$ 5,890,000	\$ -	\$ 5,145,000	\$ 745,000	\$ 365,000
General Obligation Bonds	905,000	4,330,000	285,000	4,950,000	175,000
Issuance premium	15,928	472,937	31,601	457,264	50,243
Issuance discount	<u>(14,115)</u>	<u>-</u>	<u>(14,115)</u>	<u>-</u>	<u>-</u>
Total bonds payable	<u>6,796,813</u>	<u>4,802,937</u>	<u>5,447,486</u>	<u>6,152,264</u>	<u>590,243</u>
Net pension liability	407,418	554,821	-	962,239	-
Compensated absences	<u>28,730</u>	<u>80,287</u>	<u>41,611</u>	<u>67,406</u>	<u>31,788</u>
Total Business-type Activities	<u>\$ 7,232,961</u>	<u>\$ 5,438,045</u>	<u>\$ 5,489,097</u>	<u>\$ 7,181,909</u>	<u>\$ 622,031</u>
<b>Total Long-term Liabilities</b>	<u>\$ 42,638,404</u>	<u>\$ 14,202,968</u>	<u>\$ 11,489,002</u>	<u>\$ 45,352,370</u>	<u>\$ 2,207,480</u>

Compensated absences and the net pension liability of the governmental activities and business-type activities are paid by the General Fund, Water & Wastewater Fund, Stormwater Utility Fund and Splash Dayz Fund, respectively.

**C. 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.

**CITY OF WHITE SETTLEMENT, TEXAS**

**Notes to Financial Statements**

**September 30, 2017**

**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 872 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.tmrs.com](http://www.tmrs.com).

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

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

**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 2016	Plan Year 2017
Employee deposit rate	5%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI	70% of CPI

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to but not yet receiving benefits	103
Active employees	117
	301

**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.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

**C. Contributions** (Continued)

Employees for the City were required to contribute 5% of their annual gross earnings during October – December 2016 and 7% of their annual gross earnings during January – September 2017. The contribution rates for the City were 10.52% and 17.88% in calendar years 2016 and 2017, respectively. The City’s contributions to TMRS for the year ended September 30, 2017, were \$992,694, and were equal to the required contributions.

**D. Net Pension Liability**

The City’s Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, 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 Blue Collar Adjustment, 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 are projected on a fully generational basis by scale BB to account to future mortality improvements. For disable annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and well as the protection of income, in order to satisfy the short-term and long-term funding needs to TMRS.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

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

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. In determining their best estimate of a recommended investment return assumption under the various alternate asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of 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%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

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

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 25,659,650	\$ 21,585,493	\$ 4,074,157
Changes for the year:			
Service cost	729,404	-	729,404
Interest	2,003,764	-	2,003,764
Change of benefit terms	4,294,719	-	4,294,719
Difference between expected and actual experience	(182,401)	-	(182,401)
Changes of assumptions	-	-	-
Contributions - employer	-	644,276	(644,276)
Contributions - employee	-	306,215	(306,215)
Net investment income	-	1,458,796	(1,458,796)
Benefit payments, including refunds of employee contributions	(1,267,348)	(1,267,348)	-
Administrative expense	-	(16,475)	16,475
Other changes	-	(888)	888
Net changes	5,578,138	1,124,576	4,453,562
Balance at 12/31/2016	<u>\$ 31,237,788</u>	<u>\$ 22,710,069</u>	<u>\$ 8,527,719</u>

*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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase Discount Rate (7.75%)
City's Net Pension Liability	\$ 13,284,462	\$ 8,527,719	\$ 4,663,088

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

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

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

*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, 2017, the City recognized pension expense of \$5,542,514.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,934	\$ 213,968
Changes in actuarial assumptions	\$ 20,041	\$ -
Difference between projected and actual investment earnings.	\$ 989,350	\$ -
Contributions subsequent to the measurement date	\$ 811,466	\$ -
Total	<u>\$ 1,824,791</u>	<u>\$ 213,968</u>

\$811,466 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, 2017. 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:	
2017	\$ 256,363
2018	274,214
2019	269,135
2020	(355)
2021	-
Thereafter	-
Total	<u>\$ 799,357</u>

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

**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.

The City's contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$13,279, \$13,969, and \$13,161, respectively, which equaled the required contributions each year.

**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.

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2017**

**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 2037, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Payments during 2017 for the purchase of treated water were \$1,141,639 and payments made for the treatment of wastewater by the City of Fort Worth were \$1,333,408.

**NOTE 14: SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 21, 2018, which is the date the financial statements were available to be issued.

**NOTE 15: 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**THIS PAGE INTENTIONALLY LEFT BLANK**

## 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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>General Property Taxes</b>				
Current property taxes	\$ 4,095,500	\$ 4,095,500	\$ 3,985,395	\$ (110,105)
Miscellaneous property tax revenue	5,000	5,000	6,106	1,106
Delinquent tax collections	36,000	36,000	28,721	(7,279)
Vehicle inventory tax	7,000	7,000	5,541	(1,459)
Taxes - penalties and interest	40,000	40,000	38,204	(1,796)
Total general property taxes	4,183,500	4,183,500	4,063,967	(119,533)
<b>Sales and Use Taxes</b>				
General sales tax	1,900,000	1,900,000	2,021,316	121,316
Mixed beverage tax	3,000	3,000	2,406	(594)
Bingo tax	37,000	37,000	27,336	(9,664)
Total sales and use taxes	1,940,000	1,940,000	2,051,058	111,058
<b>Franchise Tax</b>				
Telephone franchise fees	68,500	68,500	63,705	(4,795)
Electric franchise fees	537,000	537,000	487,579	(49,421)
Cable TV franchise fees	132,000	132,000	123,470	(8,530)
Gas franchise fees	78,300	78,300	98,034	19,734
Refuse franchise fees	152,000	152,000	166,629	14,629
Total franchise tax	967,800	967,800	939,417	(28,383)
<b>Fines and Fees</b>				
Municipal court fees	344,400	344,400	369,471	25,071
Deferred disposition fee	47,000	47,000	47,616	616
Court administrative fee	7,600	7,600	5,523	(2,077)
Extension fee - City	9,600	9,600	11,167	1,567
Warrant fees	79,000	79,000	72,942	(6,058)
ACO fees	2,000	2,000	1,935	(65)
Code compliance fine	3,000	3,000	18,820	15,820
Total fines and fees	492,600	492,600	527,474	34,874
<b>Licenses and Permits</b>				
Building permits	126,765	126,765	223,815	97,050
Mechanical permits	12,000	12,000	6,741	(5,259)
Appeal/variance permits	2,500	2,500	1,550	(950)
Plumbing permits	20,000	20,000	7,366	(12,634)
Electrical permits	56,500	56,500	82,647	26,147
Alarm permits	3,900	3,900	8,070	4,170
Sign permits	4,000	4,000	3,279	(721)
Garage sale permits	6,500	6,500	6,160	(340)
Curb and gutter permits	100	100	360	260
Miscellaneous permits	-	-	3,979	3,979
Demolition fees	1,500	1,500	1,200	(300)
Occupancy permits	45,000	45,000	48,310	3,310
Fence permits	4,000	4,000	2,526	(1,474)

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, 2017**

**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	\$ 12,000	\$ 12,000	\$ 12,415	\$ 415
Other license	-	-	175	175
Contractor registration fee	25,000	25,000	31,500	6,500
Fire inspections	15,000	15,000	9,045	(5,955)
Recreational license	5,000	5,000	9,500	4,500
Recreational machine permits	5,000	5,000	2,310	(2,690)
Platting fees	2,000	2,000	6,263	4,263
Total licenses and permits	<u>346,765</u>	<u>346,765</u>	<u>467,211</u>	<u>120,446</u>
<b>Intergovernmental</b>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>36,000</u>
<b>Charges for Services</b>				
Copying Fee	50	50	-	(50)
Returned check fee	100	100	-	(100)
Building rental - cultural center	2,000	2,000	2,745	745
Building rental - recreation	22,000	22,000	22,613	613
Supervised recreation	47,000	47,000	8,236	(38,764)
Mowing fees	12,000	12,000	67,946	55,946
Gas well inspector fees	7,000	7,000	7,000	-
Animal control fees	16,000	16,000	10,975	(5,025)
Senior activities	-	-	2,935	2,935
Street inspection fees	-	-	15,511	15,511
False alarm fine	1,475	1,475	1,550	75
Library customer copier	-	-	3,323	3,323
Library revenue	13,500	13,500	11,158	(2,342)
Library processing	200	200	252	52
Reimburse lost/damaged books	400	400	332	(68)
Fingerprinting fees	500	500	425	(75)
Police report fees	500	500	642	142
Wrecker service fees	2,400	2,400	2,130	(270)
Credit card processing fees	-	-	9,743	9,743
Clearview kiosk signage	3,200	3,200	2,430	(770)
Early filing discount	-	-	64	64
Simple recycling	-	-	105	105
Total charges for services	<u>128,325</u>	<u>128,325</u>	<u>170,115</u>	<u>41,790</u>
<b>Oil and Gas Royalties</b>	<u>40,000</u>	<u>40,000</u>	<u>35,314</u>	<u>(4,686)</u>
<b>Investment Earnings</b>	<u>20,000</u>	<u>20,000</u>	<u>105,316</u>	<u>85,316</u>

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

**CITY OF WHITE SETTLEMENT, TEXAS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2017**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES (Continued)</b>				
<b>Other Revenue</b>				
Pay phone income	\$ 500	\$ 500	\$ 54	\$ (446)
Council filing fee	100	100	190	90
Report fees - fire	-	-	100	100
Over/short	-	-	(33)	(33)
Miscellaneous revenues	10,000	10,000	124,773	114,773
Total other revenue	<u>10,600</u>	<u>10,600</u>	<u>125,084</u>	<u>114,484</u>
 Total revenues	 <u>8,129,590</u>	 <u>8,129,590</u>	 <u>8,520,956</u>	 <u>391,366</u>
<b>EXPENDITURES</b>				
Current				
<b>General Government:</b>				
<b>City Council</b>				
Part-time temporary salaries	7,200	7,200	3,921	3,279
FICA	551	551	300	251
Workers' compensation	22	22	17	5
Unemployment insurance	252	252	14	238
Office supplies	1,500	1,736	1,736	-
Legal costs	160,000	160,000	159,308	692
Audit services	25,000	25,000	21,500	3,500
Professional services	20,000	29,890	29,890	-
Communications	3,400	3,400	2,551	849
Cell phones/air cards	-	114	114	-
Insurance	26,250	16,396	15,474	922
Dues/subscriptions/memberships	15,000	11,410	9,934	1,476
Council sponsored events	-	12,162	12,162	-
Marketing and promotional services	-	2,211	1,211	1,000
Travel and training	5,000	7,339	6,867	472
Miscellaneous materials and supplies	500	500	152	348
Fixtures and furniture	-	19,708	9,854	9,854
Appreciation	1,000	1,041	1,041	-
Plaques, awards and recognition	1,500	2,700	2,487	213
Community chest	1,500	1,300	200	1,100
City council reserve	50,000	15,703	-	15,703
Total City council	<u>318,675</u>	<u>318,635</u>	<u>278,733</u>	<u>39,902</u>
<b>City Manager's Office</b>				
Regular salaries	344,968	391,197	391,197	-
Overtime	2,235	2,235	2,054	181
Certification pay	2,400	2,400	2,125	275
Longevity pay	946	949	949	-
FICA	26,817	24,749	24,749	-
TMRS	56,982	64,136	64,136	-
Workers' compensation	4,409	4,409	3,481	928
Unemployment insurance	1,200	1,200	79	1,121

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, 2017**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>City Manager's Office (Continued)</b>				
Health insurance	\$ 30,360	\$ 18,583	\$ 18,583	\$ -
Dental insurance	1,200	1,200	982	218
Life insurance	436	436	313	123
Office supplies	2,500	2,500	2,182	318
Postage and freight	155	155	90	65
Copy rental/lease	4,300	1,398	1,398	-
Communications	1,750	1,750	1,266	484
Cell phones/air cards	-	38	38	-
Dues/subscriptions/memberships	200	240	240	-
Marketing and promotional services	1,000	1,000	651	349
Travel and training	2,500	950	950	-
Employee appreciation	14,000	1,826	1,826	-
Computer related equipment < \$5,000	-	489	489	-
City manager reserve	52,418	648	-	648
Other professional services	2,000	3,993	3,993	-
Total administration	552,776	526,480	521,771	4,710
<b>City Secretary</b>				
Regular salaries	58,386	60,683	60,683	-
Certification pay	300	304	304	-
Longevity pay	412	412	412	-
FICA	4,521	4,521	4,514	7
TMRS	9,606	9,606	9,590	16
Workers' compensation	206	206	175	31
Unemployment insurance	300	300	9	291
Health insurance	7,200	1,549	24	1,525
Dental insurance	300	590	584	6
Life insurance	109	109	102	7
Office supplies	500	1,400	1,298	102
Postage and freight	200	200	159	41
Copy rental/lease	3,900	3,900	2,580	1,320
Election services	50,000	45,060	13,636	31,424
Other professional services	-	80	43	37
Communications	400	400	393	7
Dues/subscriptions/memberships	495	495	200	295
Travel and training	3,000	7,000	6,781	219
Advertisement/notices	8,000	8,000	4,111	3,889
Total City secretary	147,836	144,816	105,598	39,217
<b>Finance</b>				
Regular salaries	373,140	373,705	361,486	12,219
Overtime	9,961	9,961	5,848	4,113
Certification pay	4,200	4,200	2,749	1,451
Longevity pay	930	930	929	1

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Finance (Continued)</b>				
FICA	\$ 29,700	\$ 29,700	\$ 26,878	\$ 2,822
TMRS	63,110	63,110	57,960	5,150
Workers' compensation	1,355	1,355	1,079	276
Unemployment insurance	1,500	1,500	54	1,446
Health insurance	42,240	36,150	30,932	5,218
Dental insurance	1,500	1,500	1,325	175
Life insurance	545	545	444	101
Office supplies	4,000	9,257	9,257	-
Postage and freight	3,750	4,645	4,145	500
Copy rental/lease	1,850	1,850	960	890
Other professional services	47,000	47,000	44,518	2,482
Communications	1,150	1,150	724	426
Cell phones/air cards	-	750	750	-
Computer maintenance	-	3,400	2,400	1,000
Insurance	2,205	2,205	1,692	513
Dues/subscriptions/memberships	5,500	5,500	2,191	3,309
Travel and training	11,000	9,455	6,553	2,902
Employee appreciation	-	290	289	1
Advertisement/notices	4,000	2,565	-	2,565
Employee testing/physicals	-	135	90	45
Total finance	608,636	610,858	563,253	47,605
<b>Human Resources</b>				
Regular salaries	81,058	73,175	46,538	26,637
Part-time/temporary salaries	8,840	-	-	-
Longevity pay	583	583	-	583
FICA	6,922	6,922	2,831	4,091
TMRS	13,271	13,271	7,726	5,545
Workers' compensation	316	316	268	48
Unemployment insurance	600	600	89	511
Health insurance	7,200	7,495	6,295	1,200
Dental insurance	300	300	221	79
Life insurance	109	109	77	32
Office supplies	1,000	1,000	789	211
Education materials	3,000	3,000	386	2,614
Postage and freight	300	361	321	40
Furniture and fixtures	-	1,850	925	925
Legal services	4,000	4,000	3,304	696
Copier lease/rental	850	850	412	438
Other professional services	21,200	29,340	26,993	2,347
Communications	600	-	-	-
Cell phones/air cards	-	600	494	106
Insurance	2,900	2,735	2,735	-
Dues/subscriptions/memberships	565	565	75	490

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, 2017**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Human Resources (Continued)</b>				
Travel and training	\$ 1,000	\$ 1,012	\$ 1,012	\$ -
Advertisement/notices	1,500	-	-	-
Employee testing/physicals	-	2,500	2,464	36
Total human resources	156,113	150,583	103,955	46,629
<b>Management Information Services</b>				
Regular salaries	128,981	142,974	142,974	-
Overtime	9,674	20,087	20,087	-
Longevity pay	477	477	477	-
FICA	10,644	11,644	11,644	-
TMRS	22,616	25,776	25,776	-
Workers' compensation	486	486	434	52
Unemployment insurance	900	900	27	873
Health insurance	24,720	15,666	15,666	-
Dental insurance	900	900	883	17
Life insurance	327	327	306	21
Office supplies	3,000	3,000	2,872	128
Postage and freight	-	24	24	-
Tools and equipment < \$5,000	500	6,000	5,990	10
Copier lease/rental	10,000	7,527	7,527	-
Other professional services	10,000	7,715	7,715	-
Communications	16,000	23,081	23,081	-
Computer maintenance	35,470	30,698	30,698	-
Equipment maintenance/repair	33,000	36,615	36,615	-
Dues/subscriptions/memberships	-	381	381	-
Travel and training	-	1,865	1,865	-
Computer related equipment < \$5,000	-	276	276	-
Computer software > \$5,000	-	20,290	-	20,290
Total management information services	307,694	356,708	335,318	21,391
<b>Purchasing</b>				
Regular salaries	86,030	75,626	69,204	6,422
Overtime	1,905	1,905	180	1,725
Longevity pay	1,550	1,552	1,552	-
FICA	6,845	6,845	4,979	1,866
TMRS	12,520	12,520	11,048	1,472
Workers' compensation	5,160	5,160	4,191	969
Unemployment insurance	900	900	18	882
Health insurance	14,400	14,400	13,371	1,029
Dental insurance	600	600	564	36
Life insurance	218	218	196	22
Office supplies	1,000	1,000	590	410
Janitorial supplies	100	100	-	100
Building, electrical and plumbing supplies	500	500	162	338

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, 2017**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Purchasing (Continued)</b>				
Uniforms	\$ 500	\$ 500	\$ 130	\$ 370
Postage and freight	50	50	-	50
Fuel and lubricants	2,900	2,300	1,938	362
Safety supplies and equipment	100	100	19	81
Tools and equipment < \$5,000	100	100	12	88
Obsolete/salvaged inventory	-	2,384	2,384	-
Pest control services	100	100	72	28
Copier lease/rental	264	264	240	24
Other professional services	250	250	233	17
Communications	1,600	1,600	1,175	425
Utilities	6,500	4,100	1,974	2,126
Vehicle maintenance/repairs	3,700	3,700	1,713	1,987
Equipment maintenance/repairs	1,000	1,600	1,555	45
Building maintenance and repair	1,000	1,000	-	1,000
Insurance	3,780	3,780	2,918	862
Dues/subscriptions/memberships	920	920	270	650
Travel and training	4,300	4,300	2,704	1,596
Advertisement/notices	800	800	96	704
Employee testing/physicals	80	80	-	80
Electric utilities	-	2,000	1,394	606
Gas utilities	-	400	281	119
First aid and medical supplies	250	250	195	55
Total purchasing/warehouse	159,922	151,904	125,358	26,546
<b>Municipal Facilities</b>				
Regular salaries	38,480	38,990	38,990	-
Overtime	1,924	293	293	-
Longevity pay	43	44	44	-
FICA	3,094	2,941	2,941	-
TMRS	6,575	6,173	6,173	-
Workers' compensation	1,733	1,321	1,321	-
Unemployment insurance	300	9	9	-
Health insurance	7,200	7,200	7,112	88
Dental insurance	300	300	294	6
Life insurance	109	109	102	7
Office supplies	1,500	841	841	-
Janitorial supplies	1,000	1,047	1,047	-
Building, electrical and plumbing supplies	2,000	5,561	5,495	66
Miscellaneous materials and supplies	1,000	1,000	829	171
Uniforms	750	189	189	-
Fuel and lubricants	2,000	1,627	1,627	-
Safety supplies and equipment	250	3	3	-
Tools and equipment < \$5,000	2,000	756	756	-
Parts for equipment	-	127	127	-

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Municipal Facilities (Continued)</b>				
First aid and medical supplies	\$ 400	\$ 400	\$ 351	\$ 49
Janitorial services	12,600	9,815	9,815	-
Pest control services	600	363	363	-
Other professional services	3,000	3,386	3,386	-
Communications	500	390	263	127
Utilities	29,000	3,990	3,990	-
Vehicle maintenance/repairs	5,000	2,031	2,031	-
Equipment maintenance/repairs	1,000	-	-	-
Building maintenance and repair	25,000	39,544	39,544	-
Rental equipment and building	250	-	-	-
Insurance	1,575	1,229	1,229	-
Travel and training	250	250	56	194
Employee testing/physicals	150	150	-	150
Electric utilities	-	16,832	16,832	-
Gas utilities	-	2,672	2,472	200
Total municipal facilities	149,582	149,583	148,525	1,058
 <b>Total general government</b>	2,401,234	2,409,567	2,182,511	227,057
 <b>Public Safety:</b>				
<b>Police Administration</b>				
Regular salaries	683,080	618,903	595,830	23,073
Overtime	13,336	39,159	39,159	-
Part-time temporary salaries	25,404	63,223	63,223	-
Certification pay	18,000	18,000	11,544	6,456
Longevity pay	5,591	5,514	5,514	-
FICA	57,024	57,024	52,487	4,537
TMRS	117,037	117,037	101,306	15,731
Workers' compensation	9,350	5,198	3,608	1,590
Unemployment insurance	5,389	5,389	917	4,472
Health insurance	112,680	99,117	74,080	25,037
Dental insurance	4,500	4,500	3,387	1,113
Life insurance	1,635	1,635	1,199	436
Office supplies	9,695	9,836	9,836	-
Janitorial supplies	1,428	1,538	1,538	-
Building, electrical and plumbing supplies	3,600	3,600	3,224	376
Batteries	200	200	51	149
Miscellaneous materials and supplies	8,800	8,800	6,263	2,537
Uniforms	2,550	2,550	1,890	660
Postage and freight	1,000	1,000	786	214
Fuel and lubricants	6,190	6,190	1,952	4,238
Safety supplies and equipment	680	680	534	146
Tools and equipment < \$5,000	2,000	2,000	1,338	662
First aid and medical supplies	1,000	1,000	948	52

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, 2017**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Police Administration (Continued)</b>				
Legal services	\$ -	\$ 2,455	\$ 2,455	\$ -
Janitorial services	16,000	15,302	13,624	1,678
Pest control services	500	332	332	-
Copier lease/rental	5,000	7,444	7,444	-
Communications	19,150	18,252	14,913	3,339
Cell phones/air cards	-	200	150	50
Utilities	40,000	12,520	6,200	6,320
Vehicle/equipment non-target	650	-	-	-
Vehicle maintenance/repairs	-	130	41	89
Building maintenance and repair	5,916	3,702	2,952	750
Insurance	34,650	34,650	25,210	9,440
Employee appreciation	1,000	2,500	2,495	5
Advertisement/notices	-	761	761	-
Electric utilities	-	24,253	24,253	-
Gas utilities	-	2,000	1,316	684
Total police administration	1,213,036	1,196,595	1,082,760	113,834
<b>Police Patrol/CID</b>				
Regular salaries	2,036,642	2,036,642	2,034,445	2,197
Overtime	47,246	56,293	56,293	-
Certification pay	48,000	48,000	40,408	7,592
Longevity pay	17,441	17,354	17,354	-
FICA	164,424	164,424	158,095	6,329
TMRS	349,373	349,373	333,431	15,942
Workers' compensation	62,345	62,345	61,424	921
Unemployment insurance	9,900	9,900	301	9,599
Health insurance	258,840	258,840	209,704	49,136
Dental insurance	9,900	9,900	8,810	1,090
Life insurance	3,597	3,597	3,162	435
Office supplies	4,500	4,657	4,657	-
Shop and lab supplies	3,000	2,900	974	1,926
Photo and duplication supplies	1,000	1,000	-	1,000
Building, electrical and plumbing supplies	1,000	1,000	47	953
Batteries	1,500	1,500	329	1,171
Miscellaneous materials and supplies	2,000	2,000	1,719	281
Uniforms	5,000	5,000	2,530	2,470
Fuel and lubricants	85,000	75,805	48,657	27,148
Safety supplies and equipment	500	500	461	39
Tools and equipment < \$5,000	4,500	4,500	617	3,883
First aid and medical supplies	1,500	1,500	1,083	417
Vehicle/equipment non-target	8,170	-	-	-
Vehicle maintenance/repairs	-	8,170	-	8,170
Insurance	17,115	17,115	11,812	5,303

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, 2017**

**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>				
Employee testing/physicals	\$ -	\$ 90	\$ 90	\$ -
Total police patrol/CID	3,142,493	3,142,406	2,996,403	146,002
<b>Municipal Court</b>				
Regular salaries	91,083	94,391	94,391	-
Overtime	5,066	2,065	2,065	-
Certification pay	1,200	1,214	1,214	-
Longevity pay	1,014	1,014	1,012	2
FICA	7,525	7,525	7,281	244
TMRS	15,989	15,989	15,401	588
Workers' compensation	343	343	289	54
Unemployment insurance	600	600	18	582
Health insurance	14,400	14,400	14,224	176
Dental insurance	600	600	589	11
Life insurance	218	218	204	14
Office supplies	5,000	5,000	4,068	932
Miscellaneous materials and supplies	400	400	20	380
Uniforms	100	100	-	100
Postage and freight	4,000	4,000	2,231	1,769
Legal services	50,000	48,348	47,091	1,257
Credit card expense	-	3,279	3,279	-
Copier lease/rental	400	974	974	-
Other professional services	1,800	1,000	-	1,000
Computer maintenance	-	275	275	-
Dues/subscriptions/memberships	520	520	336	184
Travel and training	4,000	4,000	997	3,003
Total municipal court	204,258	206,255	195,959	10,296
<b>City Marshal</b>				
Regular salaries	77,314	78,007	78,007	-
Overtime	-	504	504	-
Certification pay	1,800	787	-	787
Longevity pay	51	52	52	-
FICA	6,056	6,056	6,010	46
TMRS	12,868	12,868	12,220	648
Workers' compensation	2,513	2,813	2,771	42
Unemployment insurance	600	600	18	582
Health insurance	17,520	48	48	-
Dental insurance	600	600	-	600
Life insurance	218	438	395	43
Office supplies	1,000	1,000	316	684
Miscellaneous materials and supplies	200	350	258	92
Uniforms	2,000	1,650	1,649	1
Fuel and lubricants	4,400	4,400	3,438	962

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, 2017**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>City Marshal (Continued)</b>				
Tools and equipment < \$5,000	\$ 5,000	\$ 5,500	\$ 5,286	\$ 214
Communications	1,848	1,848	1,609	239
Cell phones/air cards	-	76	76	-
Vehicle maintenance/repairs	2,650	8,631	8,631	-
Insurance	-	750	716	34
Dues/subscriptions/memberships	500	3,196	1,696	1,500
Travel and training	2,500	2,500	902	1,598
Employee testing/physicals	300	300	-	300
Total city marshal	139,937	132,974	124,602	8,372
<b>Fire Department</b>				
Regular salaries	86,445	101,480	101,480	-
Overtime	-	10,595	10,595	-
Part-time temporary salaries	-	70,471	70,471	-
Certification pay	8,365	5,514	5,514	-
Compensated volunteers	-	94,624	94,624	-
Longevity pay	177	177	177	-
FICA	7,266	21,637	21,637	-
TMRS	15,440	15,702	15,702	-
Workers' compensation	3,932	2,695	2,695	-
Unemployment insurance	600	600	334	266
Health insurance	14,400	11,419	11,419	-
Dental insurance	600	600	491	109
Life insurance	218	218	170	48
Volunteer injury insurance	7,000	3,217	3,217	-
Volunteer worker's compensation	9,000	-	-	-
Volunteer fire retirement	5,000	5,000	4,800	200
Office supplies	2,200	2,249	2,249	-
Janitorial supplies	1,200	1,200	682	518
Building, electrical and plumbing supplies	500	500	283	217
Batteries	300	300	280	20
Miscellaneous materials and supplies	2,500	3,528	3,528	-
Uniforms	7,000	11,165	10,750	415
Postage and freight	150	150	122	28
Fuel and lubricants	18,750	12,151	12,151	-
Safety supplies and equipment	23,500	16,973	16,973	-
Tools and equipment < \$5,000	3,500	6,715	6,702	13
Chemicals	250	250	-	250
EMO Supplies	800	800	676	124
First aid and medical supplies	3,500	4,300	4,251	49
Janitorial services	200	200	-	200
Pest control services	300	956	956	-
Copier lease/rental	1,500	1,500	1,366	134
Other professional services	29,500	29,885	29,885	-

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Fire Department (Continued)</b>				
Hazmat clean-up	\$ 2,000	\$ 6,912	\$ 6,912	\$ -
Communications	950	1,174	1,174	-
Cell phones/air cards	-	76	76	-
Utilities	17,500	5,613	3,633	1,980
Vehicle/equipment non-target	3,550	-	-	-
Vehicle maintenance/repairs	30,000	34,418	34,418	-
Equipment maintenance/repairs	15,000	15,000	14,643	357
Building maintenance and repair	3,000	1,325	1,325	-
Insurance	14,490	9,746	9,746	-
Dues/subscriptions/memberships	1,885	760	760	-
Marketing and promotional services	3,000	3,079	3,079	-
Travel and training	7,000	5,935	5,305	630
VFD utility service	18,000	5,254	5,254	-
Employee testing/physicals	700	700	670	30
Electric Utilities	-	9,162	9,162	-
Gas Utilities	-	2,000	1,464	536
Firefighter incentive program	223,500	53,070	53,070	-
Computer software < \$5,000	-	330	330	-
Other equipment	-	2,200	2,200	-
Total fire department	594,669	593,525	587,401	6,124
<b>Code Compliance</b>				
Regular salaries	194,900	104,659	96,030	8,629
Overtime	1,857	1,857	351	1,506
Certification pay	2,100	170	161	9
Longevity pay	212	212	201	11
FICA	15,229	8,229	7,351	878
TMRS	32,359	16,359	14,874	1,485
Workers' compensation	1,422	1,422	1,358	64
Unemployment insurance	900	900	27	873
Health insurance	31,920	14,820	8,535	6,285
Dental insurance	1,200	700	379	321
Life insurance	327	376	230	146
Office supplies	3,150	2,800	1,794	1,006
Photo and duplication supplies	2,625	2,625	1,925	700
Uniforms	1,050	300	232	68
Postage and freight	3,255	3,508	3,508	-
Fuel and lubricants	3,675	2,500	2,128	372
Tools and equipment < \$5,000	525	525	83	442
Credit card expense	-	2,962	2,962	-
Copier lease/rental	2,625	4,745	4,745	-
Other professional services	5,500	61,725	61,725	-
Demolitions and lot clearing	50,000	133,335	85,564	47,771
Mowing and other lien expense	-	16,623	16,623	-

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, 2017**

**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	\$ 2,205	\$ 2,000	\$ 1,654	\$ 346
Cell phones/air cards	-	350	350	-
Vehicle/equipment non-target	450	-	-	-
Vehicle maintenance/repairs	6,000	4,500	3,374	1,126
Insurance	1,680	980	941	39
Dues/subscriptions/memberships	500	250	156	94
Travel and training	4,000	1,500	493	1,007
Advertisement/notices	6,000	3,132	3,132	-
Employee testing/physicals	200	100	-	100
Total code compliance	375,866	394,164	320,886	73,278
<b>Total public safety</b>	5,670,259	5,665,919	5,308,011	357,906
<b>Public Works:</b>				
<b>Streets and Drainage</b>				
Regular salaries	156,890	157,058	117,331	39,727
Overtime	8,466	8,466	3,792	4,674
Part-time/temporary salaries	18,252	18,252	17,607	645
Certification pay	1,800	1,800	304	1,496
Longevity pay	501	636	636	-
FICA	14,222	14,222	10,059	4,163
TMRS	27,000	27,000	21,705	5,295
Workers' compensation	15,206	15,206	7,818	7,388
Unemployment insurance	1,800	1,800	45	1,755
Health insurance	37,560	37,560	27,114	10,446
Dental insurance	1,500	1,500	883	617
Life insurance	545	545	366	179
Office supplies	150	150	-	150
Janitorial supplies	150	150	65	85
Building, electrical and plumbing supplies	200	206	206	-
Batteries	250	250	28	222
Miscellaneous materials and supplies	500	500	329	171
Uniforms	2,500	2,500	2,135	365
Fuel and lubricants	19,000	19,000	9,889	9,111
Safety supplies and equipment	3,000	3,000	2,911	89
Tools and equipment < \$5,000	5,000	5,000	3,267	1,733
Chemicals	2,000	2,000	862	1,138
Parts for equipment	2,000	2,000	1,109	891
Street maintenance	75,000	75,000	26,033	48,967
Street sign supplies	5,000	6,888	6,888	-
First aid and medical supplies	250	250	250	-
Sanitation services	8,500	8,500	3,045	5,455
Pest control service	100	100	72	28
Copier lease/rental	700	700	240	460

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, 2017**

**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	\$ 27,706	\$ 23,471	\$ 4,235
Other professional services	2,000	2,000	313	1,687
Communications	2,000	2,000	1,321	679
Utilities	1,600	26	26	-
Vehicle maintenance/repairs	55,000	32,114	31,637	477
Equipment maintenance/repairs	1,500	4,835	4,835	-
Building maintenance and repair	750	750	441	309
Building and equipment rental	2,000	2,000	1,862	138
Insurance	13,335	13,335	13,233	102
Dues/subscriptions/memberships	250	250	-	250
Travel and training	1,440	1,440	121	1,319
Employee testing/physicals	500	500	158	342
Electric Utilities	-	118,618	118,618	-
Gas Utilities	-	1,268	121	1,147
Other equipment	-	6,639	6,639	-
Total streets and drainage	623,417	623,720	467,785	155,935
<b>Total public works</b>	623,417	623,720	467,785	155,935
<b>Public Health:</b>				
<b>Animal Control</b>				
Regular salaries	100,643	90,799	69,570	21,229
Overtime	4,169	5,190	5,190	-
Certification pay	2,400	2,400	2,118	282
Longevity pay	559	552	220	332
FICA	8,244	8,244	5,879	2,365
TMRS	17,518	17,518	12,310	5,208
Workers' compensation	4,315	4,315	3,128	1,187
Unemployment insurance	900	900	29	871
Health insurance	23,160	23,160	15,626	7,534
Dental insurance	900	900	614	286
Life insurance	327	327	213	114
Office supplies	3,000	2,650	2,497	153
Janitorial supplies	2,200	3,200	2,942	258
Building, electrical and plumbing supplies	3,000	4,521	4,521	-
Miscellaneous materials and supplies	9,000	7,292	7,266	26
Uniforms	500	500	445	55
Postage and freight	260	260	228	32
Fuel and lubricants	1,300	1,549	1,549	-
Safety supplies and equipment	900	400	53	347
Tools and equipment < \$5,000	3,000	4,234	4,234	-
First aid and medical supplies	2,000	2,000	1,362	638
Furniture and fixtures	-	350	348	2

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

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-1 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Animal Control (Continued)</b>				
Credit card expense	\$ -	\$ 1,160	\$ 1,060	\$ 100
Pest control service	300	300	211	89
Copier lease/rental	400	400	137	263
Other professional services	7,000	5,815	3,319	2,496
Communications	1,700	1,700	1,480	220
Utilities	22,000	8,400	4,521	3,879
Vehicle/equipment non-target	300	-	-	-
Vehicle maintenance/repairs	3,350	3,650	2,744	906
Equipment maintenance/repairs	800	800	-	800
Building maintenance and repair	5,000	10,028	10,028	-
Rental equipment and building	250	250	-	250
Insurance	3,570	3,570	3,180	390
Dues/subscriptions/memberships	200	200	-	200
Travel and training	400	400	-	400
Employee testing/physicals	125	150	150	-
Electric Utilities	-	11,854	11,854	-
Gas Utilities	-	2,600	2,162	438
Total animal control	233,690	232,539	181,188	51,350
<b>Total public health</b>	233,690	232,539	181,188	51,350
<b>Culture and Recreation:</b>				
<b>Senior Services</b>				
Regular salaries	175,561	172,129	163,112	9,017
Overtime	7,600	4,200	496	3,704
Part-time temporary salaries	-	14,221	14,221	-
Certification pay	-	304	304	-
Longevity pay	1,794	1,794	1,768	26
FICA	14,149	14,149	13,418	731
TMRS	27,465	27,465	26,243	1,222
Workers' compensation	2,408	2,408	2,279	129
Unemployment insurance	1,500	1,500	66	1,434
Health insurance	31,920	13,511	12,407	1,104
Dental insurance	1,200	1,200	1,006	194
Life insurance	436	436	264	172
Office supplies	1,850	2,150	2,044	106
Janitorial supplies	1,280	2,980	2,658	322
Building, electrical and plumbing supplies	150	1,712	1,527	185
Miscellaneous materials and supplies	300	1,000	780	220
Postage and freight	220	220	90	130
Fuel and lubricants	5,800	4,600	2,635	1,965
Safety supplies and equipment	75	75	-	75
First aid and medical supplies	1,000	100	-	100

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, 2017**

**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>				
Janitorial services	\$ 10,000	\$ 7,900	\$ 6,470	\$ 1,430
Pest control service	600	600	332	268
Copier lease/rental	1,200	2,050	1,767	283
Other professional services	2,600	7,262	7,262	-
Communications	1,400	1,400	855	545
Cell phones/Air cards	-	400	248	152
Utilities	21,000	4,700	3,624	1,076
Computer maintenance	-	1,400	-	1,400
Vehicle/equipment non-target	1,000	-	-	-
Vehicle maintenance/repairs	6,900	3,890	1,946	1,944
Equipment maintenance/repairs	300	300	-	300
Building maintenance and repair	2,000	2,600	2,548	52
Insurance	5,250	5,250	4,931	319
Dues/subscriptions/memberships	245	245	-	245
Travel and training	1,580	1,580	803	777
Employee appreciation	-	160	156	4
Marketing and promotional services	700	800	777	23
Advertisement/notices	250	250	-	250
Employee testing/physicals	500	500	295	205
Electric utilities	-	15,000	13,700	1,300
Gas utilities	-	1,300	1,071	229
Total senior services	<u>330,232</u>	<u>323,741</u>	<u>292,103</u>	<u>31,638</u>
<b>Parks Maintenance</b>				
Regular salaries	177,289	89,357	89,357	-
Overtime	4,282	-	-	-
Part-time temporary salaries	16,016	15,001	6,868	8,133
Longevity pay	1,852	840	812	28
FICA	15,441	7,823	6,842	981
TMRS	30,206	19,487	14,474	5,013
Workers' compensation	5,847	3,538	3,538	-
Unemployment insurance	1,200	600	152	448
Health insurance	24,720	11,299	11,299	-
Dental insurance	750	625	543	82
Life insurance	327	264	230	34
Vehicle allowance	2,400	2,428	2,428	-
Office supplies	500	390	314	76
Janitorial supplies	600	2,360	2,287	73
Landscaping supplies	2,000	1,350	1,314	36
Miscellaneous materials and supplies	1,350	-	-	-
Uniforms	700	-	-	-
Fuel and lubricants	5,000	2,450	2,432	18
Safety supplies and equipment	500	180	180	-

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Parks Maintenance (Continued)</b>				
Tools and equipment < \$5,000	\$ 5,000	\$ 45	\$ 43	\$ 2
Chemicals	500	-	-	-
Parts for equipment	1,000	-	-	-
First aid and medical supplies	250	-	-	-
Pest control service	400	400	252	148
Copier lease/rental	700	700	137	563
Other professional services	47,850	660	656	4
Communications	2,200	1,400	910	490
Cell phones/air cards	-	38	38	-
Utilities	4,500	-	-	-
Vehicle/equipment non-target	1,000	-	-	-
Vehicle maintenance/repairs	16,000	742	742	-
Equipment maintenance/repairs	1,000	90	86	4
Building maintenance and repair	-	26,417	-	26,417
Building and equipment rental	5,300	-	-	-
Insurance	6,510	1,178	-	1,178
Dues/subscriptions/memberships	350	550	471	79
Travel and training	750	515	509	6
Employee testing/physicals	300	200	200	-
Electric utilities	-	1,368	1,368	-
Gas utilities	-	178	178	-
Total parks maintenance	384,589	192,472	148,660	43,813
<b>Recreation</b>				
Regular salaries	143,272	116,535	116,535	-
Overtime	4,799	6,894	6,894	-
Part-time temporary salaries	16,516	27,960	27,960	-
Certification pay	-	1,114	1,114	-
Longevity pay	825	825	700	125
FICA	12,654	12,654	11,525	1,129
TMRS	24,093	21,733	19,465	2,268
Workers' compensation	5,404	5,404	4,514	890
Unemployment insurance	1,500	1,500	157	1,343
Health insurance	28,800	22,477	22,477	-
Dental insurance	1,200	1,200	859	341
Life insurance	436	436	298	138
Office supplies	1,700	3,500	3,449	51
Janitorial supplies	600	1,838	1,838	-
Building, electrical and plumbing supplies	1,500	2,500	2,446	54
Miscellaneous materials and supplies	13,000	8,800	8,204	596
Uniforms	500	1,350	824	526
Postage and freight	-	89	89	-
Tools and equipment < \$5,000	1,000	280	257	23
Street sign supplies	150	150	118	32

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Recreation (Continued)</b>				
First aid and medical supplies	\$ 250	\$ 250	\$ 90	\$ 160
Credit card expense	-	1,200	1,069	131
Pest control service	300	300	211	89
Copier lease/rental	1,800	1,800	1,492	308
Other professional services	1,500	4,100	4,095	5
Program instructors	20,000	6,577	6,577	-
Communications	1,000	1,200	1,163	37
Utilities	22,000	5,200	3,623	1,577
Computer maintenance	2,000	4,050	2,029	2,021
Building maintenance and repair	10,000	1,866	1,866	-
Rental equipment and building	400	400	-	400
Insurance	2,310	2,310	2,036	274
Dues/subscriptions/memberships	400	400	370	30
Awards and packages	-	525	525	-
Marketing & promotional service	1,200	1,500	1,465	35
Travel and training	400	400	225	175
Employee testing/physicals	300	300	195	105
Electric utilities	-	15,500	14,326	1,174
Gas utilities	-	1,300	1,071	229
Total recreation	321,809	286,416	272,151	14,266
<b>Library</b>				
Regular salaries	178,706	182,180	182,180	-
Overtime	-	813	813	-
Part-time temporary salaries	87,672	79,085	53,461	25,624
Longevity pay	1,631	1,631	1,537	94
FICA	20,503	20,503	17,475	3,028
TMRS	29,314	31,794	31,794	-
Workers' compensation	977	977	664	313
Unemployment insurance	3,000	3,000	139	2,861
Health insurance	28,800	28,800	25,789	3,011
Dental insurance	1,200	1,200	1,055	145
Life insurance	436	436	366	70
Office supplies	6,000	10,372	10,372	-
Janitorial supplies	750	750	502	248
Building, electrical, and plumbing supplies	-	2,701	2,700	1
Landscaping supplies	300	300	-	300
Miscellaneous materials and supplies	6,000	3,475	3,475	-
Uniforms	300	300	-	300
Postage and freight	2,500	2,099	1,730	369
Computer parts and software	5,084	5,084	5,000	84
Books	24,500	21,500	21,228	272
First aid and medical supplies	100	100	-	100
Janitorial services	14,000	12,650	11,341	1,309

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, 2017**

**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>				
Credit card expense	\$ -	\$ 1,350	\$ 1,209	\$ 141
Copier lease/rental	6,500	7,500	7,056	444
Other professional services	2,500	1,150	806	344
Other leases/books	8,715	7,205	6,512	693
Communications	2,550	2,550	1,762	788
Utilities	15,000	1,400	1,302	98
Computer maintenance	-	1,400	1,400	-
Equipment maintenance/repairs	2,000	550	548	2
Building maintenance and repair	1,000	2,310	2,292	18
Insurance	3,360	3,360	2,973	387
Dues/subscriptions/memberships	5,000	5,000	4,787	213
Marketing and promotional services	3,500	4,173	4,173	-
Travel and training	700	700	-	700
Employee testing/physicals	150	150	150	-
Electric utilities	-	13,000	12,099	901
Gas utilities	-	1,200	949	251
Total library	462,747	462,747	419,639	43,109
<b>Pride Commission</b>				
Office Supplies	100	100	90	10
Building, electrical and plumbing supplies	2,000	2,000	-	2,000
Landscaping supplies	2,000	2,000	135	1,865
Street sign supplies	800	800	280	520
Dues/subscriptions/memberships	120	120	100	20
Marketing & promotional services	2,480	2,480	568	1,912
Total Pride Commission	7,500	7,500	1,173	6,327
<b>Total culture and recreation</b>	1,506,877	1,272,876	1,133,726	139,153
<b>Non Departmental</b>				
Insurance claims paid	50,000	50,000	-	50,000
<b>Total non departmental</b>	50,000	50,000	-	50,000
<b>Total expenditures</b>	10,485,477	10,254,622	9,273,221	981,401
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,355,887)	(2,125,032)	(752,265)	1,372,767

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, 2017**

**Exhibit E-1 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from insurance refunds/claims	\$ 50,000	\$ 50,000	\$ 41,333	\$ (8,667)
Proceeds from sale of general capital assets	28,000	28,000	363,842	335,842
Transfers in:				
Administrative cost share water/wastewater	873,000	873,000	873,000	-
Administrative cost share stormwater utility	100,000	100,000	100,000	-
Administrative cost share Economic Dev	46,600	46,600	51,268	4,668
Administrative cost share Crime District	45,493	45,493	48,473	2,980
Crime District	767,000	767,000	667,000	(100,000)
Grant Fund	-	-	2,913	2,913
Total transfers in	1,832,093	1,832,093	1,742,654	(89,439)
Transfers out	(1,282,324)	(1,282,324)	(1,082,075)	200,249
Total other financing sources (uses)	627,769	627,769	1,065,754	437,985
<b>NET CHANGE IN FUND BALANCES</b>	\$ (1,728,119)	\$ (1,497,263)	\$ 313,489	\$ 1,810,753
<b>FUND BALANCE, OCTOBER 1, 2016</b>	10,390,073	10,390,073	10,390,073	-
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>	\$ 8,661,954	\$ 8,892,810	\$ 10,703,562	\$ 1,810,753

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)

Economic Development Corporation

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Sales and use taxes	\$ 932,000	\$ 932,000	\$ 1,010,658	\$ 78,658
Charges for services	205,600	205,600	175,908	(29,692)
Investment earnings	4,200	4,200	26,336	22,136
Other revenue	-	-	6,967	6,967
Total revenues	1,141,800	1,141,800	1,219,869	78,069
<b>EXPENDITURES</b>				
Current				
<b>Economic Development:</b>				
<b>Operational</b>				
Business incentive grants	\$ 105,000	\$ 99,422	\$ 35,000	\$ 64,422
Financial assistance projects	100,000	100,000	-	100,000
Other professional services	-	909	909	-
Total operational	205,000	200,331	35,909	164,422
<b>Director</b>				
Regular salaries	78,083	78,083	73,928	4,155
Certification pay	900	911	911	-
Longevity pay	397	397	396	1
FICA	6,348	6,348	5,732	616
TMRS	13,488	13,488	12,162	1,326
Workers' compensation	290	290	243	47
Unemployment insurance	300	300	9	291
Health insurance	8,760	8,802	8,802	-
Dental insurance	300	300	294	6
Life insurance	109	109	102	7
Vehicle allowance	3,600	3,600	3,492	108
Office supplies	1,000	1,000	831	169
Postage and freight	250	250	30	220
Legal	1,000	147	-	147
Other professional services	500	1,371	1,371	-
Communications	500	1,353	790	563
Cell phones/air cards	-	100	100	-
Dues/subscriptions/memberships	600	600	20	580
Marketing and promotional services	15,000	13,976	12,047	1,929
Travel and training	4,500	4,500	3,909	591
Total director	135,925	135,925	125,169	10,756
<b>Total economic development</b>	<b>340,925</b>	<b>336,256</b>	<b>161,078</b>	<b>175,178</b>
<b>Culture and Recreation:</b>				
<b>Parks Operational</b>				
Regular salaries	118,395	118,395	74,772	43,623
Overtime	3,943	3,943	3,625	318
Part-time temporary salaries	17,160	17,160	13,415	3,745
Certification pay	1,500	1,500	-	1,500
Longevity pay	776	776	712	64

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

**CITY OF WHITE SETTLEMENT, TEXAS** **Exhibit E-2 (Continued)**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**Economic Development Corporation**  
**For the Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
<b>Parks Operational (Continued)</b>				
FICA	\$ 10,846	\$ 10,846	\$ 7,053	\$ 3,793
TMRS	20,172	20,172	12,420	7,752
Workers' compensation	4,912	4,912	2,363	2,549
Unemployment insurance	1,500	1,500	69	1,431
Health insurance	30,360	25,460	13,472	11,988
Dental insurance	1,200	1,200	663	537
Life Insurance	436	436	239	197
Office supplies	700	700	61	639
Janitorial supplies	3,000	3,000	2,797	203
Building, electrical and plumbing supplies	6,000	4,000	3,296	704
Park maintenance supplies	-	28,500	26,229	2,271
Landscaping supplies	9,000	4,100	2,358	1,742
Miscellaneous materials and supplies	14,000	17,107	17,107	-
Uniforms	1,800	1,800	573	1,227
Fuel and lubricants	3,000	3,000	2,345	655
Safety supplies and equipment	500	500	374	126
Tools and equipment < \$5,000	2,500	14,400	13,801	599
Chemicals	3,000	3,500	3,499	1
Parts for equipment	1,000	1,000	255	745
Street/park sign supplies	1,000	1,900	1,746	154
First aid and medical supplies	275	275	-	275
Active processing fees	-	2,130	2,130	-
Pest control services	700	700	381	319
Umpires/scorers	2,000	3,456	3,456	-
Other professional services	47,000	46,800	46,800	-
Communications	2,800	2,800	2,520	280
Telephone	-	100	100	-
Utilities	150,000	33,593	33,593	-
Parks maintenance	30,000	2,900	2,855	45
Vehicle maintenance/repairs	14,000	7,202	4,080	3,122
Equipment maintenance/repairs	2,500	5,712	5,712	-
Building maintenance and repair	12,000	8,500	8,254	246
Vehicle/equipment non-target	2,000	2,000	-	2,000
Rental equipment and building	2,000	2,000	-	2,000
Insurance	7,140	7,140	6,674	466
Dues/subscriptions/memberships	700	700	165	535
Awards packages	8,500	8,500	4,094	4,406
Marketing and promotional services	9,000	5,900	1,165	4,735
Travel and training	700	700	228	472
Employee testing/physicals	400	500	485	15
Electric utilities	-	117,000	116,859	141
Total parks operational	548,415	548,415	442,795	105,620
<b>Total culture and recreation</b>	548,415	548,415	442,795	105,620

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)**  
**Economic Development Corporation**  
**For the Year Ended September 30, 2017**

**Exhibit E-2 (Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Debt Service:</b>				
Principal	\$ 425,000	\$ 425,000	\$ 425,000	\$ -
Interest and fiscal charges	601,522	601,522	601,403	119
<b>Total debt service</b>	<u>1,026,522</u>	<u>1,026,522</u>	<u>1,026,403</u>	<u>119</u>
<b>Total expenditures</b>	<u>1,915,862</u>	<u>1,911,193</u>	<u>1,630,276</u>	<u>280,917</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(774,062)	(769,393)	(410,407)	358,986
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	92,522	92,522
Transfers out:				
Administrative cost share to general fund	(46,600)	(51,268)	(51,268)	-
Total transfers out	<u>(46,600)</u>	<u>(51,268)</u>	<u>(51,268)</u>	<u>-</u>
Total other financing sources (uses)	<u>(46,600)</u>	<u>(51,268)</u>	<u>41,254</u>	<u>92,522</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ (820,662)	\$ (820,661)	\$ (369,153)	\$ 451,508
<b>FUND BALANCE, OCTOBER 1, 2016</b>	<u>2,755,707</u>	<u>2,755,707</u>	<u>2,755,707</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>	<u>\$ 1,935,045</u>	<u>\$ 1,935,046</u>	<u>\$ 2,386,554</u>	<u>\$ 451,508</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	2015	2016
<b>Total Pension Liability</b>			
Service Cost	\$ 611,630	\$ 713,205	\$ 729,404
Interest (on the Total Pension Liability)	1,600,861	1,696,468	2,003,764
Changes of benefit terms (TMRS Plan Participation)	-	-	4,294,719
Difference between expected and actual experience	28,147	(196,008)	(182,401)
Change of assumptions	-	46,941	-
Benefit payments, including refunds of employee contributions	(892,005)	(959,214)	(1,267,348)
Net Change in Total Pension Liability	1,348,633	1,301,392	5,578,138
Total Pension Liability - Beginning	23,009,625	24,358,258	25,659,650
Total Pension Liability - Ending	\$ 24,358,258	\$ 25,659,650	\$ 31,237,788
 <b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 643,713	\$ 661,737	\$ 644,276
Contributions - Employee	315,411	306,360	306,215
Net Investment Income	1,163,983	31,821	1,458,796
Benefit payments, including refunds of employee contributions	(892,005)	(959,214)	(1,267,348)
Administrative Expense	(12,153)	(19,382)	(16,475)
Other	(999)	(958)	(888)
Net Change in Plan Fiduciary Net Position	1,217,950	20,364	1,124,576
Plan Fiduciary Net Position - Beginning	20,347,179	21,565,129	21,585,493
Plan Fiduciary Net Position - Ending	\$ 21,565,129	\$ 21,585,493	\$ 22,710,069
 <b>Net Pension Liability - Ending</b>	\$ 2,793,129	\$ 4,074,157	\$ 8,527,719
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.53%	84.12%	72.70%
 Covered Employee Payroll	\$ 5,973,238	\$ 6,127,191	\$ 6,124,296
 Net Pension Liability as a Percentage of Covered Employee Payroll	46.76%	66.49%	139.24%

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	2016	2017
Actuarially Determined Contribution	\$ 591,914	\$ 651,832	\$ 655,291	\$ 992,694
Contributions in relation to the actuarially determined contribution	\$ 591,914	\$ 651,832	\$ 655,291	\$ 992,694
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 5,684,882	\$ 6,056,693	\$ 6,147,865	\$ 6,163,126
Contributions as a percentage of covered employee payroll	10.41%	10.76%	10.66%	16.11%

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, 2017**

**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, Street Improvement Fund, and Economic Development Corporation. 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, 2017**

**C. Excess of Expenditures Over Appropriations**

The expenditures of the General Fund were less than appropriations by \$981,401.

There were no line items that exceeded their budget for the year by greater than \$5,000 (the legal level of budgetary control.)

**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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
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 1) Increased employee contribution rate from 5% to 7%.  
2) Removed statutory max.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**APPENDIX C**

FORM OF OPINION OF BOND COUNSEL

**THIS PAGE LEFT BLANK INTENTIONALLY**

**Proposed Form of Opinion of Bond Counsel**

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

**CITY OF WHITE SETTLEMENT, TEXAS  
COMBINATION TAX AND LIMITED SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2018  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,995,000**

---

AS BOND COUNSEL FOR THE CITY OF WHITE SETTLEMENT, TEXAS (the “Issuer”) in connection with the issuance of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018, described above (the “Certificates”), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the “Ordinance”).

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not “specified private activity bonds” and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain



covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

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



Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

Financial Advisory Services  
Provided By

