SUPPLEMENT TO

OFFICIAL STATEMENT DATED APRIL 28, 2009

relating to

$6,150,000
CITY OF WHITE SETTLEMENT, TEXAS
(Tarrant County)
GENERAL OBLIGATION BONDS, SERIES 2009

And

$8,000,000
CITY OF WHITE SETTLEMENT, TEXAS
(Tarrant County)
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION BONDS, SERIES 2009

PLEASE BE ADVISED that the above-referenced Official Statement has been supplemented to add the following information:

Cover: The section encaptioned "INSURED RATINGS:" is hereby deleted in its entirety and replaced with the following:

INSURED RATINGS:
Moody's: "Aa2"
S&P: "AAA"
(See "INSURANCE" and "OTHER RELEVANT INFORMATION - Ratings" herein

Page 17: The section encaptioned "INSURANCE - The Insurer" is hereby deleted in its entirety and replaced with the following:

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates.

Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa2" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's") and "AA" (evolving) by Fitch, Inc. ("Fitch"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

On May 20, 2009, Moody's issued a press release stating that it had placed the "Aa2" insurance financial strength rating of Assured Guaranty on review for possible downgrade. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

In a press release dated May 4, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Assured Guaranty to "AA" from "AAA" and placed such rating on Rating Watch Evolving. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

There can be no assurance as to the outcome of Moody's review or the timing of when such review may be completed, as to the further action that Fitch may take with respect to Assured Guaranty, or as to any action that S&P may take in the future with respect to Assured Guaranty's financial strength and financial enhancement ratings.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009.

Agreement to Purchase FSA

On November 14, 2008, AGL announced that it had entered into a definitive agreement to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see the Annual Report on Form 10-K filed by AGL with the SEC on February 26, 2009.

Capitalization of Assured Guaranty Corp.

As of March 31, 2009, Assured Guaranty had total admitted assets of $1,926,329,505 (unaudited), total liabilities of $1,570,615,119 (unaudited), total surplus of $355,714,386 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,109,717,908 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2008, Assured Guaranty had total admitted assets of $1,803,146,295 (unaudited), total liabilities of $1,425,012,944 (unaudited), total surplus of $378,133,351 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,090,288,113 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);

- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "Insurance – The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "INSURANCE."

Schedule 1: The section encaptioned Schedule 1 – Accreted Value Table is hereby deleted in its entirety and replaced with the following:

SCHEDULE 1
Schedule of Accreted Values
of Premium Capital Appreciation Bonds
Per $5,000Maturity Amount

Date	2/15/2011 1.920%
5/27/2009	$ 4,838.60
8/15/2009	4,858.70
2/15/2010	4,905.35
8/15/2010	4,952.45
2/15/2011	5,000.00

The date of this Supplement is May 26, 2009.

OFFICIAL STATEMENT
Dated April 28, 2009

NEW ISSUE - Book-Entry-Only

INSURED RATINGS:
Moody's: "Aaa"
S&P: "AAA"
(See "INSURANCE" and "OTHER RELEVANT INFORMATION - Ratings" herein

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

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$6,150,000
CITY OF WHITE SETTLEMENT, TEXAS
(Tarrant County)
GENERAL OBLIGATION BONDS, SERIES 2009

Dated: May 1, 2009 **Due: February 15, as shown on page 3 hereof**

PAYMENT TERMS . . . The $6,150,000 City of White Settlement, Texas General Obligation Bonds, Series 2009 (the "Bonds") will be issued in part as current interest bonds (the "Current Interest Bonds") and in part as premium capital appreciation bonds (the "Premium Capital Appreciation Bonds"), as shown on Page 3 hereof. Interest on the Current Interest Bonds will accrue from May 1, 2009 (the "Dated Date") and will be payable February 15 and August 15 of each year commencing February 15, 2010, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Premium Capital Appreciation Bonds will accrete from the date of their delivery to the Underwriters and such interest will compound semiannually on February 15 and August 15 of each year beginning August 15, 2009. The sum of the principal of, premium, if any, and accreted/compounded interest on the Premium Capital Appreciation Bonds (the "Maturity Amount") is payable only at maturity. The Current Interest Bonds will be issued as fully registered obligations in denominations of $5,000 of principal amount or any integral multiple thereof for any one stated maturity, and the Premium Capital Appreciation Bonds will be issued in denominations of integral multiples of $5,000 of the Maturity Amount. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in authorized denominations thereof. **No physical delivery of the Bonds will be made to the owners thereof.** The principal and Maturity Amounts of the Bonds and interest on the Current Interest Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE OBLIGATIONS - Book-Entry-Only"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on February 5, 2005, and an ordinance passed by the City Council of the City (the "Bond Ordinance"), and constitute direct obligations of the City, payable as to principal and interest from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance (see "THE OBLIGATIONS – Authority for Issuance" and "THE OBLIGATIONS – Security for the Obligations").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for stormwater drainage and flood control improvements within the City, and to pay issuance expenses of the Bonds (see "INTRODUCTION").

ASSURED GUARANTY. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP. See "INSURANCE" herein.

See Maturity Schedule on Page 3

RATINGS . . . A municipal bond rating of "Aaa/AAA" has been assigned by Moody's and Standard & Poor's based upon a bond insurance policy issued by Assured Guaranty Corp. The Bonds and the presently outstanding tax supported debt of the City has an underlying rating of "A3" by Moody's and "A+" by S&P. The City also has two issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. (see "INSURANCE" and "OTHER INFORMATION – Ratings").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C - "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins LLP, Houston, Texas and The Law Office of Renee Higginbotham-Brooks, Fort Worth, Co-Counsel to the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery to the Underwriters through DTC on or about May 27, 2009.

SOUTHWEST SECURITIES **FIRST SOUTHWEST COMPANY, INC.**

OFFICIAL STATEMENT
Dated April 28, 2009

NEW ISSUE - Book-Entry-Only

INSURED RATINGS:
Moody's: “Aaa”
S&P: “AAA”
(See "INSURANCE" and "OTHER RELEVANT INFORMATION - Ratings" herein)

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

THE CERTIFICATES HAVE BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS

$8,000,000
CITY OF WHITE SETTLEMENT, TEXAS
(Tarrant County)
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION BONDS, SERIES 2009

Dated: May 1, 2009 **Due: February 15, as shown on page 3 hereof**

PAYMENT TERMS . . . Interest on the City of White Settlement, Texas (the "City") Combination Tax and Surplus Revenue Certificates of Obligation, Series 2009 (the "Certificates” and, collectively with the City’s General Obligation Bonds, Series 2009, the “Obligations") will accrue from the dated date as shown above and will be payable on February 15 and August 15 of each year, commencing February 15, 2010, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or any integral multiple 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 beneficial owners of the Certificates (see "THE OBLIGATIONS - Book-Entry-Only"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an ordinance passed by the City Council of the City (the "Certificate Ordinance"), and constitute direct obligations of 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 pledge of surplus net revenues of the City's waterworks and sewer system, as provided in the Certificate Ordinance (see “THE OBLIGATIONS - Authority for Issuance” and “THE OBLIGATIONS - Security for the Obligations”).

PURPOSE . . . Proceeds from the sale of the Certificates will be used for constructing and installing improvements to the City's waterworks and sanitary sewer system, including a sewer interceptor line, and to pay issuance expenses of the Certificates (see “INTRODUCTION”).

ASSURED GUARANTY

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY CORP. See “INSURANCE” herein.

See Maturity Schedule on Page 3

RATINGS . . . A municipal bond rating of “Aaa/AAA” has been assigned by Moody’s and Standard & Poor’s, respectively, based upon a bond insurance policy issued by Assured Guaranty Corp. The Certificates and the presently outstanding tax supported debt of the City has an underlying rating of “A3” by Moody’s and “A+” by S&P. The City also has two issues outstanding which are rated “Aaa” by Moody's and “AAA” by S&P through insurance by various commercial insurance companies. (see “INSURANCE” and “OTHER INFORMATION – Ratings”).

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the “Underwriters”) and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C - "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins LLP, Houston, Texas and The Law Office of Renee Higginbotham-Brooks, Fort Worth, Co-Counsel to the Underwriters.

DELIVERY . . . It is expected that the Certificates will be available for delivery to the Underwriters through DTC on or about May 27, 2009.

SOUTHWEST SECURITIES **FIRST SOUTHWEST COMPANY, INC.**

MATURITY SCHEDULE

$6,150,000
GENERAL OBLIGATION BONDS, SERIES 2009

$6,110,000 Current Interest Bonds

Amount	(February 15) Maturity	Rate	Yield	CUSIIP [(1)]	Amount	(February 15) Maturity	Rate	Yield	CUSIIP [(1)]
$120,000	2010	2.500%	1.200%	964542KD5	$315,000	2020	4.000%	3.980%	964542KN3
245,000	2012	2.500%	1.920%	964542KE3	330,000	2021	4.000%	4.100%	964542KP8
250,000	2013	2.500%	2.130%	964542KF0	340,000	2022	4.000%	4.200%	964542KQ6
255,000	2014	3.000%	2.500%	964542KG8	355,000	2023	4.125%	4.250%	964542KR4
265,000	2015	3.000%	2.800%	964542KH6	370,000	2024	4.250%	4.340%	964542KS2
275,000	2016	3.000%	3.030%	964542KJ2	385,000	2025	4.250%	4.390%	964542KT0
280,000	2017	3.500%	3.280%	964542KK9	405,000	2026	4.500%	4.550%	964542KU7
290,000	2018	3.500%	3.500%	964542KL7	425,000	2027	4.500%	4.630%	964542KV5
305,000	2019	4.000%	3.710%	964542KM5	440,000	2028	4.500%	4.680%	964542KW3
					460,000	2029	4.625%	4.750%	964542KX1

(Interest accrues from the Dated Date)

$40,000.00 Premium Capital Appreciation Bonds

(February 15) Maturity	Principal Amount	Principal Per $5,000 at Maturity	Yield To Maturity	Maturity Amount	CUSIIP [(1)]
2011	$40,000.00	$833.33	1.920%	$240,000.00	964542KY9

(Interest accretes from Date of Delivery)

REDEMPTION PROVISION OF THE BONDS . . .The City reserves the right, at its option, to redeem the Current Interest Bonds having stated maturities on or after February 15, 2020, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Premium Capital Appreciation Bond is not eligible for optional redemption.

$8,000,000
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2009

Amount	(February 15) Maturity	Rate	Yield	CUSIIP [(1)]	Amount	(February 15) Maturity	Rate	Yield	CUSIIP [(1)]
$205,000	2010	2.500%	1.200%	964542KZ6	$395,000	2020	4.000%	3.980%	964542LK8
295,000	2011	2.500%	1.450%	964542LA0	410,000	2021	4.000%	4.100%	964542LL6
305,000	2012	2.500%	1.920%	964542LB8	425,000	2022	4.000%	4.200%	964542LM4
315,000	2013	2.500%	2.130%	964542LC6	445,000	2023	4.125%	4.250%	964542LN2
320,000	2014	3.000%	2.500%	964542LD4	465,000	2024	4.250%	4.340%	964542LP7
330,000	2015	3.000%	2.800%	964542LE2	485,000	2025	4.250%	4.390%	964542LQ5
340,000	2016	3.000%	3.030%	964542LF9	505,000	2026	4.500%	4.550%	964542LR3
350,000	2017	3.500%	3.280%	964542LG7	530,000	2027	4.500%	4.630%	964542LS1
365,000	2018	3.500%	3.500%	964542LH5	555,000	2028	4.500%	4.680%	964542LT9
380,000	2019	4.000%	3.710%	964542LJ1	580,000	2029	4.625%	4.750%	964542LU6

REDEMPTION PROVISION OF THE CERTIFICATES . . .The City reserves the right, at its option, to redeem the Certificates having stated maturities on or after February 15, 2020, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

[(1)] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Official Statement does not constitute an offer to sell, nor is it to be used in connection with an offer to sell or the solicitation of an offer to buy the Bonds and the Certificates in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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.

Certain information set forth herein has been provided by sources other than the City that the City believes is reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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.

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

NEITHER THE CITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY, OR ANY INFORMATION REGARDING ASSURED GUARANTY CORP OR ITS POLICY AS DESCRIBED UNDER "INSURANCE" HEREIN.

IN CONNECTION WITH THE OFFERING OF THE BONDS AND CERTIFICATES, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AND CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy of completion of such information.

TABLE OF CONTENTS

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

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Jerry Burns Mayor	1 Year	June, 2011	Lockheed Martin
Gene Hatcher Place 1, Mayor Pro-Tem	1 Year	May, 2011	Retired
Freta Powell Place 2, Councilmember	2 Years	May, 2010	Retired
Jack Cook Place 3, Councilmember	2 Months	May, 2010	Pastor
Don Smith Place 4, Councilmember	3 Years	May, 2009	Business Owner
Gary Wilson Place 5, Councilmember	3 Years	May, 2009	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service With the City	Length of Service in Current Position
Jimmy Burnett	City Manager	2 Years	2 Years
Linda Ryan	Assistant City Manager	8 Months	8 Months
Rachael Plantz	Director of Finance	1 Year	1 Year
Amy Neal	City Secretary	10 Months	10 Months
Randy Brown	Director of Public Works	3 Years	3 Years
Mike Burkett	City Attorney	12 Years	12 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Patillo, Brown & Hill, L.L.P., Waco, Texas

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

Financial Advisor .... Estrada Hinojosa & Company, Inc., Dallas, Texas

For additional information regarding the City, please contact:

Linda Ryan Assistant City Manager City of White Settlement 214 Meadow Park Drive White Settlement, Texas 76108 (817) 246-4971 - Telephone (817) 367-0885	or	Rachael Plantz Director of Finance City of White Settlement 214 Meadow Park Drive White Settlement, Texas 76108 (817) 246-4971 - Telephone (817) 367-0885 – Fax	or	U. S. Williams, Jr. Nicole Roberts Estrada Hinojosa & Company 1717 Main Street, Suite 4700 Dallas, Texas 75201 (214) 658-1670 - Telephone (214) 658-1671 - Fax

OFFICIAL STATEMENT SUMMARY

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

THE CITY..	The City of White Settlement, Texas is a political subdivision and municipal corporation of the State, located in Tarrant, County, Texas. The City operates as a home-rule city under the City Councilmember/Manager form of government where the Mayor and five City Council members are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City covers approximately 5 square miles (see APPENDIX A - "General Information Regarding the City").
QUALIFIED TAX-EXEMPT OBLIGATIONS	The City has designated the Bonds and the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – Qualified Tax Exempt Obligations").
THE OBLIGATIONS..........................	The Bonds and the Certificates are separate and distinct securities offerings being authorized for issuance under separate ordinances adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement. While the Bonds and Certificates share certain common attributes, each issue is separate and distinct and should be viewed and analyzed independently, including the type and kind of obligation being issued, its terms of payment, the security for its payment, the rights of the holders and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings assigned to such terms in the Bond Ordinance and the Certificate Ordinance. The Bonds and Certificates are collectively referred to herein as the "Obligations".
THE BONDS......................................	The $6,150,000 General Obligation Bonds, Series 2009 (the "Bonds") are issued in part as Premium Capital Appreciation Bonds maturing on February 15, 2011; and in part as Current Interest Bonds maturing on February 15 in the years 2010 and 2012 through 2029 (see "THE OBLIGATIONS - Description of the Obligations").
THE CERTIFICATES........................	The Certificates are issued as $8,000,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2009 (the "Certificates") (see "THE OBLIGATIONS - Description of the Obligations").
PAYMENT OF INTEREST	Interest on the Current Interest Bonds accrues from May 1, 2009 and is payable February 15, 2010 and each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Premium Capital Appreciation Bonds will accrete from the date of their initial delivery, and such interest will compound semiannually on February 15 and August 15 of each year, commencing on August 15, 2009. The accreted interest on the Premium Capital Appreciation Bonds is payable only at maturity. Interest on the Certificates accrue from May 1, 2009, and is payable February 15, 2010 and each August 15 and February 15 thereafter until maturity (see "THE OBLIGATIONS - Description of the Obligations").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on February 5, 2005, and an ordinance passed by the City Council of the City (the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an ordinance passed by the City Council of the City (the "Certificate Ordinance") (see “THE OBLIGATIONS - Authority for Issuance”).

SECURITY FOR THE OBLIGATIONS .... The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the Bond Ordinance. (see “THE OBLIGATIONS - Security for the Obligations”) The Certificates constitute direct obligations of 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 pledge of surplus net revenues of the City's waterworks and sewer system, as provided in the Certificate Ordinance (see “THE OBLIGATIONS B Security for the Obligations”).

OPTIONAL REDEMPTION .... The CAB is not subject to redemption prior to maturity. The City reserves the right, at its option, to redeem the Obligations having stated maturities on or after February 15, 2020, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

TAX EXEMPTION............................ In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.

USE OF PROCEEDS.......................... Proceeds from the sale of the Bonds will be used for stormwater drainage and flood control improvements within the City and to pay issuance costs.

Proceeds from the sale of the Certificates will be used for constructing and installing improvements to the City's waterworks and sanitary sewer system, including a sewer interceptor line, and to pay issuance costs.

RATINGS.. The Bonds and Certificates are rated “Aaa” and “AAA” by Moody’s and Standard & Poor’s Rating Services, respectively, by virture of an insurance of an insurance policy to be issued by Assured Guaranty Corp., upon delivery of the Bonds and Certificates to the Underwriter. The Bonds, Certificates and the presently outstanding tax supported debt of the City have an underlying rating of “A3” by Moody's and “A+” by S&P. The City also has three issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. (see “INSURANCE" and "OTHER RELEVANT INFORMATION - Ratings").

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

PAYMENT RECORD.......................... The City has never defaulted in the payment of any of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended September 30,	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year	Ratio Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita	% of Total Tax Collections
2005	15,650	443,149,372	28,316	5,000,000	1.13%	319.49	98.18%
2006	15,750	450,257,840	28,588	4,740,000	1.05%	300.95	99.60%
2007	15,900	535,588,605	33,685	5,955,000	1.11%	374.53	97.98%
2008	16,000	576,832,025	36,052	5,355,000	0.93%	334.69	97.98%
2009	16,158	628,636,918	38,906	7,287,500 [(3)]	1.16%	451.01	n/a

(1) Source: North Texas Council of Governments and City estimate.

(2) The valuations shown are the Certified Taxable Assessed Valuations reported annually in September to the Texas Comptroller of Public Accounts. The valuations are subject to change during the ensuing year due to settlement of contested valuations, etc.

(3) Includes the Bonds and excludes the portion of the Certificates that are self-supporting and other self-supported debt.

OFFICIAL STATEMENT

Relating to

$6,150,000		**$8,000,000**
GENERAL OBLIGATION BONDS, SERIES 2009	**and**	**COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2009**

INTRODUCTION

This Official Statement, which includes the cover pages and the Appendices hereto, provides certain information regarding the issuance by the City of White Settlement, Texas (the "City") of its General Obligation Bonds, Series 2009 (the “Bonds”) and Combination Tax and Surplus Revenue Certificates of Obligation, Series 2009 (the "Certificates") (collectively, the “Obligations”). The Bonds and the Certificates are separate and distinct securities offerings being authorized for issuance under separate ordinances (the “Bond Ordinance” and the “Certificate Ordinance”, respectively) adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement. While the Bonds and Certificates share certain common attributes, each issue is separate and distinct and should be viewed and analyzed independently, including the type and kind of obligation being issued, its terms of payment, the security for its payment, the rights of the holders and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the same meanings assigned to such terms in the Bond Ordinance and the Certificate Ordinance.

There follow in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Estrada Hinojosa & Company, Inc., 1717 Main Street, Suite 4700, Dallas, Texas 75201, upon payment of reasonable copying and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and a municipal corporation of the State, duly organized and existing under the laws of the State of Texas, including the City's Home Rule Charter. The City was incorporated in 1848, and first adopted its Home Rule Charter in 1954, which was last amended in 2005. 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 2000 U.S. Census population for the City was 15,500, while the 2008 U.S. Census population was 16,158. The City covers approximately 5 square miles.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated May 1, 2009 and (the “Dated Date”) mature on February 15 in each of the years and in amounts shown on page 3 hereof. The Current Interest Bonds and the Certificates will accrue interest from the Dated Date, and such interest is payable on February 15 and August 15 in each year, commencing on February 15, 2010, until maturity or prior redemption, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Premium Capital Appreciation Bonds will accrete from the date of their delivery to the Underwriter, and such interest will compound semiannually on each February 15 and August 15, commencing August 15, 2009 (the “Accretion Dates”). The sum of the principal of the Premium Capital Appreciation Bonds, the initial premium thereon, if any, and accreted/compounded interest to maturity (the “Maturity Amount”) is payable only at maturity. The Current Interest Bonds and the Certificates will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page 3 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Premium Capital Appreciation Bonds will mature on the dates, in the Maturity Amounts and interest will accrete thereon at the approximate yields based upon the initial offering prices to the public, which are set forth on page 3 of this Official Statement.

Interest on the Current Interest Bonds and the Certificates is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Current Interest Bonds and the Certificates is payable at maturity or upon redemption prior to maturity, upon their presentation and surrender to the Paying Agent/Registrar. The Maturity Amount of the Premium Capital Appreciation Bonds is payable only at maturity, upon their presentation and surrender to the Paying Agent/Registrar. If the date for the payment of the Maturity Amount, principal of or interest on the Obligations shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Obligations will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. The Current Interest Bonds and the Certificates will be issued in denominations of $5,000 of principal amount or any integral thereof within a maturity. The Premium Capital Appreciation Bonds will be issued in denominations of $5,000 of Maturity Amount or any integral multiple thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. The Maturity Amount of the Premium Capital Appreciation Bonds and the principal of and interest on the Current Interest Bonds and 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 Obligations. See "THE BONDS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on February 5, 2005, and an ordinance passed by the City Council of the City (the "Bond Ordinance") See "AD VALOREM TAX INFORMATION – Authorized But Unissued General Obligation Bonds").

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an ordinance passed by the City Council of the City (the "Certificate Ordinance").

SECURITY FOR THE OBLIGATIONS . . . *The Bonds…* The Bonds constitute direct obligations of the City and the principal thereof and interest thereon 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, as provided in the Bond Ordinance.

The Certificates… The Certificates constitute direct obligations of 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 pledge of surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the revenues of the City's waterworks and sewer system.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Obligations having stated maturities on or after February 15, 2020, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds or Certificates are to be redeemed, the City may select the maturities of Bonds or Certificates, as the case may be, to be redeemed. If less than all the Bonds or Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds and Certificates are in Book-Entry-Only form) shall determine by lot the Bonds and Certificates, or portions thereof, within such maturity to be redeemed. If a Bond or Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond or Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

If at the time of mailing of Notice of Redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Bonds or Certificates, as applicable, called for redemption, such notice must state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited on or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN NOTWITHSTANDING WHETHER ONE OR MORE REGISTERED OWNERS MAY HAVE FAILED TO RECEIVE SUCH NOTICE. If an Obligation (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon the redemption date such Obligation (or the portion of its principal sum to be redeemed) shall become due and payable, and, if monies for the payment of the redemption price are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

YIELD ON PREMIUM CAPITAL APPRECIATION BONDS . . . The approximate yield of the Premium Capital Appreciation Bonds as set forth on page 3 of this Official Statement is based upon the initial offering price therefore set forth on page 3 of this Official Statement. Such offering price includes the principal amount of such Premium Capital Appreciation Bonds plus premium equal to the amount by which such offering price exceeds the principal amount of such Premium Capital Appreciation Bonds. The yield on the Premium Capital Appreciation Bonds to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the Premium Capital Appreciation Bonds, have traditionally experienced greater price fluctuation in the secondary market than securities that pay interest on a periodic basis.

DEFEASANCE . . . The respective Ordinances provide for the defeasance of the Bonds or Certificates when the payment of the principal or Maturity Amount of and premium, if any, on the Bonds or Certificates, as the case may be, 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 the Paying Agent/Registrar or other authorized entity, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the paying agent for the Bonds or Certificates being defeased. The respective Ordinances provide that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government 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 Obligations 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 such Obligations have been made as described above, all rights of the City to initiate proceedings to call such Obligations for redemption or take any other action amending the terms of such Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of such Obligations 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.

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

Each Ordinance further provides that the holders of the Bonds or Certificates, as applicable, aggregating in principal amount 51% of the outstanding Bonds or Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds or Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds or Certificates; (ii) reducing the rate of interest borne by any of the outstanding Bonds or Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds or Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds or Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds or Certificates necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

BOOK-ENTRY-ONLY SYSTEM . . . DTC will act as securities depository for the Ordinance. The Ordinance will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Ordinance in the aggregate principal amount or Maturity Amount of such maturity, 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, 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 Participant's 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond (Beneficial Owner) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered 12 into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, Maturity Amount, redemption price and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, Maturity Amount, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the District takes no responsibility for the accuracy thereof.

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

TRANSFER, EXCHANGE, AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, 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. An Obligation may be assigned by the execution of an assignment form on the Obligation or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation will be delivered by the Paying Agent/Registrar, in lieu of the Obligation being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer will be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount or Maturity Amount, as the case may be, as the Obligation(s) surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to initial ownership and transferability of the Obligations.)

Neither the City or the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond or Certificate.

PAYMENT PROCEDURES . . . Interest on the Obligations 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 (hereinafter defined), 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 Obligations will be paid to the registered owner at the stated maturity or earlier redemption 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 Obligations 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. So long as Cede & Co. is the registered owner of the Obligations, payments of principal and interest on the Obligations will be made as described in "Book-Entry-Only System" herein.

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

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

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances establish specific events of default with respect to the Bonds and the Certificates, respectively. If the City defaults in the payment of the principal of or interest on the Certificates or Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially adversely affects the rights of the owners of the Certificates or Bonds, as applicable, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the respective Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Bonds, as applicable, or the respective 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 or the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the Certificateholders or Bondholders upon any failure of the City to perform in accordance with the terms of the respective 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. The Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "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, Certificateholders or Bondholders may not be able to bring such a suit against the City for breach of the covenants in the Certificates or the Bonds or in the Ordinances. 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 or the Bonds.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, Certificateholders or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Certificates and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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

SOURCES AND USES OF FUNDS . . . The proceeds of the Obligations will be used as follows:

	The Bonds	The Certificates
Sources:		
Par Amount	6,150,000.00	8,000,000.00
Accrued Interest	17,039.48	21,972.26
Net Premium/ (Discount)	169,815.10	(22,545.65)
Total Sources of Funds	$ 6,336,854.58	$ 7,999,426.61
Uses:		
Deposit to Project Fund	6,150,000.00	7,756,000.00
Accrued Interest	17,039.48	21,972.26
Costs of Issuance, Underwriter's Discount & Insurance Premium	169,815.10	221,454.35
Total Uses of Funds	$ 6,336,854.58	$ 7,999,426.61

INSURANCE

The scheduled payment of principal of and interest on the Obligations when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Obligations by ASSURED GUARANTY CORP.

The information contained or referred to in this Official Statement relating to the Insurer and the Policy has been provided by the Insurer and is not guaranteed as to completeness or accuracy by the City or the Underwriter.

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Obligations, effective as of the date of issuance of such Obligations. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Obligations that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the nonpayment of premium.

"Due for Payment" means, when referring to the principal of the Obligations, the stated maturity date thereof, or the date on which such Obligations shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Obligations, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Obligations. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Obligations to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa2" (stable) by Moody's Investors Service, Inc. ("Moody's") and "AA" (evolving) by Fitch, Inc. ("Fitch"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

In a press release dated May 4, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Assured Guaranty to "AA" from "AAA" and placed such rating on Rating Watch Evolving. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments. There can be no assurance that Fitch or the other rating agencies will not take further ratings action with respect to Assured Guaranty or as to what impact, if any, Fitch's action will have on Assured Guaranty's insurance financial strength ratings from S&P or Moody's. For more information regarding Assured Guaranty's financial strength ratings, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009.

Agreement to Purchase FSA

On November 14, 2008, AGL announced that it had entered into a definitive agreement to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see the Annual Report on Form 10-K filed by AGL with the SEC on February 26, 2009.

Capitalization of Assured Guaranty Corp.

As of December 31, 2008, Assured Guaranty had total admitted assets of $1,803,146,295 (unaudited), total liabilities of $1,425,012,944 (unaudited), total surplus of $378,133,351 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,090,288,113 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009); and'

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Obligations shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "INSURANCE – The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at http://www.sec.gov and at AGL's web site at http://www.assuredguaranty.com, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Obligations or the advisability of investing in the Obligations. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "INSURANCE."

AD VALOREM TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Tarrant County 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 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. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three 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 Texas Tax Code (the "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 taxation.

Article VIII of the Texas Constitution ("Article VIII") and State law provides 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 Article VIII, Section 1-b and other State law, the governing body of a political subdivision, at its option, may grant: (1) an exemption of not less than $3,000 of the market value of residence homesteads of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) an exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. As of January 1, 2004, under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled.

Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements and such freeze is transferable to a different residence homestead and to the surviving spouse living in such homestead who is disabled or is at least 55 years of age. Once established such freeze cannot be repealed or rescinded.

Other State law and Article VIII, Section 2 allow for 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.

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 Section 1-d and 1-d-1.

Nonbusiness vehicles, 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. The exemption became effective for the 1990-91 fiscal year and thereafter, unless action to tax such property has been taken prior to 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.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. 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 ten years.

The appraised value of a residence homestead for a tax year may not exceed the lesser of (1) the market value of the property or (2) the sum of (A) ten percent (10%) of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised; (B) the appraised value of the property for the last year in which the property was appraised; and (C) the market value of all new improvements to the property.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . Before the later of September 30th or the 60th day after the date the certified appraisal roll is received by the City, the City Council adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service.

The City may not adopt a tax rate that imposes an amount of taxes which exceeds the prior year's levy until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Tax Code. 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 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 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 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:

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition the taxing unit may contact with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee that exceeds 20% of the amount of delinquent tax, penalty, and interest collected. 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.

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 Assessed Valuation for all City purposes. The City operates under a Home Rule Charter which authorizes a total tax rate of $1.50 per $100 of taxable assessed valuation.

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 $36,800; the disabled are also granted an exemption of $3,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000. See Table 2 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 the City collects its own taxes.

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 has adopted a tax abatement policy.

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TABLE 1 - VALUATION, EXEMPTIONS AND DEBT OBLIGATIONS

2008 Market Valuation Established by Tarrant County Appraisal District (as of September 30, 2008)		$ 717,227,661
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	-	
Over 65/Disabled Exemptions	34,233,182	
Local % Exemption Loss	45,941,073	
Disabled Veterans Exemptions	1,315,139	
Freeport Exemption Loss	657,224	
Pollution Control	696,000	
Productivity Loss	277,316	
Solar	99,233	
Loss to 10% HO Cap	5,033,360	
Abatement Loss	338,216	$ 88,590,743
2008 Taxable Assessed Valuation		$ 628,636,918
Debt Payable from Ad Valorem Taxes (as of September 30, 2008)		
General Obligation Debt		$ 4,660,000
The Bonds		6,150,000
The Certificates		8,000,000
Total		18,810,000
Less: Self-Supporting Debt		11,522,500
General Purpose Funded Debt Payable From Ad Valorem Taxes		$ 7,287,500
Interest and Sinking Fund (as of September 30, 2008)		$ 411,282
Ratio General Obligation Debt to Taxable Assessed Valuation		1.72%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		1.16%

2009 Estimated Population -		16,158
Per Capita Taxable Assessed Valuation -	$	38,906
Per Capita General Purpose Funded Debt -	$	451

Sources: State of Texas Property Tax Division and the City.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value For Fiscal Year Ended September 30,					
	2008		2007		2006	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$336,907,078	46.97%	$321,295,680	48.42%	$309,983,578	49.70%
Real, Residential, Multi-Family	57,231,221	7.98%	52,551,616	7.92%	49,045,549	7.86%
Real, Vacant Lots/Tracts	8,528,784	1.19%	8,374,994	1.26%	8,540,710	1.37%
Real, Acreage (Land Only)	3,197,310	0.45%	3,405,656	0.51%	4,305,745	0.69%
Real, Farm and Ranch Improvements	211,424	0.03%	211,424	0.03%	211,424	0.03%
Real, Commercial	157,277,234	21.93%	154,213,654	23.24%	137,252,990	22.01%
Real, Industrial	1,785,364	0.25%	1,735,731	0.26%	1,612,134	0.26%
Real and Tangible Personal, Utilities	12,251,920	1.71%	12,845,046	1.94%	12,448,435	2.00%
Tangible Personal, Commercial	55,981,942	7.81%	42,615,951	6.42%	66,466,325	10.66%
Tangible Personal, Industrial	80,006,354	11.15%	60,338,334	9.09%	27,899,001	4.47%
Tangible Personal, Mobile Homes	1,550,900	0.22%	1,689,750	0.25%	1,830,900	0.29%
Tangible Personal, Other	-	0.00%	-	0.00%	-	0.00%
Intangible, Personal	-	0.00%	-	0.00%	-	0.00%
Real Property, Inventory (1)	2,298,130	0.32%	4,236,146	0.64%	4,113,185	0.66%
Total Appraised Value Before Exemptions	$717,227,661	100.00%	$663,513,982	100.00%	$623,709,976	100.00%
Less: Total Exemptions/Reductions	88,590,743		86,681,957		88,121,371	
Taxable Assessed Valuation	$628,636,918		$576,832,025		$535,588,605	

	Taxable Appraised Value For Fiscal Year Ended September 30,			
	2005		2004	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$279,808,569	51.48%	$259,394,089	51.11%
Real, Residential, Multi-Family	42,309,154	7.78%	39,047,915	7.69%
Real, Vacant Lots/Tracts	7,488,256	1.38%	8,241,782	1.62%
Real, Acreage (Land Only)	3,746,660	0.69%	4,573,194	0.90%
Real, Farm and Ranch Improvements	255,657	0.05%	193,657	0.04%
Real, Commercial	117,733,924	21.66%	118,630,732	23.38%
Real, Industrial	1,422,100	0.26%	3,934,479	0.78%
Real and Tangible Personal, Utilities	12,071,455	2.22%	12,542,194	2.47%
Tangible Personal, Commercial	54,520,612	10.03%	51,170,313	10.08%
Tangible Personal, Industrial	18,972,687	3.49%	5,837,798	1.15%
Tangible Personal, Mobil Homes	1,850,580	0.34%	2,052,780	0.40%
Tangible Personal, Other	-	0.00%	-	0.00%
Intangible, Personal	-	0.00%	-	0.00%
Real Property, Inventory (1)	3,313,166	0.61%	1,860,642	0.37%
Total Appraised Value Before Exemptions	$543,492,820	100.00%	$507,479,575	100.00%
Less: Total Exemptions/Reductions	93,234,980		94,506,613	
Taxable Assessed Valuation	$450,257,840		$412,972,962	

NOTE: Valuations shown are certified taxable assessed values reported by the Tarrant County 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.

(1) Real inventory properties in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder. This category initiated in 1988.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended September 30,	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year	Ratio Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita
1999	15,550	282,695,446	18,180	6,030,000	2.13%	387.78
2000	14,831	285,611,139	19,258	5,230,000	1.83%	352.64
2001	14,850	309,822,654	20,863	6,950,000	2.24%	468.01
2002	15,050	341,733,681	22,707	6,035,000	1.77%	401.00
2003	15,250	389,582,316	25,546	6,035,000	1.55%	395.74
2004	15,350	412,972,962	26,904	5,605,000	1.36%	365.15
2005	15,650	443,149,372	28,316	5,000,000	1.13%	319.49
2006	15,750	450,257,840	28,588	4,740,000	1.05%	300.95
2007	15,900	535,588,605	33,685	5,955,000	1.11%	374.53
2008	15,900	576,832,025	36,279	5,355,000	0.93%	336.79
2009	16,158	628,636,918	38,906	7,287,500 [(3)]	1.16%	451.01

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[(1)] Source: North Texas Council of Governments and the U. S. Census Bureau and City estimate.

[(2)] As reported by the Tarrant County Appraisal District on City's Annual State Property Tax Board Reports.

[(3)] Includes the Bonds and excludes the portion of the Certificates that is anticipated to be self-supported and other self-supported debt.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended September 30,	Tax Rate	Distribution General Fund	Distribution Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
1999	$ 0.5900	$ 0.3672	$ 0.2228	$ 1,667,903	95.47%	97.02%
2000	0.5900	0.3533	0.2367	1,685,106	97.01%	97.99%
2001	0.6150	0.3637	0.2513	1,905,409	95.90%	96.57%
2002	0.6150	0.3908	0.2242	2,101,662	95.93%	98.06%
2003	0.6150	0.4130	0.2020	2,395,931	96.76%	99.09%
2004	0.6180	0.4325	0.1855	2,552,173	97.46%	100.03%
2005	0.6170	0.4478	0.1691	2,734,232	97.25%	98.18%
2006	0.6130	0.4559	0.1571	2,760,081	97.65%	99.60%
2007	0.6130	0.4763	0.1367	3,283,158	95.57%	97.98%
2008	0.6137	0.4866	0.1271	3,540,169	95.57%	97.98%
2009	0.6137	0.4866	0.1271	3,858,109	In process of collection	

TABLE 5 - TEN LARGEST TAXPAYERS

Taxpayer	Nature of Business	2008 Taxable Assessed Valuation	% of Taxable Assessed Valuation
SPM Flow Control	Manufacturing	$ 24,269,944	3.86%
Lowe's Home Center Inc.	Retail	13,559,639	2.16%
Graham Realty Investments LTD	Real Estate	6,932,009	1.10%
Pro Financial Inc.	Financial	6,716,220	1.07%
ESS PRSIA II TX LP	Retail	5,924,611	0.94%
SHG Secured Resources	Utility	5,107,056	0.81%
DDRE Electric Delivery Co LLC	Utility	5,036,900	0.80%
ONCOR Electric Delivery Co LLC	Utility	4,959,005	0.79%
Armet Dale St LTD Partnership	Real Estate	4,883,013	0.78%
OMNI American Bank	Financial	4,818,140	0.77%
Totals		$ 82,206,537	13.08%

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 bonds ("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 may have issued additional debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping tax debt of the City.

Taxing Jurisdiction	2009 Taxable Assessed Valuation	2009 Tax Rate	Total Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt	Authorized But Unissued Debt As Of 9-30-2008
City of White Settlement	$628,636,918	$0.61373	$ 7,287,500 [1]	100.00%	$ 7,287,500	$ -
Fort Worth Independent School District	24,129,351,366	1.25700	532,008,495	0.00%	- [2]	345,875,000
Tarrant County	115,750,639,763	0.26400	346,495,000	0.50%	1,321,677	198,520,000
Tarrant County Hospital District	113,649,137,623	0.22790	29,642,505	0.50%	151,650	-
Tarrant County Junior College District	116,301,558,004	0.13796	49,861,416	0.50%	274,975	-
White Settlement Independent School District	1,418,545,388	1.49840	181,980,752	43.60%	71,708,878	-
					$ 80,744,680	
Ratio of Direct Overlapping G. O. Tax Debt to Taxable Assessed Valuation					12.84%	
Per Capita Overlapping Funded Debt					$4,997	

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(1) Includes the Bonds and excludes the portion of the Certificates that is anticipated to be self-supported and other self-supported debt.

(2) The City's overlapping portion is Federal land and is not subject to taxation.

Source: "Texas Municipal Reports" published by the Municipal Advisory Council of Texas.

TABLE 7 - INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Debt Service Requirements, Fiscal Year Ended September 30, 2009 [(1)]			$	616,639
Interest and Sinking Fund as of September 30, 2008	$	442,207		
Interest and Sinking Fund Tax Levy @ 97.98% Collection		790,589		
Budgeted Transfers		-		
Estimated Investment Income		10,000		1,242,796
Estimated Balance on September 30, 2009			$	626,157

(1) Debt Service Requirement is net of self-supporting debt service.

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TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Existing Debt Service Principal	Existing Debt Service Interest	Existing Debt Service Total	General Obligation Bonds, Series 2009 [1] Principal	General Obligation Bonds, Series 2009 [1] Interest	General Obligation Bonds, Series 2009 [1] Total	Certificates of Obligation, Series 2009 [2] Principal	Certificates of Obligation, Series 2009 [2] Interest	Certificates of Obligation, Series 2009 [2] Total	Total Debt Service Requirements	Less: Self-Supporting Debt Service Requirements	Total Net Debt Service Requirements	% of Principal Retired	Fiscal Year Ended 9/30
2009	635,000	190,299	825,299	-	-	-	-	-	-	825,299	208,660	616,639		2009
2010	735,000	165,382	900,382	120,000	302,589.17	422,589.17	205,000	389,557.78	594,557.78	1,917,529	906,665	1,010,864		2010
2011	715,000	133,941	848,941	40,000	432,931.25	472,931.25	295,000	295,418.75	590,418.75	1,912,291	912,592	999,699		2011
2012	700,000	104,187	804,187	245,000	229,868.75	474,868.75	305,000	287,918.75	592,918.75	1,871,975	918,746	953,229	21.24%	2012
2013	375,000	81,888	456,888	250,000	223,681.25	473,681.25	315,000	280,168.75	595,168.75	1,525,738	919,537	606,201		2013
2014	265,000	66,450	331,450	255,000	216,731.25	471,731.25	320,000	271,431.25	591,431.25	1,394,613	913,814	480,798		2014
2015	150,000	57,525	207,525	265,000	208,931.25	473,931.25	330,000	261,681.25	591,681.25	1,273,138	917,689	355,448		2015
2016	160,000	50,005	210,005	275,000	200,831.25	475,831.25	340,000	251,631.25	591,631.25	1,277,468	920,594	356,873		2016
2017	165,000	42,043	207,043	280,000	191,806.25	471,806.25	350,000	240,406.25	590,406.25	1,269,255	915,400	353,855	43.01%	2017
2018	175,000	33,625	208,625	290,000	181,831.25	471,831.25	365,000	227,893.75	592,893.75	1,273,350	919,477	353,873		2018
2019	185,000	24,625	209,625	305,000	170,656.25	475,656.25	380,000	213,906.25	593,906.25	1,279,188	922,445	356,742		2019
2020	195,000	15,125	210,125	315,000	158,256.25	473,256.25	395,000	198,406.25	593,406.25	1,276,788	921,845	354,942		2020
2021	205,000	5,125	210,125	330,000	145,356.25	475,356.25	410,000	182,306.25	592,306.25	1,277,788	921,270	356,517	61.88%	2021
2022	-	-	-	340,000	131,956.25	471,956.25	425,000	165,606.25	590,606.25	1,062,563	708,595	353,967		2022
2023	-	-	-	355,000	117,834.38	472,834.38	445,000	147,928.13	592,928.13	1,065,763	711,137	354,626		2023
2024	-	-	-	370,000	102,650.00	472,650.00	465,000	128,868.75	593,868.75	1,066,519	712,031	354,488		2024
2025	-	-	-	385,000	86,606.25	471,606.25	485,000	108,681.25	593,681.25	1,065,288	711,583	353,705	79.27%	2025
2026	-	-	-	405,000	69,312.50	474,312.50	505,000	87,012.50	592,012.50	1,066,325	710,591	355,734		2026
2027	-	-	-	425,000	50,637.50	475,637.50	530,000	63,725.00	593,725.00	1,069,363	712,634	356,728		2027
2028	-	-	-	440,000	31,175.00	471,175.00	555,000	39,312.50	594,312.50	1,065,488	712,106	353,381		2028
2029	-	-	-	460,000	10,637.50	470,637.50	580,000	13,412.50	593,412.50	1,064,050	711,072	352,978	100.00%	2029
	$ 4,660,000	$ 970,219	$ 5,630,219	$ 6,150,000	$ 3,264,279.79	$ 9,414,279.79	$ 8,000,000	$ 3,855,273.40	$ 11,855,273.40	$ 26,899,772	$ 16,908,483	$ 9,991,289		

[1] Interest on the Bonds has been calculated at the rates shown on page 3 hereof. Average life of the issue is 12.024 years.

[2] Interest on the Certificates has been calculated at the rates shown on page 3 hereof. Average life of the issue is 11.644 years.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Source	Purpose	Amount Authorized	Issued	Unissued
Water & Sewer	Flood Control	$6,150,000	$6,150,000	$0

The City has no authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF TAX SUPPORTED DEBT

The City anticipates the issuance of $4,500,000 in Certificates of Obligation for drainage within the ensuing twelve months.

TABLE 9 - OTHER OBLIGATIONS

On May 14, 2000, the City entered into a lease-purchase agreement for financing the purchase of certain equipment including a communications system, air conditioning systems, fire utility and brush trucks, two dump trucks, asphalt roller and other equipment with a total purchase price of $801,500.00. The agreement was amended on May 9, 2001, to increase the principal amount by $93,325 for the purchase of additional special purpose equipment and for accrued interest. This lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The City has several lease purchase agreements outstanding for various personal properties. See Note #6 included in Appendix B hereto.

The City's future capital lease payments as of September 30, 2008 are as follows:

Fiscal Year Ended September 30,	Capital Leases
2009	156,890
2010	11,162
2011	11,162
2012	11,162
Total minimum lease payment	$ 190,376
Less: Amount representing interest	13,183
Present value of future minimum payment	$ 177,193

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan and deferred compensation plans, including post-retirement health care, see Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Notes 12 and 13.)

FINANCIAL INFORMATION

TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues	2008	2007	2006	2005	2004
Taxes	$ 5,852,846	$ 5,390,314	$ 5,383,494	$ 4,898,294	$ 4,840,590
Licenses and permits	358,440	311,793	260,330	258,241	319,072
Charges for services	99,244	79,347	67,009	81,922	71,120
Fines and forfeitures	277,826	410,081	412,811	365,987	349,447
Grants from other governments	-	235,321	162,543	18,447	822,781
Intergovernmental revenue	55,715	-	12,260	95,226	35,265
Interest Income	170,101	243,479	219,723	106,785	45,886
Oil and gas royalties	1,724,928	-	-	-	-
Miscelleous	1,839	648,000	656,454	714,118	54,051
Total Revenues	$ 8,540,939	$ 7,318,335	$ 7,174,624	$ 6,539,020	$ 6,538,212
Expenditures					
General government	$ 1,583,241	$ 1,569,230	$ 1,569,431	$ 1,524,025	$ 1,318,798
Public Safety	4,242,555	4,285,947	3,707,904	3,677,006	3,594,545
Public Works	576,694	885,616	597,991	572,303	576,568
Public Health	128,901	122,337	129,905	120,228	117,112
Culture and Recreation	1,132,074	1,085,971	1,067,006	1,010,211	1,154,020
Capital outlay	352,624	-	-	-	-
Total Expenditures	$ 8,016,089	$ 7,949,101	$ 7,072,237	$ 6,903,773	$ 6,761,043
Excess (Deficiency) of Revenues Over Expenditures	$ 524,850	$ (630,766)	$ 102,387	$ (364,753)	$ (222,831)
Other Soures (Uses):					
Proceeds from sale of general fixed assets	$ 36,562	$ 40,276	$ 17,933	$ 37,251	$ 12,139
Proceeds from insurance recoveries	220,997	-	-	-	-
Flood related expenditures	-	47,940	-	-	(58,056)
Operating Transfers In	1,224,013	1,057,305	670,898	668,872	787,285
Operating Transfers Out	(50,000)	(50,000)	(50,000)	(63,903)	(141,421)
Total other financing sources	$ 1,431,572	$ 1,095,521	$ 638,831	$ 642,220	$ 599,947
Revenues and Other Sources and (Uses) Over (Under) Expenditures	$ 1,956,422	$ 464,755	$ 741,218	$ 277,467	$ 377,116
Fund Balance at Beginning of Year	4,786,393	4,446,235	3,705,017	3,427,550	3,050,434
Prior Year Adjustment (due to change in accounting method)	275,100	(124,597)			
Fund Balance at End of Year	$ 7,017,915	$ 4,786,393	$ 4,446,235	$ 3,705,017	$ 3,427,550

TABLE 11 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, 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 of which are credited to the General Fund and are not pledged to the payment of the Obligations. 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. Since July 1, 1994, the City has collected a one-half of one percent (1/2 of 1%) additional sales tax for funding of its economic development. Since July 1, 1996, the City has collected an additional sales and use tax of one-half of one percent (1/2 of 1%) for its Crime District.

Fiscal Year Ended September 30,	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
1999	2,927,497	175.68%	1.0355%	188.26
2000	2,973,627	176.28%	1.0411%	200.50
2001	2,985,024	157.00%	0.9634%	201.01
2002	2,974,757	146.29%	0.8704%	197.66
2003	2,923,337	125.38%	0.7503%	191.69
2004	3,237,660	123.57%	0.7978%	210.92
2005	3,086,591	103.71%	0.6965%	197.23
2006	3,211,515	109.71%	0.7132%	203.91
2007	2,831,373	87.33%	0.5286%	178.07
2008	2,750,504	71.29%	0.4768%	171.91

NOTE: Total City tax equals 2%.

The sales tax breakdown for the City is as follows:

Economic Development Sales and Use Tax	0.50%
Crime District Sales & Use Tax	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 . . . For measurement purposes, the minimum fund balance acceptable in the General Fund is the equivalent of sixty days expenditure. The General Fund has a one hundred seventy-five day (175) reserve as of September 30, 2008.

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.

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9), securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service.

The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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.

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 include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. 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, the City's 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 City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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 strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships 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, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) 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 repurchase agreement, (6) restrict the investment in non-money market 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, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

CITY'S INVESTMENTS . . . The City's investment policy provides that funds of the City may be invested in the following instruments. Investments not specifically listed below are not authorized. The City's investment policy is subject to change.

A. Obligations of the United States of America, its agencies and instrumentalities.

B. Direct obligations of the State of Texas and agencies thereof.

C. Other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas and the United States of America.

D. Obligations of states, agencies thereof, counties, cities, and other political subdivisions of any state, rated as to investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent.

E. Certificates of Deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor, or are secured as to principal by obligations described in A through D above, which are intended to include all direct agency or instrumentality issued mortgage backed securities rated AAA by a nationally recognized investment rating agency or by Article 2529b-1, V.T.C.S., and that have market value of not less than the principal amount of the certificates.

F. Fully collateralized direct repurchase agreements with the defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, selected by the Director of Finance, other than an agency for the pledgor. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas.

G. Government investment pools which invests in instruments and follow practices allowed by state law. Government investment pools must be rated AAA or AAAm or their equivalents by a nationally recognized credit rating agency.

TABLE 12 - CURRENT INVESTMENTS

As of March 31, 2009, all of the City's investments were guaranteed obligations of the U.S. government or its agencies. The City's investments on March 31, 2009 were as follows:

	Fair Value	S&P	Weighted Average Maturity
Texas Local Government Investment Pool	$ 14,848,400	AAAm	45 Days

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds and Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, 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 Bonds and Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds and Certificates are obligations described in section 1503 of The American Recovery and Reinvestment Act of 2009 and accordingly, the interest on the Bonds will not be included in the owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds and Certificates. See Appendix C - Form of Opinions of Bond Counsel.

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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 Obligations.

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

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond and 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 Bond and 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 Bond and Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond and 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 Bond and Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond and 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 Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond and 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 Bond and Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds and Certificate which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds and 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 Bonds and 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 Bonds and 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 Obligations. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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 except that such amount will be $30,000,000 for taxable years beginning after December 1, 2008 and ending prior to January 1, 2011. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City has designated the Bonds and the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds and the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000 ($30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011), there is a reasonable basis to conclude the payment of a de minimis amount of premium in excess of $10,000,000 ($30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011) is disregarded, however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds and Certificates would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

In each of the Ordinances, the City has made the following agreements for the benefit of the holders and beneficial owners of the respective series of Obligations. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay such Obligations. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to certain information vendors annually. 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 I through 6 and 8A through 15 and in Appendix A. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") approved by the staff of the United States Securities and Exchange Commission ("SEC") and to any state information depository ("SID") that is designated and approved by the State of Texas and by the SEC staff. In accordance with recent amendments to SEC Rule 15e2-12 (the "Rule"), effective July 1, 2009, any filings the City is required to make to either the NRMSIRs or the SID will be made to the MSRB.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A 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 information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and the SID of the change, or the MSRB, as applicable.

MATERIAL EVENT NOTICES . . . The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Obligations, if such event is material to a decision to purchase or sell Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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; (7) modifications to rights of holders of the Obligations; (8) early redemption of the Obligations; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations; and (11) rating changes. (Neither the Obligations nor the Ordinances make any provision for debt service reserves or liquidity enhancement.) In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the SID and to either each NRMSIR or the MSRB until July 1, 2009, and thereafter only to the MSRB.

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing information only to NRMSIRs, the MSRB and the SID, as described above. Prior to July 1, 2009, the information will be available to holders of Obligations only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so. Effective July 1, 2009, all such information must be filed with the MSRB, rather than NRMSIRs and any SID. The MSRB intends to make the information available to the public without charge through an internet portal.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 5121476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the City. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.DisclosureUSA.org ("DisclosureUSA"). The City may utilize DisclosureUSA for the filing of information relating to the Obligations. Effective July 1, 2009, such information will be filed only with the MSRB.

Effective July 1, 2009, all filings and notices that the City is required to make or give in satisfaction of its continuing disclosure undertaking set forth in the Ordinances will be made solely to the MSRB, and such filings and notices will be made or given electronically in such format as determined by the MSRB. To make such continuing disclosure information available to investors free of charge, the MSRB has established the EMMA system, which may be accessed at www.emmamsrb.org.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has previously made a continuing disclosure agreement in accordance with the SEC Rule 15c2-12 and has compiled in all material respects therewith.

OTHER RELEVANT INFORMATION

RATINGS . . . A municipal bond rating of “Aaa/AAA” has been assigned by Moody’s and Standard & Poor’s based upon a bond insurance policy issued by Assured Guaranty Corp. The Obligations and the presently outstanding tax supported debt of the City has an underlying rating of “A3” by Moody's and “A+” by S&P. The City also has two issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. An explanation of the significance of such rating may be obtained from the company furnishing the rating. Any rating reflects only the view of the rating organization and the City makes no representation as to the appropriateness of any rating. There is no assurance that such rating will continue for any given period of time or it will not be revised downward or withdrawn entirely by such rating organization, if in the judgment of such organization, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations.

LITIGATIONS . . . It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Obligations must be rated "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Obligations, except for purchases for interest and sinking funds of such entities. See "OTHER RELEVANT INFORMATION – Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Obligations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations 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 Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving each respective series of Obligations and to the effect that each respective series of Obligations are valid and legally binding obligations of the City. In addition, based upon an examination of such transcript of proceedings, the legal opinions of Bond Counsel will be furnished to like effect, and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS". 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 Obligations, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Obligations will also be furnished by the City. In connection with the issuance of the Obligations, Bond Counsel has been engaged by, and only represents, the City. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "The Obligations" (exclusive of subcaptions "Book-Entry-Only System," "Obligationholders' Remedies", and "Sources and Uses of Funds"), "Tax Matters" and "Continuing Disclosure of Information" (exclusive of the subcaption "Compliance with Prior Undertakings" and the third paragraph under the subcaption "Availability of Information from NRMSIRS and SID") and the subcaptions "Legal Opinions and No-Litigation Certificate" and "Legal Investments and Eligibility to Secure Public Funds in Texas" in the Official Statement and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinions will accompany the respective Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

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

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

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

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at an underwriting discount of $56,887.50 with respect to the Bonds. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at an underwriting discount of $70,640.00 with respect to the Certificates. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

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. It is important to note that the City's actual results could differ materially from those 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.

CERTIFICATION OF THE OFFICIAL STATEMENT

The respective Ordinances authorizing the issuance of the Obligations 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 Obligations by the Initial Purchasers.

/s/ Jerry Burns
Mayor
City of White Settlement, Texas

ATTEST:

/s/ Amy Arnold
City Secretary

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SCHEDULE I

Accreted Value Table

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SCHEDULE I

Schedule of Accreted Values
of Premium Capital Appreciation Bonds
Per $5,000 MaturityAmount

Date	2/15/2011 1.920%
5/27/2009	$ 833.33
8/15/2009	1,044.80
2/15/2010	1,760.65
8/15/2010	2,967.05
2/15/2011	5,000.00

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION

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

The City is a political subdivision of the State of Texas and was incorporated in 1952. The current charter was approved by the voters in 1954 and amended in 1981. 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 122 full-time and 35 part-time employees. This includes 49 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 5.5 square miles.

POPULATION

The City was initially settled in the early 1840's as a trading post and supply point for a series of forts established in north and west Texas. After approximately 110 years of existence, the City was incorporated in 1951 with an estimated population of 10,800. Since that time, the City has grown to a currently estimated population of 16,158, an increase of approximately 49%.

Population history of the City is:

Year(1)	Population
1999	15,550
2000	14,831
2001	14,850
2002	15,050
2003	15,250
2004	15,350
2005	15,400
2006	15,570
2007	15,900
2008	16,000

(1) Population figures are from the U.S. Census Bureau and North Central Texas Council of Government estimates.

ECONOMY

The City is largely a bedroom community with a rural lifestyle in an urban environment, a city of churches and residences. During World War II, the City was home to the work force of the General Dynamics Corporation assembly plant, one of the largest aircraft assembly plants in the world and to military personnel stationed at adjacent Carswell Air Force Base. The assembly plant is now owned and operated by the Lockheed Aircraft Corporation and assembles military aircraft for both domestic and foreign governments. Lockheed Martin Corporation employs approximately 16,500 (in 2007) in the Forth Worth area.

Carswell Air Force Base closed as an active air force facility in September of 1993. In October of 1994 the base was reopened and transformed into NAS Fort Worth, Joint Reserve Base, Carswell Field, a navy reserve base. Now that all of the units have been transferred here from NAS Dallas, Glenview NAS, Detroit, and Memphis, NAS JRB Fort Worth employs approximately 6,812 civilians while approximately 1,173 reservists utilize the base. Approximately $130 million of construction, remodeling and renovation was invested over the transition period.

The BX Mart continues to operate the base exchange store and the grocery store for the benefit of active duty military and retired military in the metroplex. The golf course is now under lease to the Carswell Redevelopment Authority and is operated as a public use facility. The Justice Department has established a Federal Medical Center in the area around the old base hospital. The facility is for female Federal inmates and employs 300 personnel.

The southern border of the City situated along and adjacent to Highway 30 has developed into a shopping center anchor for the surrounding area because of the traffic accessibility of the area. The lifeblood of the community of White Settlement is retail activity. Though the City has a nighttime population of approximately 16,158, the daytime population is much larger because of employees of the Lockheed plant who daily commute through the area to their jobs and utilize the convenient shopping facilities of the area. Sales tax revenue has outpaced property taxes as the primary source of operating revenue for the City since the 1980s. Wal-Mart has expanded since coming to the City, a new Academy Sports and Outdoors and Office Max opened during 2003. Other retail outlets include Sam's Club, Toys "R" Us, Ryan's Steak House, Lowe's Home Improvement Center and Luby's. Due to economic downturn, sales tax revenue has decreased for many cities. White Settlement experienced an increase (2.86%) in sales tax revenue from 2006-2007 to 2007-2008.

HISTORICAL EMPLOYMENT DATA

	Average Annual			
	2008	2007	2006	2005
City of Fort Worth				
Civilian Labor Force	311,674	309,332	303,521	294,257
Total Employment	296,775	293,905	287,569	276,687
Unemployment	14,899	15,427	15,952	17,570
Unemployment Rate	4.80%	5.00%	5.30%	6.00%
State of Texas				
Civilian Labor Force	11,565,448	11,424,998	11,225,661	11,082,375
Total Employment	11,029,456	10,875,918	10,624,209	10,420,985
Unemployment	535,992	549,080	601,452	661,390
Unemployment Rate	4.60%	4.80%	5.40%	6.00%

Source: Texas Workforce Commission.

MAJOR EMPLOYERS IN THE CITY

Name	Type of Business	Employment
White Settlement Independent School District	Education	613
Weir SPM	Oil Field Equipment	414
Western Hills Rehabilitation & Nursing Center	Nursing Home	215
PDX Inc./ PCI Professional Systems	Pharmaceutical Software	175
City of White Settlement	Municipal Government	153
West Side Campus of Care	Retirement Home	150
Lowe's Home Improvement Center	Retail	112
OmniAmerican Credit Union	Banking	95
Academy Sports & Outdoors #97	Retail	85
Manuel Lincoln Mercury	Automobiles	84

Source: White Settlement Annual Financial Report.

EDUCATION

The White Settlement Independent School District provides modern air conditioned educational facilities for the City's youth. The District owns and operates four elementary schools, one middle school and one high school. The District provides instructional courses PK through 12.

ENROLLMENT

Year Ending 8/31	Enrollment
1999	4,531
2000	4,466
2001	4,496
2002	4,640
2003	4,765
2004	4,771
2005	4,930
2006	5,410
2007	5,414
2008[1]	5,732

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[1] As of October 3, 2007.

Secondary education opportunities are numerous and within easy driving distance of the City. Some of the colleges and universities within a 50-mile radius are as follows:

College/University	Location
Texas Christian University	Fort Worth, Texas
Texas Wesleyan University	Fort Worth, Texas
Tarrant County Colleges	Fort Worth, Texas
Tarleton State University	Stephenville, Texas
Texas University at Arlington	Arlington, Texas
University of North Texas	Denton, Texas
Texas Woman's University	Denton, Texas
Southern Methodist University	Dallas, Texas
University of Texas at Dallas	Richardson, Texas

RECREATION

The City has a total of 350 acres of park facilities available to its residents. Additionally, the City has numerous choices for recreation with easy commuting distances. Lake Worth, a large water reservoir for Fort Worth borders the City on the north and is within 5 minutes drive. Lake Benbrook, Lake Arlington and Lake Grapevine are within 30 minutes by interstate highway. Nearby Fort Worth offers museums, botanical gardens, numerous parks and dining establishments within 15 minutes driving time. Located approximately 30 minutes west by interstate highway is Trinity Meadows, a race track offering thoroughbred racing in season. In nearby Arlington and Dallas are professional baseball, football, basketball and hockey teams.

BUILDING PERMIT HISTORY

Fiscal Year Ended Sept. 30,	Commercial Construction Number of Units	Commercial Construction Value	Residential Construction Number of Units	Residential Construction Value	Totals
1999	29	2,383,817	98	2,539,116	4,922,933
2000	25	3,874,634	29	1,568,872	5,443,506
2001	8	8,798,999	61	4,478,145	13,277,144
2002	8	14,759,765	88	6,469,677	21,229,442
2003	6	1,909,070	91	7,508,265	9,417,335
2004	5	3,377,338	74	6,603,166	9,980,504
2005	5	4,785,684	89	7,892,219	12,677,903
2006	9	2,899,246	75	6,926,360	9,825,606
2007	6	13,162,801	49	4,268,997	17,431,798
2008	24	2,530,318	70	4,866,792	7,397,110

APPENDIX B

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

(For the Year Ended September 30, 2008)

The information contained in this Appendix consists of excerpts from the City of White Settlement, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2008, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of White Settlement, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of White Settlement, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of White Settlement, Texas, as of September 30, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

401 WEST HIGHWAY 6 ■ P. O. BOX 20725 ■ WACO, TX 76702-0725 ■ (254) 772-4901 ■ FAX: (254) 772-4920 ■ www.pbhcpa.com
AFFILIATE OFFICES: BROWNSVILLE, TX (956) 544-7778 ■ HILLSBORO, TX (254) 582-2583
TEMPLE, TX (254) 791-3460 ■ WHITNEY, TX (254) 694-4600 ■ ALBUQUERQUE, NM (505) 266-5904

The management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 50 through 74 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of White Settlement, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Pattillo, Brown & Hill, L.L.P.

February 23, 2009

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development
ASSETS				
Cash and investments	$ 9,599,516	$ 4,959,594	$ 14,559,110	$ 2,358,638
Receivables (net of allowances for uncollectibles)				
Accounts	-	906,142	906,142	-
Property taxes	149,781	-	149,781	-
Franchise taxes	192,010	-	192,010	-
Miscellaneous	111,444	-	111,444	-
Internal balance	1,621	(1,621)	-	-
Due from other governments	558,130	-	558,130	191,147
Inventories - supplies	65,712	-	65,712	-
Prepaid items	73,242	1,715	74,957	1,823
Deferred charges	70,482	74,044	144,526	-
Capitals assets:				
Nondepreciable	1,637,324	52,250	1,689,574	763,711
Depreciable, net of accumulated depreciation	11,844,124	12,831,100	24,675,224	1,588,822
Total capital assets	13,481,448	12,883,350	26,364,798	2,352,533
Total assets	24,303,386	18,823,224	43,126,610	4,904,141
LIABILITIES				
Accounts payable	224,847	285,613	510,460	28,620
Accrued liabilities	191,913	28,563	220,476	-
Customer deposits	4,174	415,894	420,068	-
Interest payable	14,001	8,072	22,073	-
Noncurrent liabilities:				
Due within one year	972,289	383,790	1,356,079	-
Due in more than one year	2,526,059	2,635,268	5,161,327	-
Total liabilities	3,933,283	3,757,200	7,690,483	28,620
NET ASSETS				
Invested in capital assets, net of related debt	10,699,737	9,938,336	20,638,073	2,352,533
Restricted for:				
Debt service	397,281	-	397,281	-
Capital projects	1,454,564	-	1,454,564	-
Community development	18,369	-	18,369	-
Community services	59,428	-	59,428	-
Public safety	69,220	-	69,220	-
Unrestricted	7,671,504	5,127,688	12,799,192	2,522,988
Total net assets	$ 20,370,103	$ 15,066,024	$ 35,436,127	$ 4,875,521

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 1,581,711	$ 46,051	$ 7,028	$ -
Public safety	4,799,134	306,812	-	-
Public works	954,898	18,265	-	-
Public health	134,283	15,058	-	-
Culture and recreation	1,404,433	43,300	-	-
Interest long-term debt	124,618	-	-	-
Total governmental activities	8,999,077	429,486	7,028	-
Business-type activities:				
Water and sewer	3,829,200	5,457,394	-	-
Stormwater utility	44,230	529,541	-	-
Sanitation	530,470	612,239	-	-
Total business-type activities	4,403,900	6,599,174	-	-
Total primary government	13,402,977	7,028,660	7,028	-
Component unit				
Economic development	1,049,485	200,549	-	-
Total component unit	$ 1,049,485	$ 200,549	$ -	$ -

General revenues:
Taxes:
Property
Sales and use
Franchise
Oil and gas royalties
Investment earnings
Gain on sale of capital assets
Miscellaneous
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior period adjustment
Net assets - beginning, restated
Net assets - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development
$(1,528,632)	$ -	$(1,528,632)	$ -
(4,492,322)	-	(4,492,322)	-
(936,633)	-	(936,633)	-
(119,225)	-	(119,225)	-
(1,361,133)	-	(1,361,133)	-
(124,618)	-	(124,618)	-
(8,562,563)	-	(8,562,563)	-
-	1,628,194	1,628,194	-
-	485,311	485,311	-
-	81,769	81,769	-
-	2,195,274	2,195,274	-
(8,562,563)	2,195,274	(6,367,289)	-
-	-	-	(848,936)
-	-	-	(848,936)
3,519,246	-	3,519,246	-
3,378,872	-	3,378,872	1,076,007
887,330	-	887,330	-
1,724,928	-	1,724,928	-
269,426	138,867	408,293	87,097
36,562	-	36,562	-
238,487	-	238,487	3,362
901,717	(901,717)	-	-
10,956,568	(762,850)	10,193,718	1,166,466
2,394,005	1,432,424	3,826,429	317,530
18,188,335	13,633,600	31,821,935	4,557,991
(212,237)	-	(212,237)	-
17,976,098	13,633,600	31,609,698	4,557,991
$ 20,370,103	$ 15,066,024	$ 35,436,127	$ 4,875,521

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CITY OF WHITE SETTLEMENT, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	General	Street System Improvement	Other Governmental	Total Governmental Funds
ASSETS				
Cash and investments	$ 6,800,862	$ 1,454,564	$ 1,344,090	$ 9,599,516
Receivables (net of allowances for uncollectiables):				
Property taxes	117,589	-	32,192	149,781
Franchise taxes	192,010	-	-	192,010
Miscellaneous	70,109	-	41,335	111,444
Due from other governments	382,294	-	175,836	558,130
Due from other funds	42,371	-	-	42,371
Prepaid items	73,242	-	-	73,242
Inventory - supplies	65,712	-	-	65,712
Total assets	7,744,189	1,454,564	1,593,453	10,792,206
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	202,955	-	21,892	224,847
Accrued liabilities	191,913	-	-	191,913
Customer deposits	4,174	-	-	4,174
Due to other funds	-	-	40,750	40,750
Deferred revenue	327,232	-	32,192	359,424
Total liabilities	726,274	-	94,834	821,108
Fund balances:				
Reserved for:				
Debt service	-	-	379,090	379,090
Public safety	-	-	69,220	69,220
Unreserved, designated for contingencies	1,335,990	-	-	1,335,990
Unreserved, undesignated	5,681,925	-	-	5,681,925
Unreserved, reported in non-major:				
Special revenue funds	-	-	775,811	775,811
Capital projects funds	-	1,454,564	215,070	1,669,634
Permanent funds	-	-	59,428	59,428
Total fund balances	7,017,915	1,454,564	1,498,619	9,971,098
Total liabilities and fund balances	$ 7,744,189	$ 1,454,564	$ 1,593,453	$ 10,792,206

The accompanying notes are an integral part of these financial statements.

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CITY OF WHITE SETTLEMENT, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

Total fund balance, governmental funds		$ 9,971,098
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		13,481,448
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. The details of these differences are as follows:		
Property taxes	$ 149,781	
Court fines	68,143	
Franchise taxes	141,500	
		359,424
Some liabilities, (such as Capital Lease Obligations, Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. The details of these differences are as follows:		
Bonds payable	(770,000)	
Issuance cost	70,482	
Accrued interest payable	(14,001)	
Tax notes	(1,905,000)	
Capital lease obligation	(177,193)	
Compensated absences	(646,155)	
		(3,441,867)
Net assets of governmental activities in the statement of net assets		$ 20,370,103

The accompanying notes are an integral part of these financial statements.

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CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General	Street System Improvement	Other Governmental	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 2,771,930	$ -	$ 761,062	$ 3,532,992
Sales and use	2,193,586	-	1,185,286	3,378,872
Franchise	887,330	-	-	887,330
Fines and forfeitures	277,826	-	64,398	342,224
Licenses, permits and fees	358,440	-	-	358,440
Intergovernmental	55,715	-	8,313	64,028
Charges for services	99,244	-	-	99,244
Oil and gas royalties	1,724,928	-	-	1,724,928
Investment earnings	170,101	53,636	45,688	269,425
Other	1,839	-	17,491	19,330
Total revenues	8,540,939	53,636	2,082,238	10,676,813
EXPENDITURES				
Current:				
General government	1,583,241	-	-	1,583,241
Public safety	4,242,555	-	201,408	4,443,963
Public works	576,694	-	41,935	618,629
Public health	128,901	-	-	128,901
Culture and recreation	1,132,074	-	127,351	1,259,425
Capital outlay	352,624	1,390,696	512,486	2,255,806
Debt service:				
Principal payments	-	-	731,040	731,040
Interest and fiscal charges	-	-	109,595	109,595
Total expenditures	8,016,089	1,390,696	1,723,815	11,130,600
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	524,850	(1,337,060)	358,423	(453,787)
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance recoveries	220,997	-	-	220,997
Sale of capital assets	36,562	-	-	36,562
Transfers in	1,224,013	1,095,166	286,492	2,605,671
Transfers out	(50,000)	-	(654,313)	(704,313)
Total other financing sources and uses	1,431,572	1,095,166	(367,821)	2,158,917
NET CHANGE IN FUND BALANCES	1,956,422	(241,894)	(9,398)	1,705,130
FUND BALANCES, BEGINNING	4,786,393	1,696,458	1,508,017	7,990,868
PRIOR PERIOD ADJUSTMENT	275,100	-	-	275,100
FUND BALANCES, BEGINNING, RESTATED	5,061,493	1,696,458	1,508,017	8,265,968
FUND BALANCES, ENDING	$ 7,017,915	$ 1,454,564	$ 1,498,619	9,971,098

The accompanying notes are an integral part of these financial statements.

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CITY OF WHITE SETTLEMENT, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds:		$ 1,705,130
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay ($1,344,263) exceeded depreciation ($881,643) in the current period.		462,620
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. The details of these differences are as follows:		
Property taxes	(13,746)	
Franchise taxes	6,316	
Court fines	(435,577)	
		(443,007)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. The details of these differences are as follows:		
Payments on bonds	385,000	
Payments on capital lease	141,040	
Payments on tax notes	205,000	
		731,040
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Compensated absences	(46,755)	
Accrued interest	(1,159)	
Bond issuance cost	(13,864)	
		(61,778)
Change in net assets of governmental activities		$ 2,394,005

The accompanying notes are an integral part of these financial statements.

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CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2008

	Enterprise Funds		
	Water and Sewer	Other	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,057,559	$ 902,035	$ 4,959,594
Accounts receivable, net	810,563	95,579	906,142
Prepaid items	1,715	-	1,715
Total current assets	4,869,837	997,614	5,867,451
Noncurrent assets:			
Deferred charges	74,044	-	74,044
Capital assets:			
Land	-	36,995	36,995
Construction in progress	15,255	-	15,255
Land improvements	53,367	-	53,367
Buildings and improvements	52,515	-	52,515
Water and sewer systems	18,094,649	-	18,094,649
Stormwater systems	-	445,766	445,766
Machinery and equipment	1,339,337	-	1,339,337
Less: accumulated depreciation	(7,149,255)	(5,279)	(7,154,534)
Total capital assets, net of accumulated depreciation	12,405,868	477,482	12,883,350
Total noncurrent assets	12,479,912	477,482	12,957,394
Total assets	17,349,749	1,475,096	18,824,845
LIABILITIES			
Current liabilities:			
Accounts payable	276,442	9,171	285,613
Accrued liabilities	28,563	-	28,563
Due to other funds	1,621	-	1,621
Customer deposits	415,894	-	415,894
Accrued interest payable	8,072	-	8,072
Current portion of long-term liabilities	383,790	-	383,790
Total current liabilities	1,114,382	9,171	1,123,553
Noncurrent liabilities:			
Revenue bonds payable	2,225,000	-	2,225,000
Capital lease payable	410,268	-	410,268
Total noncurrent liabilities	2,635,268	-	2,635,268
Total liabilities	3,749,650	9,171	3,758,821
NET ASSETS			
Invested in capital assets, net of related debt	9,460,854	477,482	9,938,336
Unrestricted	4,139,245	988,443	5,127,688
Total net assets	$ 13,600,099	$ 1,465,925	$ 15,066,024

The accompanying notes are an integral part of these financial statements.

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CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Enterprise Funds		
	Water and Sewer	Other	Total
OPERATING REVENUES			
Charges for services	$ 5,457,394	$ 1,141,780	$ 6,599,174
Total operating revenues	5,457,394	1,141,780	6,599,174
OPERATING EXPENSES			
Costs of sales and services	3,205,402	567,766	3,773,168
Administration	-	1,750	1,750
Depreciation	470,857	5,184	476,041
Total operating expenses	3,676,259	574,700	4,250,959
OPERATING INCOME	1,781,135	567,080	2,348,215
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	117,333	21,534	138,867
Interest expense	(152,941)	-	(152,941)
Total non-operating revenues (expenses)	(35,608)	21,534	(14,074)
INCOME BEFORE TRANSFERS	1,745,527	588,614	2,334,141
TRANSFERS IN	999,641	-	999,641
TRANSFERS OUT	(1,864,158)	(37,200)	(1,901,358)
CHANGE IN NET ASSETS	881,010	551,414	1,432,424
TOTAL NET ASSETS, BEGINNING	12,719,089	914,511	13,633,600
TOTAL NET ASSETS, ENDING	$ 13,600,099	$ 1,465,925	$ 15,066,024

The accompanying notes are an integral part of these financial statements.

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CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF CASH FLOWS

PROPRETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Enterprise Funds		
	Water and Sewer	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	$ 5,367,977	$ 1,164,420	$ 6,532,397
Cash paid to suppliers for goods and services	(615,240)	(564,854)	(1,180,094)
Cash paid to employees for services	(2,503,805)	-	(2,503,805)
Net cash provided by operating activities	2,248,932	599,566	2,848,498
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments received from other funds	1,621	-	1,621
Transfers to other funds	(1,864,158)	(37,200)	(1,901,358)
Net cash used by noncapital financing activities	(1,862,537)	(37,200)	(1,899,737)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal repayments on bonds	(348,440)	-	(348,440)
Acquisition and construction of capital assets	(473,304)	(398,721)	(872,025)
Interest and fiscal charges debt	(142,342)	-	(142,342)
Net cash used by capital and related financing activities	(964,086)	(398,721)	(1,362,807)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	117,333	21,534	138,867
Net cash provided by investing activities	117,333	21,534	138,867
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(460,358)	185,179	(275,179)
CASH AND CASH EQUIVALENTS, BEGINNING	4,517,917	716,856	5,234,773
CASH AND CASH EQUIVALENTS, ENDING	$ 4,057,559	$ 902,035	$ 4,959,594
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 1,781,135	$ 567,080	$ 2,348,215
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	470,857	5,184	476,041
Decrease (increase) in accounts receivable	(131,408)	22,640	(108,768)
Decrease (increase) in prepaid and other	6,381	-	6,381
Increase (decrease) in accounts payable	46,717	4,662	51,379
Increase (decrease) in accrued liabilities	28,563	-	28,563
Increase (decrease) in customer deposits	41,991	-	41,991
Increase (decrease) in customer deposits	4,696	-	4,696
Total adjustment	467,797	32,486	500,283
Net cash provided by operating activities	$ 2,248,932	$ 599,566	$ 2,848,498

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 sewer, sanitation, planning and zoning, building inspection, code enforcement, and general administrative services.

A. Reporting Entity

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled, *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

Discretely Presented Component Unit. The White Settlement Economic Development Corporation (a nonprofit development corporation formed under the Development Corporation Act of 1979, Texas Rev. Civil Statute) was incorporated June 28, 1994. The Corporation's services are provided to stimulate economic growth for the City. A board of seven directors appointed by the City Council governs the corporation. The purpose of the Corporation is to finance and develop parks and park facilities within the City. Operation of the Corporation is funded by one-half percent sales tax approved by the voters. The Corporation is presented as a governmental fund type. Separate financial statements may be obtained at the City's administrative office.

Blended Component Unit. The White Settlement Crime Control and Prevention District, an entity legally separate from the City and created by resolution of the City Council with approval by vote of the residents of White Settlement, is governed by a seven-member board appointed by the City council and all services are provided for the benefit of the Police Department of the City. For financial reporting purposes, the Crime Control and Prevention District is reported as if it were a part of the City's operations in as much as its sole purpose is to finance and to develop and provide crime reduction programs for the City of White Settlement. The Crime Control and Prevention District is presented as a governmental fund type. Separate financial statements may be obtained at the City's administrative office.

B. Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government and its component unit. 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 revenue, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. <u>Government-wide Fund Financial Statements</u> (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 revenue are reported instead as *general revenue.*

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.

C. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u>

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 revenue 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. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property 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 revenue 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 cash is received by the City.

(continued)

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

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 ***Street System Improvement Fund*** is a Capital Projects Fund that accounts for the financial resources to be used for the acquisition or construction of streets and street systems.

The City reports the following major Enterprise Fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and Enterprise Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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 include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

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.

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 in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 30 percent of outstanding property taxes at September 30, 2008.

Unbilled Service

Utility operating revenues (water, sewer 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.

Inventory

Inventories of supplies are valued at cost using the first-in, first-out ("FIFO") method.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30 are recorded as prepaid items in both the government-wide and fund financial statements.

(continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure, and water rights, are reported in the applicable governmental or business-type activities columns in the government-wide 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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Land improvements	20 - 30
Buildings	10 - 40
Water and sewer system	20 - 50
Machinery and equipment	3 - 10
Vehicles	3 - 10
Infrastructure	20 - 50

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 governmental funds only if they matured, for example, as a result of resignations and retirements.

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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their 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.

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.

Reclassifications

Certain accounts and funds in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Utility Capital Projects Fund had a deficit fund balance of $41,935 as of September 30, 2008. The City plans to transfer funds from the Water and Sewer Fund to cover the deficit fund balance.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

The City's investment policy authorizes the City to invest in obligations of the United States and its agencies; direct obligations of the State of Texas and agencies thereof; other obligations, the principal and interest on which are unconditionally guaranteed by the State of Texas and United States; obligations of the states, agencies, counties, cities and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent; secured certificates of deposit of state and national banks domiciled in Texas; fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies; and joint pools of political subdivisions in the State of Texas. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2008, the City did not own any types of securities other than those permitted by statute.

Public Funds Investment Pools

The City invests idle funds in the Texas Local Government Investment Pool (TexPool). The City's Investment Pool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940. The Pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the City's position is the same as the value of the City's shares.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City'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 financial 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, 2008, 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. It is the City's policy to control credit risk by limiting investments to those instruments allowed by its investment policy.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting 30% of its portfolio to be invested for a period of more than two years. As of September 30, 2008, all of the City's investments were invested for a period less than two years.

(continued)

<u>Deposits and Investments</u> (Continued)

The City's investments as of September 30, 2008, had a rating and weighted average days to maturity as follows:

Description	Fair Value	Standard and Poor's	Weighted Average Maturity
TexPool	$ 15,097,927	AAAm	45 days

<u>Property Tax</u>

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. The assessed value upon which the 2007 levy was based was $569,535,624. Such assessed value for 2007 was computed based on 100% of appraised value.

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

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

General property taxes are limited by the government's Home Rule Charter to $1.50 per $100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the period ended September 30, 2008, was $0.613 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 98% of the 2008 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 as deferred revenue.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables

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

	General	Nonmajor Governmental	Water and Sewer	Nonmajor Enterprise
Receivables:				
Property taxes	$ 167,984	$ 45,989	$ -	$ -
Franchise taxes	192,010	-	-	-
Occupancy tax	-	41,335	-	-
Water and sewer	-	-	358,512	68,605
Stormwater utility	-	-	-	5,604
Earned and unbilled services	-	-	457,985	21,444
Miscellaneous	456,370	-	2,988	-
Gross receivables	816,364	87,324	819,485	95,653
Less: allowance for uncollectibles	436,536	13,797	8,912	74
Net total receivables	$ 379,828	$ 73,527	$ 810,573	$ 95,579

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

Delinquent property taxes receivable (General Fund)	$ 117,589
Franchise tax receivable	141,500
Court fees receivable	68,143
Delinquent property taxes receivable (Debt Service Fund)	32,192
Total deferred revenue for governmental funds	$ 359,424

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2008, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other governmental	$ 40,750
General	Water and sewer	1,621

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following schedule briefly summarizes the City's transfer activity:

Interfund Transfers:

	Transfers Out				
	General	Other Governmental	Water and Sewer	Other Enterprise	Totals
Transfers in:					
General	$ -	$ -	$ 1,186,813	$ 37,200	$ 1,224,013
Street system improvement	-	654,313	440,853	-	1,095,166
Other governmental	50,000	-	236,492	-	286,492
Total transfers out					2,605,671
Transfer of governmental capital assets to water and sewer capital assets					999,641
Total transfers in					$ 3,605,312

In the fund financial statements, total transfers in the amount of $3,605,312 are greater than total transfers out of $2,605,671, because of the treatment of transfers of capital assets to the Water and Sewer Fund from governmental capital assets. Capital assets were transferred from governmental capital assets to the Water and Sewer Fund in the amount of $999,641. This amount was not reported in the governmental funds as it did not involve the transfer of financial resources. However, the Water and Sewer Fund did report a transfer in for the capital assets transferred from governmental capital assets.

Transfers to the General Fund from the Water and Sewer Fund and Other Enterprise Funds were payments in lieu of taxes. The remainder of the transfers between funds was to fund various capital projects.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

Primary Government

	Beginning Balance	Increases	Reclassification/ Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,418,984	$ 206,083	$ -	$(18,253)	$ 1,606,814
Construction in progress	49,944	200,373	(219,807)	-	30,510
Total assets not being depreciated	1,468,928	406,456	(219,807)	(18,253)	1,637,324
Capital assets, being depreciated:					
Land improvements	2,194,545	-	-	(105,272)	2,089,273
Buildings and improvements	5,468,249	406,449	-	(98,406)	5,776,292
Machinery and equipment	7,126,353	421,612	(248,203)	(1,038,256)	6,261,506
Infrastructure	19,747,911	329,553	-	(23,534)	20,053,930
Library books	421,189	-	-	(421,189)	-
Total capital assets being depreciated	34,958,247	1,157,614	(248,203)	(1,686,657)	34,181,001
Less accumulated depreciation:					
Land improvements	(1,008,958)	(60,965)	-	53,037	(1,016,886)
Buildings and improvements	(2,443,197)	(155,585)	-	69,154	(2,529,628)
Machinery and equipment	(5,395,913)	(397,214)	248,203	930,056	(4,614,868)
Infrastructure	(13,926,853)	(267,879)	-	19,237	(14,175,495)
Library books	(421,189)	-	-	421,189	-
Total accumulated depreciation	(23,196,110)	(881,643)	248,203	1,492,673	(22,336,877)
Total capital assets being depreciated, net	11,762,137	275,971	-	(193,984)	11,844,124
Governmental activities capital assets, net	$ 13,231,065	$ 682,427	$(219,807)	$(212,237)	$ 13,481,448
Business-type activities:					
Capital assets, not being depreciated:					
Stormwater land	$ 36,995	$ -	$ -	$ -	$ 36,995
Construction in progress	151,018	15,255	(151,018)	-	15,255
Total assets not being depreciated	188,013	15,255	(151,018)	-	52,250
Capital assets, being depreciated:					
Land improvements	53,559	-	-	(192)	53,367
Buildings and improvements	53,171	-	-	(656)	52,515
Machinery and equipment	1,389,389	154,998	(63,950)	(141,100)	1,339,337
Water and sewer systems	16,670,265	1,521,460	-	(97,076)	18,094,649
Stormwater systems	47,046	398,720	-	-	445,766
Total capital assets being depreciated	18,213,430	2,075,178	(63,950)	(239,024)	19,985,634
Less accumulated depreciation:					
Land improvements	(23,269)	(1,886)	-	113	(25,042)
Buildings and improvements	(11,547)	(1,424)	-	655	(12,316)
Machinery and equipment	(801,323)	(99,023)	63,950	128,934	(707,462)
Water and sewer systems	(6,077,483)	(368,525)	-	41,573	(6,404,435)
Stormwater systems	(96)	(5,183)	-	-	(5,279)
Total accumulated depreciation	(6,913,718)	(476,041)	63,950	171,275	(7,154,534)
Total capital assets being depreciated, net	11,299,712	1,599,137	-	(67,749)	12,831,100
Business-type activities capital assets, net	$ 11,487,725	$ 1,614,392	$(151,018)	$(67,749)	$ 12,883,350

(continued)

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Economic Development:				
Capital assets, not being depreciated:				
Land	$ -	$ 763,711	$ -	$ 763,711
Total assets not being depreciated	-	763,711	-	763,711
Capital assets, being depreciated:				
Land improvements	1,903,846	120,388	-	2,024,234
Buildings and improvements	36,408	-	-	36,408
Machinery and equipment	249,910	20,700	-	270,610
Other improvements	83,316	8,650	-	91,966
Total capital assets being depreciated	2,273,480	149,738	-	2,423,218
Less accumulated depreciation:				
Land improvements	(617,846)	(72,851)	-	(690,697)
Buildings and improvements	(8,638)	(1,214)	-	(9,852)
Machinery and equipment	(109,599)	(18,073)	-	(127,672)
Other improvements	(1,229)	(4,946)	-	(6,175)
Total accumulated depreciation	(737,312)	(97,084)	-	(834,396)
Total capital assets being depreciated, net	1,536,168	52,654	-	1,588,822
Component unit capital assets, net	$ 1,536,168	$ 816,365	$ -	$ 2,352,533

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

Governmental activities:	
General government	$ 83,651
Public safety	313,529
Public works	336,141
Culture and recreation	143,065
Public health	5,257
Total depreciation expense - governmental activities	$ 881,643
Business-type activities:	
Water and sewer	$ 470,857
Stormwater utility	5,184
Total depreciation expense - business-type activities	$ 476,041

(continued)

Long-term Debt

Capital Leases Payable

Governmental Activities:

On March 14, 2000, the City entered into a municipal lease-purchase agreement in the total amount of $801,500 for financing the purchase of certain equipment including a communications system, air conditioning systems, fire utility and brush trucks, two dump trucks, asphalt roller and other equipment. The agreement was amended on May 9, 2001, to increase the principal amount by $93,325 for the purchase of additional special purpose equipment and for accrued interest. This lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

On August 28, 2001, the City entered into a municipal lease purchase agreement in the total amount of $228,000 for financing the purchase of equipment including a bus, forklift and claw truck. Only $226,348 of the lease was expended. The remaining $1,652 was applied against the lease. The lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

On December 26, 2006, the City entered into a municipal lease-purchase agreement in the amount of $47,940 for financing the purchase of fire department bunker gear. The total cost of the bunker gear was $61,940 with the City paying $14,000 toward these costs at the inception of the lease. This lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

Business-type Activities:

On January 20, 2005, the City entered into a capital lease agreement with Chase Equipment Leasing, Inc. in the amount of $1,129,708 for the purchase and installation of an automated meter system. This lease is considered a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Capital Leases Payable (Continued)

Governmental Activities: (Continued)

Total capital assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Buildings	$ 259,045	$ -
Water system	-	1,129,708
Machinery and equipment	1,725,568	-
Less: accumulated depreciation	1,228,767	(225,942)
Total	$ 3,213,380	$ 903,766

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2009	$ 156,890	$ 187,822
2010	11,162	187,822
2011	11,162	187,822
2012	11,162	62,607
Total debt service requirements	190,376	626,073
Less: interest partion	13,183	46,411
Obligations under capital lease	$ 177,193	$ 579,662

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Notes Payable

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

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
General government	09/21/06	08/15/13	4.08%	$ 1,025,000	$ 880,000
General government	09/25/07	08/15/12	3.88%	1,215,000	1,025,000

The annual debt service requirements to maturity for tax notes outstanding as of September 30, 2008, are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2009	$ 325,000	$ 70,309	$ 395,309
2010	515,000	57,917	572,917
2011	485,000	37,221	522,221
2012	455,000	17,672	472,672
2013	125,000	5,100	130,100
Total	$ 1,905,000	$ 188,219	$ 2,093,219

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 outstanding are as follows:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
General government	07/01/03	02/15/14	2.5 - 3.2%	$ 3,075,000	$ 770,000

At February 5, 2005, bond election voters authorized the issuance of $6,150,000 tax bonds for constructing, acquiring and installing stormwater drainage and flood control improvements, including Farmers Branch Creek channel improvements. As of September 30, 2008, none of the tax bonds were issued.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Bonds Payable (Continued)

The annual debt service requirements to maturity for general obligation bonds outstanding as of September 30, 2008, are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2009	$ 200,000	$ 20,330	$ 220,330
2010	105,000	16,005	121,005
2011	110,000	12,780	122,780
2012	115,000	9,405	124,405
2013	115,000	3,840	118,840
2014	125,000	2,000	127,000
Total	$ 770,000	$ 64,360	$ 834,360

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding are as follows:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
Water and sewer	05/15/01	02/15/21	3.40 - 6.40%	$ 2,560,000	$ 1,985,000
Enterprise refunding	04/06/04	01/01/03	2.50% o 3.25%	1,125,000	435,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities Principal	Interest	Total
2009	$ 195,000	$ 112,511	$ 307,511
2010	195,000	105,165	300,165
2011	205,000	97,341	302,341
2012	215,000	88,756	303,756
2013	235,000	79,243	314,243
2014-2018	790,000	272,451	1,062,451
2019-2021	585,000	49,766	634,766
Total	$ 2,420,000	$ 805,233	$ 3,225,233

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Bonds Payable (Continued)

The various bond ordinances contain limitations and restrictions on annual debt restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. The City is in compliance with all significant limitations and restrictions.

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 1,155,000	$ -	$ 385,000	$ 770,000	$ 200,000
Capital leases	318,233	-	141,040	177,193	149,409
Tax notes	2,110,000	-	205,000	1,905,000	325,000
Compensated absences	592,600	307,672	254,117	646,155	297,880
Governmental activities long-term liabilities	$ 4,175,833	$ 307,672	$ 985,157	$ 3,498,348	$ 972,289
Business-type activities					
Certificates of obligation	$ 2,090,000	$ -	$ 105,000	$ 1,985,000	$ 110,000
Revenue bonds	515,000	-	80,000	435,000	85,000
Capital leases	743,102	-	163,440	579,662	169,394
Compensated absences	14,700	25,439	20,743	19,396	19,396
Business-type activities long-term liabilities	$ 3,362,802	$ 25,439	$ 369,183	$ 3,019,058	$ 383,790
Total long-term debt	$ 7,538,635	$ 333,111	$ 1,354,340	$ 6,517,406	$ 1,356,079

The General Fund is generally used to liquidate compensated absences for governmental activities.

Prior Year Defeasance of Bonds

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2008, the City does not have bonds considered defeased and still outstanding.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Federal Arbitrage

General obligation bonds, combination tax and 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.

Risk Management

Group health insurance for City employees is provided by health maintenance organizations. The City pays premiums for all fulltime City employees, and a portion of the premium for dependents is also borne by the City. 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.

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.

Retirement Plan

Plan Description

The City provides pension benefits for all of its fulltime employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. All assumptions for the December 31, 2007, valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

(continued)

Retirement Plan (Continued)

Plan Description (Continued)

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfounded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007, valuation is effective for rates beginning January 2009).

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plan (Continued)

Contributions (Continued)

Assumptions and Schedule of Actuarial Liabilities and Funding Progress

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	30 Years - Closed Period
Asset Valuation Method	-	Amortized Cost
Investment Rate of Return	-	7%
Projected Salary Increases	-	Varies by age and service
Includes Inflation at	-	3.0%
Cost-of-living Adjustments	-	2.1% (3.0% CPI)
Payroll growth assumption	-	3.0%
Withdrawal rates for Male/Female	-	Mid-High/Mid-High

Actual Valuation Date	12/031/07	12/031/06	12/031/05
Actuarial value of assets	$ 9,860,467	$ 9,688,732	$ 9,451,868
Actuarial accrued liability	13,087,539	11,332,386	10,898,362
Percent funded	75.3%	85.5%	86.7%
Unfunded (overfunded) actuarial accrued liability (UAAL)	3,227,072	1,643,654	1,446,494
Annual covered payroll	4,282,205	3,975,233	3,789,972
UAAL as a percentage of covered payroll	75.4%	41.3%	38.2%
Net pension obligation (NPO at the beginning of period	-	-	-
Annual Pension Cost:			
Annual required contribution (ARC)	349,642	329,553	346,837
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Total annual pension cost	349,642	329,553	346,837
Contributions made (100%)	349,642	329,553	346,837
Increase in NPO	-	-	-
NPO at the end of the period	$ -	$ -	$ -

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plan (Continued)

Contributions (Continued)

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been $17,059,352 and the funded ratio would have been 78.5%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in City contribution rates, following the December 31, 2009 actuarial valuation.

Contingent Liabilities

Federal and State Programs

The City recognizes as revenue grant monies received as reimbursement for costs incurred in certain federal and state programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

<u>Contingent Liabilities</u> (Continued)

Litigation

The City is a defendant in various lawsuits. The outcome and the impact of these lawsuits is not presently determinable.

<u>Prior Period Adjustment</u>

With the issuance of *GASB Interpretation 6,* the criteria for the accrual of liabilities normally financed in future periods were changed. Under this guidance, expenditures and liabilities related to compensate absences should be recognized in governmental funds only when mature (when due). Thus, the only portion of the liability that should be recorded in a governmental fund would be the amount of reimbursable compensated absences payable to employees who had terminated their employment as of the end of the fiscal year. The effect of eliminating this liability was an increase to beginning fund balance in the General Fund of $275,100.

In a prior year, the City changed its capitalization threshold to $5,000. During the current year, the City determined additional capital assets needed to be removed from the governmental activities in accordance with the City's capitalization policy. The effect of removing capital assets below the City's capitalization threshold was a decrease to beginning net assets in the governmental activities of $212,327.

APPENDIX C

FORM OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

CITY OF WHITE SETTLEMENT, TEXAS
GENERAL OBLIGATION BONDS
SERIES 2009, DATED MAY 1, 2009
IN THE AGGREGATE PRINCIPAL AMOUNT OF $6,150,000

AS BOND COUNSEL for the City of White Settlement, Texas, (the "Issuer") in connection with the issuance of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Ordinance").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that 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 which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are obligations described in section 1503 of The American Recovery and Reinvestment Act of 2009 and that, accordingly, interest on the Bonds will not be included in an owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

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

Respectfully,

Proposed Form of Opinion of Bond Counsel

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

CITY OF WHITE SETTLEMENT, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2009, DATED MAY 1, 2009
IN THE AGGREGATE PRINCIPAL AMOUNT OF $8,000,000

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

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are obligations described in section 1503 of The American Recovery and Reinvestment Act of 2009 and that, accordingly, interest on the Certificates will not be included in an owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

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.

Respectfully,

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