OFFICIAL STATEMENT

Dated January 23, 2018

Ratings:
S&P (Insured): "AA" (stable outlook)
S&P (Underlying): "A+" (stable outlook)
Insurance: BAM
See "BOND INSURANCE" and
"OTHER INFORMATION – Ratings" herein.

NEW ISSUE - Book-Entry-Only

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

THE CERTIFICATES HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$5,190,000
CITY OF WHITEHOUSE, TEXAS
(Smith County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: January 15, 2018 **Due: August 15, as shown on the inside cover page**
Interest to Accrue from the Date of Initial Delivery

PAYMENT TERMS . . . Interest on the $5,190,000 City of Whitehouse, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates") will accrue from the date of initial delivery, will be payable February 15 and August 15 of each year commencing February 15, 2019 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

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

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (i) street improvements, (ii) storm water drainage improvements, and (iii) paying the costs of issuing the Certificates.

BAM
BUILD AMERICA MUTUAL

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company. See "BOND INSURANCE" and "OTHER INFORMATION – Ratings."

CUSIP PREFIX: 965271
SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS
ON THE REVERSE OF THIS PAGE

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on February 20, 2018.

CUSIP Prefix [1]: 965271

MATURITY SCHEDULE

Maturity August 15	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[1]
2019	$ 165,000	2.000%	1.550%	GA1
2020	240,000	2.000%	1.700%	GB9
2021	485,000	3.000%	1.800%	GC7
2022	510,000	3.000%	1.900%	GD5
2023	520,000	3.000%	2.000%	GE3
2024	535,000	3.000%	2.100%	GF0
2025	540,000	3.000%	2.200%	GG8
2026	490,000	3.000%	2.300%	GH6
2027	295,000	3.000%	2.400%	GJ2

$220,000 3.000% Term Certificates due August 15, 2029 Priced to Yield 2.650% [2] - CUSIP Suffix [1]: GL7
$235,000 3.000% Term Certificates due August 15, 2031 Priced to Yield 2.950% [2] - CUSIP Suffix [1]: GN3
$250,000 3.000% Term Certificates due August 15, 2033 Priced to Yield 3.100% - CUSIP Suffix [1]: GQ6
$265,000 3.000% Term Certificates due August 15, 2035 Priced to Yield 3.200% - CUSIP Suffix [1]: GS2
$440,000 3.125% Term Certificates due August 15, 2038 Priced to Yield 3.300% - CUSIP Suffix [1]: GV5

(Interest Accrues from the Date of Initial Delivery)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
(2) Yield shown is yield to first call date, August 15, 2027.

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

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

THE 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 CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THE CITY, ITS FINANCIAL ADVISOR, AND THE PURCHASER MAKE NO 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 IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Whitehouse is a political subdivision and home-rule municipal corporation of the State, located in Smith County, Texas. The City covers approximately 3.78 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The Certificates are issued as $5,190,000 Combination Tax and Revenue Certificates of Obligation, Series 2018. The Certificates are issued as serial certificates maturing August 15 in each of the years 2019 through 2027, and as Term Certificates maturing on August 15, 2029, 2031, 2033, 2035 and 2038 (see "THE CERTIFICATES - Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the date of delivery, and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE .... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") authorizing the issuance of the Certificates adopted on January 23, 2018 by the City Council of the City (see "THE CERTIFICATES – Authority for Issuance").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues (not to exceed $1,000) of the City's Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City has designated the Certificates as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code"), and will represent that the total amount of tax-exempt bonds (including the Certificates) issued by the City during calendar year 2018 is not expected to exceed $10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

REDEMPTION .... The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 15, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption"). In addition, the Certificates maturing on August 15, 2029, 2031, 2033, 2035 and 2038 are subject to mandatory sinking fund redemption, as further described herein (see "THE CERTIFICATES – Mandatory Sinking Fund Redemption").

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

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for the purposes of (i) street improvements, (ii) storm water drainage improvements, and (iii) paying the costs of issuing the Certificates.

RATINGS .... The Certificates have been rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") by virtue of a municipal bond insurance policy to be issued by Build America Mutual. The Certificates have an unenhanced underlying rating of "A+" (stable outlook) by S&P. See "BOND INSURANCE", "BOND INSURANCE RISK FACTORS" and "OTHER INFORMATION - RATINGS."

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

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

For additional information regarding the City, please contact:

City of Whitehouse	or	Specialized Public Finance Inc.
Aaron Smith		Steven A. Adams, CFA
City Manager		Paul N. Jasin
101 A Bascom Rd.		4925 Greenville Avenue, Suite 1350
Whitehouse, Texas 75791		Dallas, Texas 75206
Phone: (903) 839-4914 Ext. *225		Phone: (214) 373-3911

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Date Elected	Term Expires	Occupation
Charles Parker Mayor	2016	2018	Insurance Consultant
James Wansley Place 1	2017	2019	Information Technology
Chad Clecker Place 2	2016	2018	Operations Manager
Paul Hickey Place 3	2015	2019	Police Lieutenant
David Roquemore Place 4	2016	2018	Business Owner
Dick Jackson Place 5	2015	2019	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with the City
Aaron Smith	City Manager	1 1/2 Years
Jennifer Lusk	Finance Director	14 1/2 Years
Susan Hargis	City Secretary	18 Years

CONSULTANTS AND ADVISORS

Auditors .... Gollob Morgan Peddy PC
Tyler, Texas

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

Financial Advisor..Specialized Public Finance Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$5,190,000
CITY OF WHITEHOUSE, TEXAS
(Smith County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance of $5,190,000 City of Whitehouse, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in an ordinance adopted by the City Council (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1953. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The election of councilmembers is at large and by place while the mayor is elected solely at large. Each member's term is two years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 7,660 and the 2016 estimated population was 8,269. The City covers approximately 3.78 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated January 15, 2018 (the "Dated Date"), and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the date of delivery and will be payable on February 15 and August 15, commencing February 15, 2019 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 in principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (i) street improvements, (ii) storm water drainage improvements, and (iii) paying the costs of issuing the Certificates.

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") authorizing the issuance of the Certificates adopted on January 23, 2018 by the City Council of the City.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and are additionally payable from a limited pledge of surplus net revenues (not to exceed $1,000) of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt services, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

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

Optional Redemption . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 15, 2029, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of the Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

Mandatory Sinking Fund Redemption . . . The Certificates maturing on August 15, 2029, 2031, 2033, 2035 and 2038 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Certificates Maturing August 15, 2029		Certificates Maturing August 15, 2031		Certificates Maturing August 15, 2033	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
8/15/2028	$ 110,000	8/15/2030	$ 115,000	8/15/2032	$ 125,000
8/15/2029 (1)	110,000	8/15/2031 (1)	120,000	8/15/2033 (1)	125,000

Certificates Maturing August 15, 2035		Certificates Maturing August 15, 2038	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
8/15/2034	$ 130,000	8/15/2036	$ 140,000
8/15/2035 (1)	135,000	8/15/2037	150,000
		8/15/2038 (1)	150,000

(1) Stated Maturity.

The particular Term Certificates to be redeemed shall be chosen by the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) at random by lot or other customary method; provided, however, that the principal amount of the Term Certificates of a stated maturity required to be redeemed pursuant to the operation of the mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of said Term Certificates of like maturity which, at least 45 days prior to mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligation 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, on the date the City Council approves such defeasance, 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, on the date the City Council approves such defeasance, rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded as being outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each 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, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

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

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

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

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

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

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

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance provides that if the City defaults in the payment of the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016 the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary function are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia, 197 S.W.3d 325* (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, holders of the Certificates 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

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

SOURCES OF FUNDS

Par Amount of Certificates	$ 5,190,000.00
Net Discount	116,143.41
TOTAL SOURCES OF FUNDS	$ 5,306,143.41

USES OF FUNDS

Deposit to Project Construction Fund	$ 5,225,000.00
Costs of Issuance	81,143.41
TOTAL USES OF FUNDS	$ 5,306,143.41

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BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY . . . BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM . . . BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $508.7 million, $79.5 million and $429.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM . . . **Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of certificates that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profiles for those certificates. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes certificates insured by BAM, any pre-sale Credit Profiles will be updated and superseded by a final Credit Profiles to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profiles for all certificates insured by BAM, whether or not a pre-sale Credit Profiles has been prepared for such certificates. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Certificates, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Certificates, whether at the initial offering or otherwise.

The information in this "BOND INSURANCE" section regarding BAM has been provided by BAM for use in this Official Statement, but the District takes no responsibility for the accuracy or completeness thereof.

BOND INSURANCE RISK FACTORS

GENERAL . . . As a result of the purchase of the Policy by the Purchaser, the following risk factors are applicable to the Policy and the Certificates.

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the applicable municipal bond insurance policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the City unless BAM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of BAM without appropriate consent. BAM may reserve the right to direct and to consent to any remedies available to the holders of the Certificates and BAM's consent may be required in connection with amendments to the Ordinance.

In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the Ordinance. In the event BAM becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of BAM and its claim paying ability. BAM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of BAM and of the ratings on the Certificates insured by BAM will not be subject to downgrade, and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See the description under "OTHER INFORMATION – Ratings" herein.

The obligations of BAM under a Policy are contractual obligations of BAM and in an event of default by BAM the remedies available may be limited by applicable bankruptcy law.

None of the City, the Financial Advisor, or the Purchaser have made independent investigation into the claims-paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal of and interest on the Certificates and the claims-paying ability of BAM, particularly over the life of the Certificates.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and Fitch Ratings (the "Rating Agencies") have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance in existence prior to 2013. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any insurer of the Certificates.

TAX INFORMATION

Ad Valorem Tax Law . . . The appraisal of property within the City is the responsibility of the Smith County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 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, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of 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 Title I of the Tax Code (the "Property Tax Code"), for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of no less than $5,000 and up to 20% of the market value of residence homesteads (the "Local Option Exemption").

After the exemption described in (1) above is authorized, such exemption may be repealed or decreased or increased in amount (a) by the governing body of the political subdivision or (b) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the exemption listed in (1) above for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition, cities are authorized to refrain from increasing the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled or persons 65 years of age or older and their spouses above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based upon the disability or age of the owner or (2) the year the city chooses to establish the above-referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City must call an election to determine by majority vote whether to establish such a tax limitation. Such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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.

The governing body of a municipality that adopted a Local Option Exemption for the 2014 tax year may not reduce the amount of or repeal the exemption until after December 31, 2019.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead; additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Cities may limit the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled or persons 65 years of age or older and their spouses to the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year the City chose to establish the above-referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City shall call an election to determine by majority vote whether to establish such a tax limitation. Once established, a city may not repeal or rescind the tax limitation. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by a city may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five years of age or older or disabled at the time of the person's death. A proportionate share of the limitation applicable to a person's homestead is transferred to a new residence homestead of such person if the person moves to a different residence within the same city.

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 personal property, such as automobiles or light trucks, is 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 of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport. Property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. 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. Section 11.253 of the Property Tax Code permits local governmental entities, on a local option basis, to tax goods-in-transit if the governmental entities, after conducting a public hearing, take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property.

The City may create one or more tax increment financing districts ("TIF") within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF.

The City also may enter into tax abatement agreements to encourage economic development. Under such tax abatement 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. A tax abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the city. In accordance with a program established pursuant to Chapter 380, a city may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the city.

See "TAX INFORMATION – City Application of Tax Code" for a description of exemptions granted by the City.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on 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	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants a freeze to the market value of the residence homestead of persons 65 years of age or older rather than a set exemption amount; the disabled are also granted a freeze on their homestead.

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

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

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

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

The City does not 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 has not adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017 Market Valuation of Taxable Property Established by Smith Appraisal District (excluding totally exempt property)		$ 497,351,227
Less Exemptions:	$ 72,740,700	
2017 Net Taxable Assessed Valuation		$ 424,610,527
Debt Payable From Ad Valorem Taxes (as of 11-30-17)		$ 15,736,000
The Certificates		5,190,000
		$ 20,926,000
Less Self-Supported Debt:		2,795,000
Total Debt Payable From Ad Valorem Taxes		$ 18,131,000
Interest and Sinking Fund (as 11-30-17)		$ 547,943
Ratio Funded Debt Payable from Ad Valorem Taxes to Net Taxable Assessed Valuation		4.27%

2018 Estimated Population - 8,189
Per Capita Taxable Assessed Valuation - $51,851
Per Capita Debt Payable from Ad Valorem Taxes - $2,214

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TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated City Population [(1)]	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt [(2)]	Per Capita G.O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation
2014	8,044	$ 319,734,027	$ 39,748	$ 19,603,000	$ 2,437	6.13%
2015	8,189	379,478,449	46,340	18,351,000	2,241	4.84%
2016	8,189	395,713,650	48,323	17,064,000	2,084	4.31%
2017	8,189	409,773,653	50,040	15,736,000	1,922	3.84%
2018	8,189	424,610,527	51,851	19,554,000 [(3)]	2,388	4.61%

(1) Source: Municipal Advisory Council of Texas.
(2) Includes self-supporting debt.
(3) Projected, includes the Certificates.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2014	$ 0.67211	$ 0.20770	$ 0.46441	$ 2,430,758	99.19%	99.64%
2015	0.67211	0.21868	0.45343	2,503,472	99.25%	99.70%
2016	0.67211	0.17572	0.49639	2,603,282	98.95%	99.37%
2017	0.65000	0.21352	0.43648	2,606,708	98.98%	99.51%
2018	0.67521	0.23101	0.44420	2,867,013	11.40% [(1)]	11.65% [(1)]

(1) Partial Collections as of November 30, 2017.

TABLE 4 - TEN LARGEST TAXPAYERS

Name of Taxpayer	2017 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Phoenix Commodities Inc	$ 7,531,517	1.77%
Conaway Properties LTD	6,405,978	1.51%
Oak Brook Realty LLC	5,475,000	1.29%
Cavender's Boot City	3,027,998	0.71%
Kurt & Nancy Massing	2,822,672	0.66%
David & Lorraine Hazelwood	2,321,710	0.55%
Oncor Electric Delivery Co	2,195,040	0.52%
Larry & Tana Roquemore	2,044,760	0.48%
TPM Whitehouse Investments	1,805,051	0.43%
Brookshire Grocery Co.	1,721,490	0.41%
	$ 35,351,216	8.33%

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

TABLE 5 - 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 listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt As of 11/30/2017
City of Whitehouse	$ 18,131,000 (1)	100.00%	$ 18,131,000 (1)
Smith County	19,920,000	2.61%	519,912
Whitehouse ISD	110,962,500	21.32%	23,657,205
Total Direct and Overlapping Tax Debt			$ 42,308,117
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation			9.96%
Per Capita Overlapping Tax Debt			$ 5,166

(1) Includes the Certificates and excludes self-supporting debt.

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DEBT INFORMATION

TABLE 6 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Certificates [1] Principal	The Certificates [1] Interest	The Certificates [1] Total	Less: Self-Supporting Debt	Tax-Supported Debt Requirements
2018	$ 1,372,000	$ 503,279	$ 1,875,279	$ -	$ -	$ -	$ 358,655	$ 1,516,624
2019	1,411,000	459,943	1,870,943	165,000	226,186	391,186	362,927	1,899,202
2020	1,458,000	414,955	1,872,955	240,000	148,900	388,900	361,668	1,900,187
2021	1,263,000	369,529	1,632,529	485,000	144,100	629,100	359,983	1,901,646
2022	1,308,000	320,253	1,628,253	510,000	129,550	639,550	362,767	1,905,036
2023	1,364,000	265,303	1,629,303	520,000	114,250	634,250	360,020	1,903,533
2024	1,418,000	214,480	1,632,480	535,000	98,650	633,650	361,742	1,904,388
2025	1,461,000	158,014	1,619,014	540,000	82,600	622,600	357,933	1,883,681
2026	1,509,000	119,466	1,628,466	490,000	66,400	556,400	358,593	1,826,273
2027	1,562,000	66,990	1,628,990	295,000	51,700	346,700	148,132	1,827,558
2028	1,610,000	22,138	1,632,138	110,000	42,850	152,850	-	1,784,988
2029	-	-	-	110,000	39,550	149,550	-	149,550
2030	-	-	-	115,000	36,250	151,250	-	151,250
2031	-	-	-	120,000	32,800	152,800	-	152,800
2032	-	-	-	125,000	29,200	154,200	-	154,200
2033	-	-	-	125,000	25,450	150,450	-	150,450
2034	-	-	-	130,000	21,700	151,700	-	151,700
2035	-	-	-	135,000	17,800	152,800	-	152,800
2036	-	-	-	140,000	13,750	153,750	-	153,750
2037	-	-	-	150,000	9,375	159,375	-	159,375
2038	-	-	-	150,000	4,688	154,688	-	154,688
	$ 15,736,000	$ 2,914,348	$ 18,650,348	$ 5,190,000	$ 1,335,749	$ 6,525,749	$ 3,392,420	$ 21,783,677

(1) Interest on the Certificates has been calculated at the rates set forth on the inside cover.

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TABLE 7 - INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Debt Service Requirements, Fiscal Year Ending 9/30/2018		$ 1,875,279
Interest and Sinking Fund, 9/30/2017	$ 209,239	
2017 Interest and Sinking Fund Tax Levy @ 97.5% Collection	1,886,120	
Less Self-Supporting Debt	358,655	$ 2,454,014
Estimated Balance, 9/30/2018		$ 578,735

TABLE 8 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Street	January 16, 1988	$ 2,000,000	$ 1,500,000	$ -	$ 500,000

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional general obligation debt within the next twelve months.

OTHER OBLIGATIONS . . . See "E. Long-Term Debt" of the City's annual financial report attached hereto as APPENDIX B.

EMPLOYEE AND RETIREE BENEFITS

PENSION PLAN

PLAN DESCRIPTION . . . The City participates as a plan in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note # 7).

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.19% and 5.11% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended Septembers 30, 2016, were $90,381, and exceeded the actuarially determined contribution by $1,415.

FINANCIAL INFORMATION

TABLE 9 - CHANGES IN NET ASSETS

	Fiscal Year Ending September 30,				
	2016	2015	2014	2013	2012
Revenues:					
Program Revenues:					
Charges for Services	$ 1,644,255	$ 1,476,636	$ 1,017,154	$ 1,077,959	$ 1,141,894
Capital Grants and Contributions	-	-	-	8,400	-
General Revenues:					
Property Taxes	2,601,730	2,517,020	2,453,825	2,376,897	1,630,070
Franchise taxes	291,033	298,479	306,273	294,202	323,180
Sales and use taxes	850,713	811,163	713,991	704,163	682,880
Gain on sale of assets	20,040	2,171	-	16,253	(113,023)
Miscellaneous revenues	-	-	-	8,914	-
Interest and rent	23,995	21,171	23,018	21,410	16,243
Total Revenues:	$ 5,431,766	$ 5,126,640	$ 4,514,261	$ 4,508,198	$ 3,681,244
Expenses:					
Governmental Activities:					
General Government and Administration	$ 622,483	$ 494,984	$ 456,655	$ 553,216	$ 518,455
Public safety	2,120,779	2,351,325	2,322,441	2,020,300	1,956,513
Community development	1,090,339	1,032,035	987,959	1,007,202	1,006,842
Parks and recreation	356,656	468,998	289,887	120,664	131,071
Interest	112,984	121,594	137,759	114,145	144,612
Total Expenses:	$ 4,303,241	$ 4,468,936	$ 4,194,701	$ 3,815,527	$ 3,757,493
Increase (Decrease) in Net Assets	$ 1,128,525	$ 657,704	$ 319,560	$ 692,671	$ (76,249)
Internal Transfers	(645,841)	(350,690)	430,571	(545,372)	1,558,886
Net Assets-Beginning Balance	7,199,390	6,830,278	6,080,147	5,742,854	4,260,217
Adjustments	-	62,098 (1)	-	189,994 (1)	-
Net Assets-Ending Balance	$ 7,682,074	$ 7,199,390	$ 6,830,278	$ 6,080,147	$ 5,742,854

(1) Prior period adjustment for the effects of GASB 68.

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TABLE 9A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2016	2015	2014	2013	2012
Revenues:					
Current and delinquent Taxes	$ 680,996	$ 825,480	$ 766,555	$ 956,353	$ 1,069,347
Fine and Forfeitures	195,658	186,342	166,381	142,302	335,613
Licenses and permits	13,378	5,660	4,850	10,220	7,848
Franchise taxes	273,986	280,889	288,199	275,649	304,548
Sales taxes-regular	531,088	507,733	445,661	439,179	425,188
Sales taxes-additional 1/2 cent	265,544	253,867	222,831	219,588	212,594
Sales tax fees	54,081	49,563	45,499	45,396	45,098
Solid Waste Collections	775,480	698,565	652,626	631,864	656,059
Zoning and platting fees	790	170	150	150	290
Splash pad	43,039	43,983	42,348	34,504	27,382
Sports Complex	122,469	115,065	75,238	9,646	9,557
Intergovernmental revenue	65,107	73,237	87,277	80,636	41,935
Interest and rent	20,027	19,343	20,882	19,406	15,274
Donations	-		550	20,882	-
Miscellaneous income	216,742	187,777	128,854	138,608	65,079
Total Revenues	$ 3,258,385	$ 3,247,674	$ 2,947,901	$ 3,024,383	$ 3,215,812
Expenditures:					
Legislative	$ 8,099	$ 252	$ 9,899	$ 22,340	$ 37,399
General administration	338,891	262,390	256,021	359,221	275,843
Treasury and Financial	87,206	77,852	77,032	73,740	72,221
Tax appraisal and collection	41,000	43,707	41,593	41,854	42,574
Municipal court	304,144	271,880	330,595	244,313	429,089
Library	48,000	48,000	45,000	43,802	43,500
Parks/recreation	92,650	134,071	277,299	111,424	127,210
Sports complex	188,246	264,340	-	-	-
Community development	47,219	45,789	36,814	47,933	37,606
Street and ground maintenance	137,445	166,173	159,487	159,848	161,920
Communication center	30,000	30,000	30,000	30,000	155,986
Police	1,008,164	1,300,464	1,230,462	1,117,379	1,131,222
Animal Control	68,889	74,319	58,010	58,257	51,886
Fire	558,424	497,860	543,360	430,220	122,645
Sanitation	693,115	629,541	566,045	569,779	564,148
Capital Outlay	17,917	71,838	821,084	272,524	445,601
Total Expenditures	$ 3,669,409	$ 3,918,476	$ 4,482,701	$ 3,582,634	$ 3,698,850
Other Financing Sources (Uses):					
Operating Transfers In	$ 388,994	$ 680,250	$ 1,414,372	$ 503,789	$ 497,621
Other Sources/(Uses)	20,040	2,171	411,092	25,167	20,177
Operating Transfers Out	-	-	(261,690)	(22,550)	-
	$ 409,034	$ 682,421	$ 1,563,774	$ 506,406	$ 517,798
Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	$ (1,990)	$ 11,619	$ -	$ (51,845)	$ 34,760
Beginning Fund Balance	250,250	238,631	209,657	261,502	226,742
Ending Fund Balance	$ 248,260	$ 250,250	$ 238,631	$ 209,657	$ 261,502

The unaudited General Fund balance as of September 30, 2017 was $558,447.

TABLE 10 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2014	$ 445,661	18.33%	$ 0.1394	$ 55.40
2015	507,733	20.28%	0.1588	63.12
2016	531,088	20.40%	0.1400	64.85
2017	530,363	20.35%	0.1340	64.77
2018	91,565 (1)	3.19%	0.0223	11.18

(1) Collections through November 30, 2017.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation . . . The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recognized when due. Those revenues susceptible to accrual are property taxes, charges for services, interest and grant revenues. Sales and other taxes collected and held by the State at year end on behalf of the City are also recognized as revenue. Licenses and permits, and fines and forfeits are not susceptible to accrual because generally they are not measurable until received in cash.

The General Fund . . . is the government'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 Debt Service Fund . . . accounts for the repayment of the City's general obligation debt.

The Street Maintenance Project Fund . . . accounts for various street improvement projects.

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INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . 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, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code, as amended) (the "PFIA") (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State; (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 comply with Securities and Exchange Rule 2a-7; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years and either have a duration of one year or more and invest exclusively in obligations described in this paragraph, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or 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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, 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 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.

ADDITIONAL PROVISIONS . . . 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.

TABLE 11 - CURRENT INVESTMENTS

As of November 30, 2017, the City's investable funds were invested in the following categories:

Description	% of Total Based on Market Value	Market Value
Bank Deposits	100.00%	$ 2,336,950

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TAX MATTERS

Opinions . . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See APPENDIX C - Form of Bond Counsel's Opinion.

In rendering the foregoing opinion, Bond Counsel will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates 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 Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel 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 Certificates.

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects financed with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount . . . The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Securities"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Security, and (ii) the initial offering price to the public of such Original Issue Discount Security would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

Under Existing Law, the original issue discount on each Original Issue Discount Security 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 Issue 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 Security 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 Security.

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing 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 excessive passive income, foreign corporation subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount 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 Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer<s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code

provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Certificates have been designated, or deemed designated, 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 Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligation, because the City does not currently have outstanding more than $10,000,000 in aggregate amount of municipal securities (excluding securities offered in transactions that were exempt under Rule 15c2-12(d)(2)) and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Certificates, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City that is customarily prepared by the City and publicly available, which currently consists of an annual audited financial statement. The City will update and provide this information within twelve (12) months after the end of each fiscal year ending in and after 2017. The City will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB"s Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), 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 will provide 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 B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of September in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

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

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing information only to the MSRB. The information will be available free of charge through the MSRB's EMMA system. The foregoing information to be provided described under "Annual Reports" and "Notice of Certain Events" may also be obtained from: Jennifer Lusk, Finance Director, City of Whitehouse, Texas; 101 A Bascom Road, Whitehouse, Texas 75791; Phone: (903) 839-4914.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above.

The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has not previously made a continuing disclosure agreement.

OTHER INFORMATION

RATINGS . . . The Certificates have been rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") by virtue of a municipal bond insurance policy to be issued by Build America Mutual. The Certificates have an unenhanced underlying rating of "A+" (stable outlook) by S&P. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating company, if in the judgment of either or both company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS . . . The delivery of the Certificates is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Certificates are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City ("Bond Counsel"), to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as APPENDIX C.

Though it may represent the Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form or the Preliminary Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

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

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

INITIAL PURCHASER . . . After requesting competitive bids for the Certificates, the City accepted the bid of SAMCO Capital Markets, Inc. (the "Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of the Official Statement at a price of 102.238% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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

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

CERTIFICATION REGARDING THE OFFICIAL STATEMENT AND NO LITIGATION . . . At the time of payment for and delivery of the Certificates, the Purchaser will be furnished (i) a certificate of the City, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Certificates, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City set forth in the Official Statement; and (e) except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale or delivery of the Certificates.

MISCELLANEOUS . . . 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 statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinance authorizing the issuance of the Certificates approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Purchaser.

Charles Parker
Mayor
City of Whitehouse, Texas

ATTEST:

Susan Hargis
City Secretary
City of Whitehouse, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION

The City of Whitehouse is a residential suburb of Tyler located about seven miles to the southeast of Tyler, 100 miles east of Dallas, 100 miles west of Shreveport, Louisiana, 80 miles northwest of Lufkin and 192 miles north of Houston. The City lies within in Smith County, in northeast Texas. Lake Palestine and Tyler Lake provide recreational activities for the City.

POPULATION

The United States Census Bureau population figures for the City are as follows:

The 2016 population estimate was 8,269.
The 2010 population was 7,660, an 43.28% increase since 2000.

ECONOMY

Mineral: oil and gas.

Industry: tourism, petroleum, medical center, manufacturing, government, education, distribution center and agribusiness.

Agricultural: vegetables, nurseries, horticulture, horses, fruits, forage and beef cattle.

SMITH COUNTY LABOR FORCE ESTIMATES

		Annual Averages			
	October 2017	2016	2015	2014	2013
Civilian Labor Force	107,577	105,569	103,407	102,099	101,761
Total Employment	103,407	100,827	98,779	96,781	95,141
Unemployment	4,170	4,742	4,628	5,318	6,620
Percent Unemployment	3.9%	4.5%	4.5%	5.2%	6.5%

Source: Texas Workforce Commission.

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APPENDIX B

EXCERPTS FROM THE

CITY OF WHITEHOUSE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2016

The information contained in this Appendix consists of excerpts from the City of Whitehouse, Texas Annual Financial Report for the Year Ended September 30, 2016, 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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Gollob Morgan Peddy
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Whitehouse, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Whitehouse, Texas , as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Whitehouse, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Whitehouse, Texas , as of September 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gollob Morgan Peddy PC
1001 ESE Loop 323, Suite 300, Tyler, TX 75701
Tel 903-534-0088 Fax 903-581-3915 www.gmpcpa.com
Members American Institute of Certified Public Accountants and Private Companies Practice Section

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7; the Schedule of Changes in the City's Net Pension Liability and Related Ratios on pages 41-42; the budgetary comparison information contained in Schedules 3 on pages 45-53, and Schedules 9, 10, and 11 on pages 60-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Whitehouse, Texas' basic financial statements. The additional supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The additional supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2017 on our consideration of City of Whitehouse, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whitehouse, Texas' internal control over financial reporting and compliance.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
February 3, 2017

Gollob Morgan Peddy PC
1001 ESE Loop 323, Suite 300, Tyler, TX 75701
Tel 903-534-0088 Fax 903-581-3915 www.gmpcpa.com
Members American Institute of Certified Public Accountants and Private Companies Practice Section

Management's Discussion and Analysis

As management of the City of Whitehouse, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by $12,202,179 (net position). Of this amount $2,010,106 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending unrestricted fund balance of $365,999.
- The total net position of $12,202,179 is made up of $9,745,025 in capital assets net of related debt and $2,457,154 in other net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements are prepared using Governmental Accounting Statement No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments.*

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

> The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other nonfinancial factors must also be considered.
>
> The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Whitehouse that are principally supported by taxes and other governmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and streets and drainage. The business-type activities include water and sewer services.

The fund financial statements are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds can be divided into these categories: governmental funds, proprietary funds, and capital project funds.

> *Governmental funds.* These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources

available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds. The City of Whitehouse maintains only one type of proprietary fund – an enterprise fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City used enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer.

Capital Projects funds. Capital projects funds are used for major undertakings that are beyond the scope of the regular annual operating budget, such as improvements and expansion of the City's water and wastewater systems, and streets and drainage.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As the end of the fiscal year, September 30, 2016 the City's assets exceeded liabilities by $12,202,179.

By far the largest portion of the City's net position, $9,745,025, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related debt used to acquire these assets that are still outstanding. This amount increased $521,558 during the current year primarily due to street improvements, new water meters, and the payoff of certain notes. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The amount of net position that is unrestricted, $2,010,106, increased by $135,871 during the year.

City of Whitehouse's Net position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 968,665	$ 562,159	$ 1,500,966	$ 1,249,507	$ 2,469,631	$ 1,811,666
Capital assets	10,015,300	10,467,658	17,816,998	17,631,971	27,832,298	28,099,629
Total Assets	10,983,965	11,029,817	19,317,964	18,881,478	30,301,929	29,911,295
Deferred outflows of resources	235,177	85,084	649,981	656,661	885,158	741,745
Total Deferred Outflows of Resources	235,177	85,084	649,981	656,661	885,158	741,745
Current liabilities	593,743	129,580	1,475,304	372,844	2,069,047	502,424
Non current liabilities	2,943,325	3,785,931	13,972,536	15,176,236	16,915,861	18,962,167
Total Liabilities	3,537,068	3,915,511	15,447,840	15,549,080	18,984,908	19,464,591
Net invested in capital assets	6,869,027	6,744,496	2,875,998	2,478,971	9,745,025	9,223,467
Restricted	447,048	90,747	-	-	447,048	90,747
Unrestricted	365,999	364,147	1,644,107	1,510,088	2,010,106	1,874,235
Total Net Position	$ 7,682,074	$ 7,199,390	$ 4,520,105	$ 3,989,059	$ 12,202,179	$ 11,188,449

Governmental activities. During the current year the governmental activities had an increase in net position of $482,684 which represented a $175,670 increase from the previous year. The increase from the prior year came primarily from an increase in charges for services and taxes.

Business-type activities. The City had a $531,046 increase in net position for its business-type activities during the year. This is up by $342,883 from the previous year. The increase is primarily due to the capitalization of street improvement expenditures.

City of Whitehouse's Changes in Net position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for services	$ 1,644,255	$ 1,476,636	$ 2,884,627	$ 2,765,672	$ 4,528,882	$ 4,242,308
General revenue:						
Property taxes	2,601,730	2,517,020	-	-	2,601,730	2,517,020
Franchise taxes	291,033	298,479	-	-	291,033	298,479
Sales taxes	850,713	811,163	-	-	850,713	811,163
Gain (loss) on sale of assets	20,040	2,171	1,727	-	21,767	2,171
Interest income	23,995	21,171	2,425	1,047	26,420	22,218
Total revenues	5,431,766	5,126,640	2,888,779	2,766,719	8,320,545	7,893,359
Expenses:						
General government	622,483	494,984	-	-	622,483	494,984
Public safety	2,120,779	2,351,325	-	-	2,120,779	2,351,325
Community development	1,090,339	1,032,035	-	-	1,090,339	1,032,035
Parks and recreation	356,656	468,998	-	-	356,656	468,998
Interest	112,984	121,594	571,747	580,421	684,731	702,015
Water and sewer operations	-	-	2,431,827	2,348,825	2,431,827	2,348,825
Total expenses	4,303,241	4,468,936	3,003,574	2,929,246	7,306,815	7,398,182
Transfers	(645,841)	(350,690)	645,841	350,690	-	-
Change in net position	482,684	307,014	531,046	188,163	1,013,730	495,177
Prior Period Adjustment	-	62,098	-	20,144	-	82,242
Net position beginning of year	7,199,390	6,830,278	3,989,059	3,780,752	11,188,449	10,611,030
Net position end of year	$ 7,682,074	$ 7,199,390	$ 4,520,105	$ 3,989,059	$ 12,202,179	$ 11,188,449

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported an ending unrestricted fund balance of $365,999. The total unrestricted fund balance for the governmental funds increased by $1,852 during the year, which was mostly due to transfers from the proprietary fund.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the proprietary fund amounted to $1,644,107 at year end as compared to $1,510,088 at the end of the prior year.

General Fund Budgetary Highlights

Over the year, the City of Whitehouse did make minor budget amendments to its original budget. Revenues were $72,404 over budget while expenditures were over budget by $41,687. After considering operating transfers and loan proceeds, the City had a favorable variance of $438,699 when comparing excess revenues over expenditures for the year which reflected effective management and a conscientious effort to maximize resources.

Capital Assets and Debt Administration

Capital Assets. The City of Whitehouse's investment in capital assets for the governmental and business-type activities as of September 30, 2016, amounts to $9,745,025 net of accumulated depreciation and related debt. This investment in capital assets includes land, buildings, parks, machinery and equipment, water and sewer systems and infrastructure. The biggest change during the current year was the City's purchase of new water meters. The total net decrease in the City's investment in fixed assets for the current year (see Note 4C) was $267,331.

City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 190,184	$ 190,184	$ 25,000	$ 25,000	$ 215,184	$ 215,184
Easements	-	-	7,800	7,800	7,800	7,800
Buildings and improvements	1,973,387	2,045,091	85,279	95,008	2,058,666	2,140,099
Parks	2,218,525	2,277,532	-	-	2,218,525	-
Water and sewer system	-	-	17,510,795	17,399,645	17,510,795	17,399,645
Infrastructure	5,025,051	5,221,008	-	-	5,025,051	5,221,008
Machinery and equipment	608,153	733,843	188,124	104,518	796,277	838,361
Total	$ 10,015,300	$ 10,467,658	$ 17,816,998	$ 17,631,971	$ 27,832,298	$ 25,822,097

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt. During the current year, the City issued a new tax note in the amount of $700,000. The proceeds of the debt were used for the purchase of water meters. After principal payments of $1,491,943 were made against debt during the year, the City had total debt outstanding of $18,459,241 at the end of the fiscal year.

City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	$ 2,823,000	$ 3,198,000	$ -	$ -	$ 2,823,000	$ 3,198,000
Notes Payable	323,273	525,162	-	-	323,273	525,162
Compensated absences	49,104	49,523	16,305	18,940	65,409	68,463
Net Pension Liability	215,007	13,246	91,552	4,296	306,559	17,542
Revenue bonds and Certificates of obligation	-	-	14,941,000	15,153,000	14,941,000	15,153,000
Total	$ 3,410,384	$ 3,785,931	$ 15,048,857	$ 15,176,236	$ 18,459,241	$ 18,962,167

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

Economic Factors and Next Year's Budgets and Rates

Economic trends in the City continue to reflect a more favorable outlook than the national average. New residential construction continues to recover and this year's outlook is expected to continue on a steady climb, the same as last year.

Proposed construction and development factors were not considered in the preparation of the City's budget and tax rate of $ 0.6500000 per $100.00 property valuation for the 2016/2017 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Whitehouse's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Whitehouse
Attn: Jennifer Lusk, Finance Director
PO Box 776
Whitehouse, TX 75791

Or call 903-839-4914.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 91,497	$ 813,156	$ 904,653
Receivables (net of allowance for doubtful accounts)	406,232	354,068	760,300
Internal balances	217,292	(217,292)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	253,644	264,190	517,834
Water rights - Lake Columbia	-	230,000	230,000
Other receivables	-	56,844	56,844
Capital Assets (net of accumulated depreciation):			
Land	190,184	25,000	215,184
Easements	-	7,800	7,800
Buildings and improvements	1,973,387	85,279	2,058,666
Parks	2,218,525	-	2,218,525
Infrastructure	5,025,051	-	5,025,051
Machinery and equipment	608,153	188,124	796,277
Water and sewer system	-	17,510,795	17,510,795
Total Assets	10,983,965	19,317,964	30,301,929
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (net of amortization)	-	557,471	557,471
Deferred charge on TMRS pension	235,177	92,510	327,687
Total Deferred Outflows of Resources	235,177	649,981	885,158
LIABILITIES			
Accounts payable	110,378	65,389	175,767
Deposits and other refundable balances	-	264,190	264,190
Accrued interest	16,306	69,404	85,710
Non-current liabilities:			
Due within one year	467,059	1,076,321	1,543,380
Due in more than one year	2,943,325	13,972,536	16,915,861
Total Liabilities	3,537,068	15,447,840	18,984,908
NET POSITION			
Investment in capital assets, net of related debt	6,869,027	2,875,998	9,745,025
Restricted for:			
Police forfeitures	4,368	-	4,368
PEG Channel	90,397	-	90,397
Debt service	102,309	-	102,309
Construction	249,974	-	249,974
Unrestricted	365,999	1,644,107	2,010,106
Total Net Position	$ 7,682,074	$ 4,520,105	$ 12,202,179

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2016

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION — PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	$ 622,483	$ 238,934	$ -	$ (383,549)	$ -	$ (383,549)
Public safety	2,120,779	305,178	-	(1,815,601)	-	(1,815,601)
Community development	1,090,339	934,635	-	(155,704)	-	(155,704)
Parks and recreation	356,656	165,508	-	(191,148)	-	(191,148)
Interest	112,984	-	-	(112,984)	-	(112,984)
Total governmental activities	4,303,241	1,644,255	-	(2,658,986)	-	(2,658,986)
Business-type activities:						
Water and sewer	2,431,827	2,884,627	-	-	452,800	452,800
Interest	571,747	-	-	-	(571,747)	(571,747)
Total business-type activities	3,003,574	2,884,627	-	-	(118,947)	(118,947)
Total primary government	$ 7,306,815	$ 4,528,882	$ -	(2,658,986)	(118,947)	(2,777,933)
General revenues:						
Property taxes				2,601,730	-	2,601,730
Franchise taxes				291,033	-	291,033
Sales and use taxes				850,713	-	850,713
Gain on sale of assets				20,040	1,727	21,767
Interest and rent				23,995	2,425	26,420
Transfers				(645,841)	645,841	-
Total general revenues and transfers				3,141,670	649,993	3,791,663
Change in net position				482,684	531,046	1,013,730
Net position - beginning of year				7,199,390	3,989,059	11,188,449
Net position - end of year				$ 7,682,074	$ 4,520,105	$ 12,202,179

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	GENERAL	DEBT SERVICE	STREET MAINTENANCE PROJECT	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	$ 1,100	$ -	$ -	$ 90,397	$ -	$ 91,497
Receivables:						
Property taxes	16,219	45,817	-	-	-	62,036
Sales taxes	132,308	-	-	-	-	132,308
Street assessments	-	-	-	22,508	-	22,508
Charges for services (net)	219,842	-	-	-	-	219,842
Restricted Assets:						
Temporarily restricted						
Cash and cash equivalents	-	-	249,276	4,368	-	253,644
Due from other funds	115,138	346,234	-	2,848	-	464,220
Total Assets	484,607	392,051	249,276	120,121	-	1,246,055
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable and accrued expenses	110,376	-	-	-	-	110,376
Due to other funds	853	243,925	-	2,150	-	246,928
Operations and Maintenance						
Total Liabilities	111,229	243,925	-	2,150	-	357,304
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	16,219	45,817	-	-	-	62,036
Unavailable revenue - street assessments	-	-	-	22,508	-	22,508
Unavailable revenue - fines	108,899	-	-	-	-	108,899
Total Deferred Inflows of Resources	125,118	45,817	-	22,508	-	193,443
Fund Balances:						
Restricted:						
Police forfeitures	-	-	-	4,368	-	4,368
PEG channel	-	-	-	90,397	-	90,397
Debt Service	-	102,309	-	-	-	102,309
Total Restricted	-	102,309	-	94,765	-	197,074
Assigned:						
Capital Projects	-	-	249,276	698	-	249,974
Unassigned	248,260	-	-	-	-	248,260
Total Fund Balances	248,260	102,309	249,276	95,463	-	695,308
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 484,607	$ 392,051	$ 249,276	$ 120,121	$ -	

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

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 1)

		Total Governmental Funds
Total fund balances governmental funds (Exhibit 3 page 1)	$	695,308
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		10,015,298
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		162,981
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		235,177
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet		(16,306)
Long term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(3,410,384)
Net position of governmental activities	$	7,682,074

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	MAJOR FUNDS				
	GENERAL	DEBT SERVICE	STREET MAINTENANCE PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Current and delinquent taxes	$ 680,996	$ 1,917,093	$ -	$ -	$ 2,598,089
Fines and forfeitures	195,658	-	-	-	195,658
Licenses and permits	13,378	-	-	-	13,378
Franchise taxes	273,986	-	-	17,047	291,033
Sales taxes - regular	531,088	-	-	-	531,088
Sales taxes - additional 1/2 cent	265,544	-	-	-	265,544
Sales tax fees	54,081	-	-	-	54,081
Donations	-	-	-	-	-
Solid waste collections	775,480	-	-	-	775,480
Zoning and platting fees	790	-	-	-	790
Splash Pad	43,039	-	-	-	43,039
Sports Complex	122,469	-	-	-	122,469
Intergovernmental revenue	65,107	-	-	-	65,107
Street maintenance fee	-	-	159,155	-	159,155
Interest and rent	20,027	1,572	103	205	21,907
Miscellaneous income	216,742	-	-	8,024	224,766
Operations and Maintenance					
Total Revenues	3,258,385	1,918,665	159,258	25,276	5,361,584
EXPENDITURES					
Legislative	8,099	-	-	-	8,099
General administration	338,891	-	-	16,790	355,681
Treasury and financial	87,206	-	-	-	87,206
Tax appraisal and collections	41,000	-	-	-	41,000
Municipal court	304,144	-	-	-	304,144
Library	48,000	-	-	-	48,000
Parks/recreation	92,650	-	-	-	92,650
Sports complex	188,246	-	-	-	188,246
Community development	47,219	-	-	-	47,219
Street and ground maintenance	137,445	-	450	-	137,895
Communication center	30,000	-	-	-	30,000
Police	1,008,164	-	-	-	1,008,164
Animal control	68,889	-	-	-	68,889
Fire	558,424	-	-	-	558,424
Sanitation	693,115	-	-	-	693,115
Debt service:					
Bond principal	-	375,000	-	-	375,000
Note principal	-	201,889	-	-	201,889
Interest and fees	-	117,935	-	-	117,935
Capital outlay	17,917	-	-	-	17,917
Total Expenditures	3,669,409	694,824	450	16,790	4,381,473
Revenues Over (Under) Expenditures	$ (411,024)	$ 1,223,841	$ 158,808	$ 8,486	$ 980,111

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	MAJOR FUNDS				
	GENERAL	DEBT SERVICE	STREET MAINTENANCE PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 388,994	$ -	$ -	$ -	$ 388,994
Transfers out	-	(1,034,835)	-	-	(1,034,835)
Sale of assets	20,040	-	-	-	20,040
Total Other Financing Sources (Uses)	409,034	(1,034,835)	-	-	(625,801)
Net Change in Fund Balances	(1,990)	189,006	158,808	8,486	354,310
Fund Balance, October 1, 2015	250,250	(86,697)	90,468	86,977	340,998
Fund Balance, September 30, 2016	$ 248,260	$ 102,309	$ 249,276	$ 95,463	$ 695,308

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

EXHIBIT 5

CITY OF WHITEHOUSE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	$	354,310
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(452,358)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.		48,054
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		584,347
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds		(51,669)
Change in net position of governmental activities	$	482,684

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) GENERAL FUND FISCAL YEAR ENDED SEPTEMBER 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent taxes	$ 785,802	$ 785,802	$ 680,996	$ (104,806)
Fines and forfeitures	185,795	185,795	195,658	9,863
Licenses and permits	5,500	5,500	13,378	7,878
Franchise taxes	292,000	292,000	273,986	(18,014)
Sales taxes - regular	500,000	500,000	531,088	31,088
Sales taxes - additional 1/2 cent	250,000	250,000	265,544	15,544
Sales tax fees	54,000	54,000	54,081	81
Solid waste collections	680,000	680,000	775,480	95,480
Zoning and platting fees	250	250	790	540
Administrative processing fees	100	100	-	(100)
Splash Park	42,750	42,750	43,039	289
Sports Complex	197,250	197,250	122,469	(74,781)
Intergovernmental revenue	69,575	69,575	65,107	(4,468)
Interest and rent	19,800	19,800	20,027	227
Miscellaneous income	103,159	103,159	216,742	113,583
Total Revenues	3,185,981	3,185,981	3,258,385	72,404
EXPENDITURES				
Legislative	12,000	12,000	8,099	3,901
General administration	281,268	281,268	340,947	(59,679)
Treasury and financial	79,873	79,873	89,150	(9,277)
Tax appraisal and collections	45,289	45,289	41,000	4,289
Municipal court	256,330	256,330	294,988	(38,658)
Library	48,000	48,000	48,000	-
Parks/recreation	91,532	91,532	93,553	(2,021)
Sports Complex	191,297	191,297	187,567	3,730
Community development	40,700	40,700	47,219	(6,519)
Street and ground maintenance	152,439	152,439	137,684	14,755
Communication center	30,000	30,000	30,000	-
Police	1,058,373	1,058,373	1,030,093	28,280
Animal control	80,567	80,567	69,691	10,876
Fire	571,347	571,347	560,048	11,299
Sanitation	687,655	687,655	690,318	(2,663)
Total Expenditures	3,626,670	3,626,670	3,668,357	(41,687)
Revenues Over (Under) Expenditures	(440,689)	(440,689)	(409,972)	30,717
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	388,994	388,994
Sale of assets	-	-	20,040	20,040
Total Other Financing Sources (Uses)	-	-	409,034	409,034
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(440,689)	(440,689)	(938)	439,751
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	(1,052)	(1,052)
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	$ (440,689)	$ (440,689)	$ (1,990)	$ 438,699

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Fund Balance, October 1, 2015	$ -	$ -	$ 250,250	$ 250,250
Fund Balance, September 30, 2016	$ (440,689)	$ (440,689)	$ 248,260	$ 688,949

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP Basis Presentation:	
Uses/Outflows of Resources:	
Differences - Budget to GAAP	
Increase in accrued expenses for services rendered or goods provided during the current year but paid for in the following year	(1,052)
Net Change in Budget Basis Presentation and GAAP Basis Presentation	$ (1,052)

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	UTILITY FUND
Current Assets:	
Cash and certificates of deposit	$ 813,156
Accounts receivable (Net)	354,068
Total Current Assets	1,167,224
Restricted Current Assets:	
Temporarily Restricted	
Customer deposits	264,190
Total Restricted Current Assets	264,190
Noncurrent Assets:	
Water rights - Lake Columbia	230,000
Other receivables	56,844
Capital Assets:	
Land	25,000
Easements	7,800
Water and sewer system	25,210,824
Machinery & equipment	917,021
Construction in progress	-
Less: Accumulated depreciation	(8,675,355)
Total Capital Assets Net of Accumulated Depreciation	17,816,998
Total Noncurrent Assets:	18,103,842
Total Assets	19,535,256
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding (net of amortization)	557,471
Deferred charge on TMRS pension	92,510
Total Deferred Outflows of Resources	649,981

(continued)

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

LIABILITIES		
Current Liabilities:		
Accounts payable	$	65,389
Compensated absences		1,631
Due to other funds		217,292
Total Current Liabilities		284,312
Current liabilities payable from restricted assets:		
Customer deposits		264,190
Accrued interest		69,404
Revenue bonds payable		1,074,690
Total current liabilities payable from restricted assets		1,408,284
Noncurrent Liabilities:		
Revenue bonds payable		13,866,310
Compensated absences		14,675
Net pension liability		91,551
Total Noncurrent Liabilities		13,972,536
Total Liabilities		15,665,132
NET POSITION		
Invested in capital assets, net of related debt		2,875,998
Unrestricted		1,644,107
Total Net Position	$	4,520,105

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	UTILITY FUND
OPERATING REVENUES	
Water sales	$ 2,004,144
Sewer charges	735,074
Charges for other services	145,409
Total Operating Revenues	2,884,627
OPERATING EXPENSES	
Utility administration	392,391
Customer service	295,372
Water operations	450,222
Sewer operations	373,146
Water supply	312,765
Depreciation	607,931
Total Operating Expenses	2,431,827
Operating Income (Loss)	452,800
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(571,747)
Other income	1,727
Interest income	2,425
Total non-operating revenue (expenses)	(567,595)
Income before transfers	(114,795)
Transfers in	1,265,952
Transfers out	(620,111)
Total Transfers	645,841
Change in Net Position	531,046
Net Position, October 1, 2015	3,989,059
Net Position, September 30, 2016	$ 4,520,105

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	UTILITY FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	$ 2,947,928
Cash paid to suppliers for goods and services	(1,118,292)
Cash paid to employees for services	(691,122)
Net cash provided by operating activities	1,138,514
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	1,194,362
Transfers out	(548,521)
Net cash provided by non-capital financing activities	645,841
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases or construction of capital assets	(792,958)
Interest paid	(292,404)
Principal paid on bonds	(912,000)
Net cash used in capital and related financing activities	(1,297,362)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Gain on sale of capital asset	2,425
Interest earned on investments	1,727
Net cash provided by investing activities	4,152
Net decrease in cash	491,145
Cash, beginning of period	586,201
Cash, end of period	$ 1,077,346
Reconciliation of cash to Exhibit 7:	
Cash - current asset	$ 813,156
Cash - restricted current asset	264,190
Total cash, end of period	$ 1,077,346

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

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	UTILITY FUND
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Operating income	$ 452,800
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	607,931
Decrease in accounts receivable	50,681
Increase in deferred outflows of resources	(64,910)
Increase in accounts payable	(7,863)
Increase in net pension liability	87,255
Increase in customer deposits	12,620
Total adjustments	685,714
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,138,514

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

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Whitehouse, Texas (City) operates under a Council-Manager form of government and provides the following services: general administration, police, fire, planning and zoning, street, solid waste, and water and sewer services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

B. The Reporting Entity

These financial statements present all of the funds of the City.

The financial statements of the City of Whitehouse, Texas include all funds and account groups and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency. In determining the financial reporting entity, the City complies with the provisions of Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and Government Accounting Standards Board Statement No. 39 "Determining Whether Certain Organizations are Component Units – an amendment of GASB No. 14", and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by the taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

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 revenues to be available if they are 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 revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

> The General Fund is the government'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 Debt Service Fund accounts for the repayment of the City's general obligation debt.
>
> The Street Maintenance Project fund accounts for various street improvement projects.

The City reports the following major proprietary funds:

> The Utility Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers, as well as the construction of related construction projects and the payment of the debt on these projects.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary 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 government has elected not to follow subsequent private-sector guidance.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivery 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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Assets, Liabilities, and Net Position or Equity

1. Cash and cash equivalents – the City considers all cash in demand deposit accounts and petty cash accounts to be cash and cash equivalents, as well as certificates of deposit and funds maintained in external investment pools that can be readily converted to cash on a daily basis.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds:" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balance between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible.

The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account, as determined by experience.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred revenue on October 1. The deferred revenue from taxes is then recognized as revenue during the year as the taxes are actually received.

3. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources".

4. Capital Assets – includes property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated 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 asset lives are not capitalized.

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

Assets	Years
Buildings and improvements	25-40
Machinery and equipment	5-10
Infrastructure	40

E. Assets, Liabilities, and Net Position or Equity - Continued

5. Construction in progress – Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

6. Bond issue costs – The City has implemented GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred.

7. Compensated Absences - A liability for unused vacation and sick time for all full time employees is calculated and reported in the proprietary fund and government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

   - Leave or compensation is attributable to services already rendered
   - Leave or compensation is not contingent on a specific event (such as illness)

   Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the proprietary fund and government-wide statements.

   Vacation time is earned based on years of service. Regular full-time employees up to four years of service earn ten days of vacation, regular full-time employees with five to nine years of service earn fifteen days of vacation, and regular full-time employees with ten or more years of service earn twenty days of vacation. The maximum amount an employee may accumulate is thirty days.

   The regular workweek is based on 40 hours actually worked. Overtime, unless required to be paid by Federal statutes, is accumulated as compensatory (comp) time and earned at time and a half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and may be taken off with approval.

8. Long-term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

9. Deferred Outflows / Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is a deferred charge on the TMRS pension. The TMRS pension expense and net pension liability are reported as of the date of the last actuarial study, which was December 31, 2014. The deferred outflow shows the difference in contributions to the TMRS retirement plan that occurred between December 31, 2014 and September 30, 2015.

   In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

E. Assets, Liabilities, and Net Position or Equity - Continued

10. Fund Balance Classification – In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes any budgeted reserve account.

Assigned – Amounts that are designated by City Council for a specific purpose but are not spendable until a budget ordinance is passed.

Unassigned – All amounts not included in other spendable classifications.

When more than one classification of fund balance is available for use, it is the City's policy to use the most restricted resources first.

11. Net Position – The City has adopted GASB Statement No. 63, which redefines how net assets are presented in the financial statements. The Statement of Net Assets is now the Statement of Net Position. Net position represents the difference between assets and liabilities, and is divided into three components.

Net investment in capital assets - This component consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets and adjusted for any deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted – This component consist of those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component consist of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

12. Capitalized interest – The City has capitalized interest on construction projects when material.

13. 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. Pension Cost – During the year, the City implemented GASB Statement No. 68 *"Accounting and Financial Reporting for Pensions"*. The effect of this new statement was the recording of a net pension liability for the unfunded amount of the City's retirement plan. For further information, see Note 7 and Note 12.

NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

An element of that reconciliation states that "Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet." The details of this $10,015,298 difference are as follows:

Capital assets, October 1, 2015, net of accumulated depreciation	$	10,467,656
Capital asset additions, net of retirements		-
Depreciation of capital assets, net of retirements		(452,358)
	$	10,015,298

Another element states that "Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds." The details of this $162,981 difference are as follows:

Allowance account for uncollectible property taxes	$	(30,462)
Unavailable revenue - property taxes		62,036
Unavailable revenue - fines		108,899
Unavailable revenue - street assessements		22,508
	$	162,981

Also, another element states that "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet." The details of this $(3,410,384) difference are as follows:

Long-term liabilities, October 1, 2015	$	(3,785,931)
Principal paid on debt in current year		576,889
Increase in net pension liability		(201,761)
Change in compensated absences		419
	$	(3,410,384)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities

An element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense." The difference of $(452,358) was related to depreciation expense.

Another element states "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements." The difference of $(5,226) was related to changes in allowance for uncollectible taxes.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities – Continued

Also, another element states "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $584,347 difference are as follows:

Principal payments on debt	$	576,889
Change in accrued interest		7,039
Change in compensated absences		419
	$	584,347

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. The budget for the General Fund and Water and Sewer Fund are adopted essentially on the cash basis. The budgetary comparisons for these funds are on this non-GAAP budgetary basis.

2. Appropriations lapse at year end.

3. Encumbrance accounting is not used.

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:		
Primary Government		
Cash and cash equivalents	$	904,653
Restricted cash and cash equivalents		517,834
Total Cash and cash equivalents		1,422,487
Cash on hand	$	1,100
Savings and checking accounts		1,163,915
External investment pools		257,472
Total Cash and Investments	$	1,422,487

A. Deposits and Investments – Continued

External Investment Pool	Fair Value	Weighted Average Maturity (Years)	Credit Risk
Logic	$ 6,548	0.16	AAAm
Texpool	24	0.13	AAAm
MBIA	250,900	0.15	AAAm
	$ 257,472		

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. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. The City's investment policy allows for investments in intergovernmental investment pools. The City's investments in Logic, Texpool and MBIA are not evidenced by securities that exist in physical or book entry form and are not subject to credit risk categorization.

At September 30, 2016, the carrying value of the City's bank deposits was $ 1,422,487 while the bank balance was $1,521,950. All bank balances not covered by federal depository insurance, were covered by collateral held in the pledging financial institutions' trust department in the City's name.

Interest Rate Risk – The City's investment policy allows for investments to be made in order to achieve the highest return of interest on excess funds after consideration is given to safety and liquidity provisions of the policy.

B. Receivables

Receivables at year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Utility Operating Fund	Total
Receivables:					
Taxes	$ 16,219	$ 45,817	$ -	$ -	$ 62,036
Assessments	-	-	22,508	56,844	79,352
Sales Tax	132,308	-	-	-	132,308
Accounts (services)	391,154	-	-	354,068	745,222
Gross receivables	539,681	45,817	22,508	410,912	1,018,918
Less: Allowance for Uncollectibles	(201,774)	-	-	-	(201,774)
Net Receivables	$ 337,907	$ 45,817	$ 22,508	$ 410,912	$ 817,144

C. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 190,184	$ -	$ -	$ 190,184
Total Capital Assets, Not Being Depreciated	190,184	-	-	190,184
Capital Assets, Being Depreciated				
Buildings and Improvements	2,864,434	-	-	2,864,434
Parks	2,336,864	-	-	2,336,864
Infrastructure	7,802,412	-	-	7,802,412
Machinery and Equipment	2,346,381	-	(19,505)	2,326,876
Total Capital Assets, Being Depreciated	15,350,091	-	(19,505)	15,330,586
Less Accumulated Depreciation For:				
Buildings and Improvements	(819,343)	(71,704)	-	(891,047)
Parks	(59,332)	(59,007)	-	(118,339)
Infrastructure	(2,581,404)	(195,957)	-	(2,777,361)
Machinery and Equipment	(1,612,538)	(125,690)	19,505	(1,718,723)
Total Accumulated Depreciation	(5,072,617)	(452,358)	19,505	(5,505,470)
Net Total Assets Being Depreciated	10,277,474	(452,358)	-	9,825,116
Governmental Activities Capital Assets, Net	$ 10,467,658	$ (452,358)	$ -	$ 10,015,300
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 25,000	$ -	$ -	$ 25,000
Easements	7,800	-	-	7,800
Total Capital Assets, Not Being Depreciated	32,800	-	-	32,800
Capital Assets, Being Depreciated				
Water and Sewer System	24,512,101	698,723	-	25,210,824
Buildings	331,708	-	-	331,708
Machinery and Equipment	856,666	94,235	(33,880)	917,021
Total Capital Assets, Being Depreciated	25,700,475	792,958	(33,880)	26,459,553
Less Accumulated Depreciation For:				
Water and Sewer System	(7,112,456)	(587,573)	-	(7,700,029)
Buildings	(236,700)	(9,729)	-	(246,429)
Machinery and Equipment	(752,148)	(10,629)	33,880	(728,897)
Total Accumulated Depreciation	(8,101,304)	(607,931)	33,880	(8,675,355)
Net Total Assets Being Depreciated	17,599,171	185,027	-	17,784,198
Business-Type Activities Capital Assets, Net	$ 17,631,971	$ 185,027	$ -	$ 17,816,998

C. Capital Assets - Continued

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

Governmental Activities:		
General Government	$	54,206
Public Safety		130,263
Community Development		196,257
Parks and Recreation		71,632
Total depreciation expense, governmental activities	$	452,358
Business-Type Activities:		
Water and Sewer Operations	$	607,931

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2016 is as follows:

Receivable Fund	Payable Fund		Amount
General Fund	Utility Operating fund	$	992
General Fund	Utility Debt Service Fund		19,252
Debt Service Fund	Utility Operating fund		38,692
Debt Service Fund	Utility Debt Service Fund		156,361
Street Construction Fund	Utility Operating fund		1,995
		$	217,292

Interfund transfers are made in accordance with the City's adopted budget or through approvals to meet unexpected operating needs.

The composition of interfund transfers as of September 30, 2016, is as follows:

	Transfers In			
Transfers Out:	Utility Operating Fund	Utility Debt Service Fund	General Fund	Total
Utility Operating Fund	$ -	$ -	$ 388,994	$ 388,994
Debt Service Fund	131,587	125,260	-	256,847
Total transfers out /in	$ 131,587	$ 125,260	$ 388,994	$ 645,841

E. Long-term debt

The following is a summary of bond and certificates of obligation transactions of the City for the year ended September 30, 2016:

	GENERAL OBLIGATION	REVENUE	TOTAL
Bonds payable - October 1, 2015	$ 3,198,000	$ 15,153,000	$ 18,351,000
Additions	-	700,000	700,000
Retirements	(375,000)	(912,000)	(1,287,000)
Bonds payable - September 30, 2016	$ 2,823,000	$ 14,941,000	$ 17,764,000

Outstanding bonds at September 30, 2016 are comprised of the following issues:

Governmental Activities:	
$3,140,000 Series 2006 Refunding Bonds; maturing serially in varying amounts through 2-15-26 at 4.80%.	$ 1,885,000
$1,800,000 series 2013 Tax Note; maturing serially in varying amounts through 9-30-2020 at 1.60%	938,000
Total Governmental Bonded Debt	$ 2,823,000
Business-Type Activities:	
$2,800,000 Series 2006 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-07 through 2-15-26. Interest at 4.2%.	$ 1,710,000
$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52%	3,241,000
$2,000,000 Series 2007 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-08 through 2-15-26 at 4.32%	1,320,000
$9,730,000 Series 2012 Limited Tax Refunding Bonds; maturing annually in varying amounts beginning 2-15-13 through 2-15-28. Interest rates varying from 0.06% to 2.75%.	7,970,000
$700,000 series 2016 Tax Note; maturing serially in varying amounts through 2-15-2021 at 2.12%	700,000
Total Business-Type Bonded Debt	$ 14,941,000

E. Long-term debt - Continued

The funding requirements to amortize all bonds outstanding as of September 30, 2016, including interest, are as follows:

	GOVERNMENTAL		BUSINESS-TYPE		
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2017	$ 384,000	$ 93,289	$ 1,074,690	$ 471,176	$ 2,023,155
2018	393,000	83,005	1,116,880	432,343	2,025,228
2019	406,000	72,453	1,145,804	396,636	2,020,893
2020	415,000	61,420	1,186,789	359,696	2,022,905
2021	185,000	52,063	1,224,837	320,579	1,782,479
2022-2026	1,040,000	136,213	6,020,000	951,303	8,147,516
2027-2028	-	-	3,172,000	89,127	3,261,127
	$ 2,823,000	$ 498,443	$ 14,941,000	$ 3,020,860	$ 21,283,303

Each bond issue has a respective bond ordinance authorizing (a) creation of an interest and sinking fund for the bond issue and (b) establishment of a required minimum balance to be held by each issue in order to pay the next interest and sinking requirement due.

The bond ordinances also require that the following information concerning insurance coverage as of September 30, 2016 be disclosed.

		Limit of Liability			
INSURER	**POLICY**	**Each Occurrence**	**Annual Aggregate**	**Deductible**	**COVERAGE DATE**
Texas Municipal League	General Liability	1,000,000	2,000,000	$ -	10/1/2016 to 10/1/2017
	Law Enforcement	1,000,000	2,000,000	$ 2,500	10/1/2016 to 10/1/2017
	Errors & Ommissions	1,000,000	2,000,000	$ 5,000	10/1/2016 to 10/1/2017
	Auto Liability	1,000,000	n/a	$ -	10/1/2016 to 10/1/2017
	Auto Physical Damage	n/a	n/a	$500/$10,000	10/1/2016 to 10/1/2017
	Uninsured/Underinsured Motorist	55,000	n/a		10/1/2016 to 10/1/2017
Texas Municipal League	Real & Personal Property	19,399,267	n/a	$1000;$25,000	10/1/2016 to 10/1/2017
	Mobile Equipment	416,976	n/a	$ 500	10/1/2016 to 10/1/2017
	Boiler & Machinery	100,000	n/a	$ 1,000	10/1/2016 to 10/1/2017
	Animal Mortality & Theft	15,500	n/a	$ -	10/1/2016 to 10/1/2017
Texas Municipal League	Workers Comp	n/a	n/a		10/1/2016 to 10/1/2017
	TOTAL	23,986,743			

E. Long-term debt - Continued

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2016 was as follows:

	Beginning Balance 10/1/15	Additions	Reductions	Ending Balance 9/30/16	Due Within One Year
Governmental Activities:					
General Obligation Bonds	3,198,000	-	375,000	2,823,000	384,000
Notes Payable	525,162	-	201,889	323,273	78,149
Net Pension Liability	13,246	201,761	-	215,007	-
Compensated Absences	49,523	-	419	49,104	4,910
Governmental Activity Long-Term Liabilities	3,785,931	201,761	577,308	3,410,384	467,059
Business-type Activities:					
Revenue Bonds	15,153,000	700,000	912,000	14,941,000	1,074,690
Net Pension Liability	4,296	87,256	-	91,552	-
Compensated Absences	18,940	-	2,635	16,305	1,631
Business-type Activity Long-Term Liabilities	15,176,236	787,256	914,635	15,048,857	1,076,321

The liabilities listed above for compensated absences will be liquidated by the City's General and Proprietary Funds.

NOTE 5 — DEFEASED BONDS OUTSTANDING

The City has defeased certain bonds by placing the proceeds of new bond issues in an irrevocable trust for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2016, $2,873,608 of bonds outstanding are considered defeased. The issues and amounts of outstanding defeased bonds are as follows:

Bond Issue	Year Refunded	Outstanding
Series 2001 Certificates of Obligation	2012	$2,873,608
Total Bonds Defeased (Refunded)		$2,873,608

NOTE 6 — GROUP CONCENTRATIONS OF CREDIT RISK

The City provides water, sewer and sanitation services to its residents. Residents are provided with these services and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City. As of September 30, 2016, the City had $354,068 in net receivables from its residents for the usage of these services.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

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

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

	Plan Year 2014	Plan Year 2015
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Year required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2014	12/31/2015
Inactive employees or beneficiaries currently receiving benefits	15	17
Inactive emplyees entitled to but not yet receiving benefits	28	29
Active employees	37	36
	80	82

Contributions

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

Employees for the City of Whitehouse were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Whitehouse were 5.19% and 5.11% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were $90,381, and exceeded the actuarially determined contribution by $1,415.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 10.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actual assumptions used in the December 31, 2015 valuation were based in the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation. The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by The TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2014	$ 3,779,095	$ 3,761,553	$ 17,542
Changes for the year:			
Service cost	168,558	-	168,558
Interest	266,073	-	266,073
Change of benefit terms	-	-	-
Difference between expected and actual experience	16,262	-	16,262
Changes of assumptions	20,359	-	20,359
Contributions - employer	-	91,796	(91,796)
Contributions - employee	-	88,435	(88,435)
Net investment income	-	5,550	(5,550)
Benefit payments, including refunds of employee contributions	(124,673)	(124,673)	-
Administrative expense	-	(3,381)	3,381
Other changes	-	(167)	167
Net changes	346,579	57,560	289,019
Balance at 12/31/2015	$ 4,125,674	$ 3,819,113	$ 306,561

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 1,022,555	$ 306,559	$ (264,819)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of $157,663.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Intflows of Resources
Differences between expected and actual economic experience	$ 18,752	$ -
Changes in actuarial assumtions	15,784	-
Difference between projected and actual investment earnings	233,318	-
Contributions subsequent to the meaurement Date	60,201	-
Total	$ 328,055	$ -

The City had $60,201 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2016	$ 71,228
2017	71,228
2018	70,143
2019	55,255
2020	-
Thereafter	-
	$ 267,854

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were $5,652, $3,051 and $3,224 respectively, which equaled the required contributions each year.

NOTE 8 – <u>DEFICIT NET POSITION OR FUND BALANCE</u>

At September 30, 2016, the Enterprise Debt Service Fund had a deficit net position of $129,474.

NOTE 9 – <u>COMMITMENTS</u>

Effective May 1, 2015 the City signed a contract with Republic Services for the collection and disposal of garbage for residents within the city limits. The service will be paid for in accordance with the rates set forth in the contract. The contract is for a five year period ending September 30, 2020.

Effective October 1, 2008, the City entered into a water delivery contract with the City of Tyler to purchase treated water on an "as need" basis. The contract calls for a monthly demand fee to be paid each month regardless of consumption and a volume rate per each 1,000 gallons consumed. The contract is for a 25 year period and calls for an increase in the demand rate and the volume rate equal to any increase in Tyler's residential rate plus 1%. During the fiscal year ended September 30, 2016, the City paid a demand fee of $24,150 per month as outlined in the agreement and notified by Tyler. The contract contains termination clauses including Whitehouse taking delivery of untreated water from either Lake Striker or Lake Columbia.

The City has a contract with Smith County for use of its jail facility. Under this agreement, the city will pay $35 per prisoner for each day of confinement in the jail. The agreement, which ended September 30, 2016, has been renewed for another year through September 30, 2017.

In 2001, the City entered into an agreement with the YMCA of Tyler, Inc. for the operation of the YMCA in Whitehouse for the City to provide $40,000 annually for a period of fifteen years for operating expenses. At September 30, 2016, the City had suspended the agreement pending further negotiations.

NOTE 10 – <u>RISK MANAGEMENT</u>

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and insurance with TML Intergovernmental Risk Pool. As of September 30, 2016, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2016, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City.

NOTE 11 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2016, expenditures exceeded appropriations in the following departments of the General Fund: General Administration, Treasury and Financial, Municipal Court, Parks and Recreations Services, Community Development, and Sanitation. These over expenditures were funded by lower expenditures in other categories and higher than expected revenues.

Expenditures exceeded appropriations in the following departments of the Utility Fund: Utility Administration and Customer Service. These over expenditures were funded by excess fund balance.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated through February 3, 2017 the date on which the financial statements were available to be issued.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

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

**CITY OF WHITEHOUSE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2018**

IN THE AGGREGATE PRINCIPAL AMOUNT OF $5,190,000

AS BOND COUNSEL FOR THE CITY OF WHITEHOUSE, 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 and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "*Ordinance*"). Terms used herein and not otherwise defined shall have the meaning given in 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 and sale of the Certificates, including executed 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 sovereign immunity of political subdivisions, 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 and payable from a limited pledge (not to exceed $1,000) of the surplus revenues derived from the operation of the Issuer'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 Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

OUR 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,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same 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 call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES