

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where issuer is located):

\$2,900,000 City of Kennedale, Texas Combination Tax & Revenue Certificates of Obligation, Series 2007 _____

\$4,365,000 City of Kennedale, Texas General Obligation Refunding Bonds, Series 2007 _____

\$2,735,000 City of Kennedale, Texas Combination Tax and Revenue Certificates of Obligation, Series 2007A _____

\$1,200,000 City of Kennedale, Texas Sales Tax Revenue Bonds Taxable, Series 2007 _____

\$4,500,000 City of Kennedale, Texas Combination Tax and Revenue Certificates of Obligation, Series 2008 _____

Provide nine-digit CUSIP* numbers if available, to which the information relates:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): City of Lucas, Texas _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: **489332/489352** _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) _____ Paper (number of pages attached) _____

If information is also available on the Internet, give URL: _____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12

(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: September 30, 2008

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: September 30, 2008

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name: Sakura Dedrick-Moten _____ Title: Director of Finance _____

Employer: City of Kennedale, Texas _____

Address: 405 Municipal Drive _____ City: Kennedale ___ State: TX _ Zip Code: 76060 _____

Telephone: (817) 985-2110 _____ Fax: (817) 483-0720 _____

Email Address: sdedrick@cityofkennedale.com _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name: Mark M. McLiney _____ Title: Senior Vice President _____

Employer: Southwest Securities _____

Address: 4040 Broadway, Suite 220 _____ City: San Antonio ___ State: TX _ Zip Code: 78209 _____

Telephone: (210) 226-8677 _____ Fax: (210) 226-8299 _____

Email Address: mmcliney@swst.com _____ Relationship to Issuer: Financial Advisor _____

Obligor Contact, if any:

Name _____ Title _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Obligor Web site Address _____

Investor Relations Contact, if any:

Name _____ Title _____

Telephone _____ Email Address _____

**ANNUAL REPORT OF FINANCIAL INFORMATION
IN ACCORDANCE WITH THE CONTINUING DISCLOSURE REQUIREMENTS
OF SEC RULE 15c2-12
with regard to:**

CITY OF KENNEDALE, TEXAS

**\$2,900,000 Combination Tax and Revenue Certificates of Obligation, Series 2007
\$4,365,000 General Obligation Refunding Bonds, Series 2007
\$2,735,000 Combination Tax and Revenue Certificates of Obligation, Series 2007A
\$1,200,000 Sales Tax Revenue Bonds Taxable, Series 2007
\$4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2008**

TABLE 1 IN THE OFFICIAL STATEMENT

Current Investments

TABLE 1

At year end September 30, 2008, the primary government's investments consisted of:

Name	Fair Value
TaxStar	\$ 1,224,866
Texas Term	1,630,192
State Treasurer's Investment Pool (TexPool)	<u>5,747,042</u>
Total Investments	<u>\$ 8,602,100</u>

During the fiscal year, the City managed the investments of the KEDC. The KEDC investments are categorized in the same manner as the City's and consist of the following:

Name	Fair Value
TaxStar	\$ 1,139,091
Total Investments	<u>\$ 1,139,091</u>

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TABLES 1-10 IN APPENDIX

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2008 Actual Market Value of Taxable Property.....		\$546,844,846
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$17,686,986	
Veterans Exemptions	399,150	
Freeport Exemption.....	11,607,263	
Productivity Value Loss	6,032,787	
Abatement Value Loss.....	13,036,150	
Solar/Wind Exemption.....	118,016	
10% Cap.....	<u>4,775,358</u>	
TOTAL EXEMPTIONS	\$53,655,710	
2008 Net Taxable Assessed Valuation (100% of Actual) ⁽¹⁾		<u>\$493,189,136</u>

Source: Tarrant Appraisal District

GENERAL OBLIGATION BONDED DEBT

[As of March 1, 2009]⁽¹⁾

General Obligation Debt Outstanding:

Combination Tax and Revenue Certificates of Obligation, Series 2005	\$ 730,000
Tax Notes, Series 2006	185,000
Combination Tax and Revenue Certificates of Obligation, Series 2007	2,705,000
General Obligation Refunding Bonds, Series 2007	3,955,000
Combination Tax and Revenue Certificates of Obligation, Series 2007A	2,490,000
Combination Tax and Revenue Certificates of Obligation, Series 2008	<u>4,300,000</u>
Total Gross General Obligation Debt Outstanding:	\$14,365,000
Less: Self-Supporting Debt:	
Combination Tax and Revenue Certificates of Obligation, Series 2007 (100.0% Utility System)	\$ 2,705,000
General Obligation Refunding Bonds, Series 2007 (38.25% Utility System)	1,512,788
Combination Tax and Revenue Certificates of Obligation, Series 2008 (33.72% Waste Disposal Fees)	<u>1,450,000</u>
	\$5,667,788
 Total Net General Obligation Debt Outstanding:	 <u>\$8,697,212</u>

2008 Net Assessed Valuation	\$493,189,136
Ratio of Gross General Obligation Debt to 2008 Net Taxable Assessed Valuation	2.91%
Ratio of Net General Obligation Debt to 2008 Net Taxable Assessed Valuation	1.76%

Population: 1990 – 4,096; 1995 – 4,850; 2000 – 5,850; 2008 Est. 6,450
Per Capita 2008 Net Taxable Assessed Valuation - \$76,463.43
Per Capita Gross General Obligation Debt - \$2,227.13
Per Capita Net General Obligation Debt - \$1,348.40

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE**TABLE 2**

The City has acquired certain fixed assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Total
Assets:			
Machinery and Equipment	\$ 548,492	\$ 218,489	\$ 766,981
Less: Accumulated Depreciation	<u>(358,695)</u>	<u>(47,917)</u>	<u>(406,267)</u>
Total	<u>\$ 189,797</u>	<u>\$ 170,917</u>	<u>\$ 360,714</u>

Source: The Issuer's audited financial statements for the fiscal year ending September 30, 2008.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 1999-2008**TABLE 3**

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
1999-00	\$214,787,434	---	---
2000-01	233,819,195	\$19,031,761	8.86%
2001-02	260,344,707	26,525,512	11.34%
2002-03	295,105,130	34,760,423	13.35%
2003-04	310,501,026	15,395,896	5.22%
2004-05	333,704,742	23,203,716	7.47%
2005-06	355,857,239	22,152,497	6.64%
2006-07	387,653,132	31,795,893	8.94%
2007-08	435,040,102	47,386,970	12.22%
2008-09	493,189,136	58,149,034	13.37%

Source: The Tarrant County Appraisal District and the Municipal Advisory Council of Texas.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 4

	2008	% OF TOTAL	2007	% OF TOTAL	2006	% OF TOTAL
Real, Residential, Single-Family	\$295,367,960	54.01%	\$267,007,582	54.49%	\$236,153,013	53.61%
Real, Residential, Multi-Family	21,976,147	4.02%	21,631,350	4.41%	20,655,213	4.69%
Real, Vacant Lots/Tracts	12,052,158	2.20%	11,965,267	2.44%	11,316,889	2.57%
Real, Acreage (Land Only)	7,947,461	1.45%	8,167,603	1.67%	7,718,055	1.75%
Real, Farm and Ranch Improvements	1,062,341	0.19%	1,702,848	0.35%	1,665,245	0.38%
Real, Commercial	59,675,657	10.91%	51,429,417	10.49%	48,282,692	10.96%
Real, Industrial	15,642,011	2.86%	14,711,695	3.00%	13,703,299	3.11%
Real & Tangible, Personal Utilities	8,738,800	1.60%	16,022,512	3.27%	16,311,793	3.70%
Tangible Personal, Commercial	16,177,308	2.96%	31,420,326	6.41%	22,524,147	5.11%
Tangible Personal, Industrial	38,984,751	7.13%	48,699,069	9.94%	47,986,126	10.89%
Tangible Personal, Mobile Homes	50,222,596	9.18%	2,175,241	0.44%	2,250,041	0.51%
Intangible	1,977,941	0.36%	0	0.00%	0	0.00%
Real Property, Inventory	17,019,715	3.11%	15,114,100	3.08%	11,961,150	2.72%
Total Appraised Value	\$546,844,846	100.00%	\$490,047,010	100.00%	\$440,527,663	100.00%
Less:						
Local, Optional Over-65 or Disabled Exemptions	\$ 17,686,986		\$16,402,538		\$15,920,416	
Disabled and Deceased Veterans' Exemptions	399,150		384,150		316,900	
Freeport Exemption Loss	11,607,263		8,926,110		8,641,368	
Open-Space Land and Timberland	6,032,787		5,787,878		5,074,868	
Abatement Loss	4,775,358		12,953,048		13,759,732	
Solar/wind Exemption	13,036,150		9,370		58,049	
10% Per Year Cap on Residential Homesteads	118,016		6,212,477		5,734,818	
Net Taxable Assessed Valuation	\$493,189,136		\$439,371,439		\$391,021,512	

Note: The above figures were taken from the State Property Tax Board City Report of Property Value or Report of the Property Tax Division of the State Comptroller's Office which is compiled during the initial phase of the tax year.

Source: State Comptroller's Office, Property Tax Division.

PRINCIPAL TAXPAYERS

TABLE 5

Name	Type of Property	2008 Net Taxable Assessed Valuation	% of Total 2008 Assessed Valuation
Gross International Americas Inc.	Printing Press Manufacturing	\$8,016,371	1.63%
Oncor Electric Delivery Co., Inc.	Electric Utility	7,088,495	1.44%
Hank Steel Industries Inc.	Manufacturer	6,354,026	1.29%
FST Inc.	Radio/Telephone Tower Manufacturing	6,277,702	1.27%
Excel Polymers LLC	Manufacturer	6,175,761	1.25%
Southwestern Bell	Telephone Utility	5,916,335	1.20%
Harrison Jet Guns II LP/Harrison Jet Guns Inc.	Manufacturer	5,252,080	1.06%
Bloxom, D E Sr Fnd RP Hold LLD	Manufacturer	3,482,589	0.71%
Rebar Services & Supply Co/ CMC Steel	Manufacturer	3,334,486	0.68%
XTO Energy Inc.	Oil and Gas	3,162,810	0.64%
		\$55,060,655	11.16%

Source: Municipal Advisor Council of Texas

TAX RATE DISTRIBUTION

TABLE 6

	2008	2007	2006	2005	2004
General Fund	\$0.569197	\$0.5727	\$0.6282	\$0.6248	\$0.6324
I & S Fund	0.153303	0.1498	0.0943	0.0977	0.0901
Total Tax Rate	<u>\$0.722500</u>	<u>\$0.7225</u>	<u>\$0.7225</u>	<u>\$0.7225</u>	<u>\$0.7225</u>

Source: Texas Municipal Reports, the Issuer's Annual Financial Report (Supplemental Section) and information supplied by the Issuer.

TAX DATA

TABLE 7

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below excludes penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
1998	\$187,259,946	\$0.6114	\$1,144,903	98.87	100.81	9/30/1999
1999	214,787,434	0.6350	1,363,902	96.21	97.87	9/30/2000
2000	233,819,195	0.6350	1,484,751	96.56	99.01	9/30/2001
2001	260,344,707	0.6925	1,802,887	97.20	99.34	9/30/2002
2002	295,105,130	0.7125	2,102,624	96.00	97.63	9/30/2003
2003	310,501,026	0.7325	2,274,420	96.69	99.71	9/30/2004
2004	333,704,742	0.7225	2,411,016	97.09	100.37	9/30/2005
2005	355,857,239	0.7225	2,571,068	98.42	100.73	9/30/2006
2006	387,653,132	0.7225	2,800,793	98.11	100.11	9/30/2007
2007	439,371,439	0.7225	3,174,459	97.72	99.36	9/30/2008
2008	493,189,136	0.7225	3,563,292	97.75	99.88	9/30/2009

Source: The Tarrant County Appraisal District, the Issuer's Annual Financial Report (Supplemental Section) and information supplied by the Issuer.

MUNICIPAL SALES TAX

TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The Issuer has an additional 1/2 of 1% for the benefit of the 4B Economic Development Corporation.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	(\$) Equivalent of Ad Valorem Tax Rate
1998	\$ 794,610	69.40	0.4243
1999	977,728	71.69	0.4552
2000	1,224,329	82.46	0.5236
2001	1,371,745	76.09	0.5269
2002	1,295,116	61.60	0.4389
2003	1,317,960	57.95	0.4245
2004	1,343,330	55.72	0.4026
2005	1,325,087	51.54	0.3724
2006	1,400,529	50.00	0.3613
2007	1,280,203	44.56	0.3219
2008	1,332,867	37.41	0.2703
2009	211,957	(As February 13, 2009)	

Source: State Comptroller's Office of the State of Texas.

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS
OF CHANGES IN FUND BALANCES**

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ending			
	9/30/08	9/30/07	9/30/06	9/30/05
Fund Balance - Beginning of Year	\$2,162,064	\$2,206,719	\$1,954,867	\$1,759,702
Revenues	\$5,868,797	\$5,639,675	\$5,838,668	\$5,255,319
Expenditures	<u>6,361,406</u>	<u>6,069,084</u>	<u>5,632,940</u>	<u>4,962,967</u>
Excess (Deficit) of Revenues Over Expenditures	\$ (492,609)	\$(429,409)	\$ 205,728	\$ 292,352
Other Financing Sources (Uses):				
Operating Transfers In	93,659	-0-	10,172	-0-
Operating Transfers Out	(329,646)	(5,123)	(73,714)	(97,187)
Proceeds from debt issuance	-0-	300,000		
Proceeds from sale of capital lease	<u>-0-</u>	<u>89,877</u>	<u>109,666</u>	<u>-0-</u>
Total Other Financing Sources (Uses):	(235,987)	384,754	(46,124)	(97,187)
Fund Balance - End of Year	<u>\$1,433,468</u>	<u>\$2,162,064</u>	<u>\$2,206,719</u>	<u>\$1,954,867</u>

Source: The Issuer's Comprehensive Annual Financial Reports.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

TABLE 10

The City participates in the Texas Municipal Retirement System.

Retirement Plan

Plan Description. The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 currently administered by TMRS, an agent multiple-employer public employee retirement system. Kennedale is one of 821 municipalities having their benefit plan administered by TMRS. Each of the 821 municipalities having their benefit plan administered by TMRS. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Contributions

The contribution rate for the employees is 7% and the City matching rate is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement

becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

Assumptions and Schedule of Actuarial Liabilities and Funding Progress

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years-Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by Age and Service
Includes Inflation at	3.0%
Cost of Living Adjustments	2.1% (3.0% CPI)
Payroll Growth Assumption	3.0%
Withdrawal Rates for Male/Female	Mid/Mid

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2007	12/31/2006	12/31/2005
Actuarial Value of Assets	\$ 3,574,103	\$ 2,976,832	\$2,602,120
Actuarial Accrued Liability	5,609,304	4,050,957	3,582,597
Percentage Funded	63.7%	73.5%	72.6%
Underfunded (Overfunded) Actuarial Accrued Liability (UAAL)	2,035,201	1,074,125	980,477
Annual covered Payroll	3,249,914	3,139,372	3,082,802
UAAL as a percentage of Covered Payroll	62.6%	34.2%	31.8%
Net Pension Obligation (NPO) at Beginning of Year	\$ --	\$ --	\$ --
Annual Pension Cost:			
Annual Required Contribution (ARC)	341,863	305,896	235,338
Contributions Made	<u>341,863</u>	<u>305,896</u>	<u>235,338</u>
NOP at End of Year	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>

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

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

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$796,157 and the funded ratio would have been 90.5%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate, the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and

consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in City contribution rates, following the December 31, 2009 actuarial valuation.

Source: The Issuer's Annual Financial Report for the year ended September 30, 2008.

RISK MANAGEMENT

The City is exposed to various risks of loss related in torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 31, 2008, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$500 to \$5,000 on various policies. At year-end, the City did not have any significant claims.

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2008, the City believed the amount paid on workers' compensation would not change significantly from the amounts recorded.

Source: The Issuer's Annual Financial Report for the year ended September 30, 2008.

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REVENUE BOND DEBT DATA

- NONE -

Source: The Issuer's audited financial statements for the fiscal year ending September 30, 2008.

UTILITY PLANT IN SERVICE

TABLE 11

(As of September 30, 2008)

Land	\$ 194,538
Buildings and Improvements	4,747,445
Equipment	548,034
Water and Wastewater Distribution	11,053,596
Construction in Progress	<u>10,800</u>
Total	\$16,554,413
Less: Accumulated Depreciation	<u>(\$4,111,971)</u>
Net Utility Plant in Service	<u>\$12,442,442</u>

Source: The Issuer's Comprehensive Annual Financial Report.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

TABLE 12

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, garbage, bad debt, debt service payments and expenditures identified as capital.

	Fiscal Year Ended				
	9/30/08	9/30/07	9/30/06	9/30/05	9/30/04
Revenues	\$2,720,996	\$2,774,862	\$3,302,498	\$2,533,131	\$2,126,907
Expenses	<u>1,935,911</u>	<u>1,803,788</u>	<u>2,167,583</u>	<u>1,759,069</u>	<u>1,747,971</u>
Net Revenue Available for Debt Service	<u>\$ 785,085</u>	<u>\$ 971,074</u>	<u>\$ 1,134,915</u>	<u>\$ 774,062</u>	<u>\$ 378,936</u>
Customer Count:					
Water	2,441	2,150*	2,134*	2,134*	2,134*
Sewer	2,153	1,950*	1,931*	1,934*	1,931*

Source: The Issuer's Comprehensive Annual Financial Reports and the Municipal Advisory Council of Texas.

* Estimate

WATER SUPPLY

The City has (5) five wells.

WATER RATES

TABLE 13

[Based on Monthly Billing]

(Effective January 23, 2008)

Inside City Limits

Meter Size	Residential/Commercial	Senior/Disabled	Multiple Residential/Commercial Units on Single Meter
.75"	\$8.76	\$4.38	\$8.76/ per unit
1.0"	14.62	7.31	\$8.76/ per unit
1.5"	29.15	14.58	\$8.76/ per unit
2.0"	46.66	23.33	\$8.76/ per unit
3.0"	102.17	51.09	\$8.76/ per unit
4.0"	183.86	91.93	\$8.76/ per unit

Gallons	Residential/Commercial	Over 65/Disabled
First 5,000	\$2.16/M	\$1.13/M
Over 5,000	4.07/M	3.55/M

Outside City Limits

Meter Size	Residential/Commercial	Multiple Residential/Commercial Units on Single Meter
.75"	\$17.52	\$17.52/ per unit
1.0"	29.24	\$17.52/ per unit
1.5"	58.30	\$17.52/ per unit
2.0"	93.32	\$17.52/ per unit
3.0"	204.34	\$17.52/ per unit
4.0"	367.72	\$17.52/ per unit

Gallons	Residential/Commercial
First 5,000	\$2.16/M
Over 5,000	4.07/M

SEWER RATES

TABLE 14

[Based on Monthly Billing]

(Effective January 23, 2008)

Inside City Limits

	Residential	Over 65/Disabled	Commercial
Minimum	\$13.02	\$6.51	\$21.70
Volume per 1,000 gallons of water used	3.52	2.48/M	3.85/M

Rates outside the City are doubled.