RESOLUTION NO. 17-05-18-15

RESOLUTION DIRECTING PUBLICATION OF NOTICE OF INTENTION TO ISSUE COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

WHEREAS, this City Council deems it advisable to give notice of intention to issue combination tax and revenue certificates of obligation of the City of Corinth, Texas, as hereinafter provided;

WHEREAS, this City Council finds and determines that such projects are necessary and in the public interest of the City to provide public facilities and equipment for authorized needs and purposes; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was passed, was open to the public and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CORINTH, TEXAS:

Section 1. Attached hereto is a form of Notice of Intention to Issue Combination Tax and Revenue Certificates of Obligation, the form and substance of which is hereby adopted and approved.

Section 2. The City Secretary shall cause said notice to be published in substantially the form attached hereto, in a newspaper, as defined by Subchapter C, Chapter 2051, Texas Government Code, of general circulation in the area of said City, once a week for two consecutive weeks, the date of the first publication thereof to be at least 30 days prior to the date tentatively set for the adoption of the ordinance authorizing the issuance of such certificates of obligation as shown in said notice.

Section 3. This Resolution shall become effective immediately upon adoption.

PASSED, APPROVED AND EFFECTIVE May 18, 2017.

Mayor

City Secretary

[CITY SEAL]

CITY OF CORINTH, TEXAS
NOTICE OF INTENTION TO ISSUE COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

NOTICE IS HEREBY GIVEN that the City Council of the City of Corinth, Texas, at its meeting to commence at 7:00 P.M. on July 6, 2017, at its regular meeting place in the City Hall, 3300 Corinth Parkway, Corinth, Texas, tentatively proposes to adopt an ordinance authorizing the issuance of interest bearing certificates of obligation, in one or more series, in an amount not to exceed $5,000,000, for paying all or a portion of the City's contractual obligations incurred in connection with:

(i) constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage;

(ii) acquiring, improving and equipping a public safety facility for the police and fire departments;

(iii) constructing and equipping a new fire station and improvements to existing fire stations;

(iv) constructing and equipping renovations and improvements to the existing public works department facility, including drainage improvements, and constructing and equipping a storage facility for the public works department; and

(v) paying legal, fiscal and engineering fees in connection with such projects.

The City proposes to provide for the payment of such combination tax and revenue certificates of obligation from the levy and collection of ad valorem taxes in the City as provided by law, and from a limited pledge of surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any 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. The certificates of obligation are to be issued, and this notice is given, under and pursuant to the provisions of V.T.C.A., Local Government Code, Subchapter C of Chapter 271.

CITY OF CORINTH, TEXAS

FSCContinuingDisclosureServices
A Division of Hilltop Securities.
(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated July 6, 2017

Ratings:
S&P: "AA"
Moody's: "Aa2"
(see "Other Information – Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

THE BONDS **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$14,240,000
CITY OF CORINTH, TEXAS
(Denton County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017

Dated Date: Date of Delivery
Interest to Accrue From Date of Delivery

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the $14,240,000 City of Corinth, Texas, General Obligation Refunding Bonds, Series 2017 (the "Bonds"), will accrue from their date of delivery and will be payable February 15, 2018, and on each August 15 and February 15 thereafter until maturity. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Amegy Bank National Association, Plano, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended. The Bonds constitute direct obligations of the City of Corinth, Texas (the "City"), payable from a direct and continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (see "The Obligations - Authority for Issuance of the Bonds" and "The Obligations – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings, and (ii) pay the costs associated with the issuance of the Bonds. See "Plan of Financing"; also see Schedule I attached hereto for a detailed description of the Refunded Obligations.

CUSIP PREFIX: 21885A

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the issuance of the $4,855,000 City of Corinth, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017 (the "Certificates") under a common Official Statement. The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and while they share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the rights of the City to redeem the Obligations of either series, the rights of their respective holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on August 3, 2017.

CUSIP Prefix: 21885A [1]

MATURITY SCHEDULE

Amount	Maturity (Feb. 15)	Rate	Price or Yield	CUSIP Suffix[1]
1,905,000	2018	2.000%	0.930%	KV(4)
1,680,000	2019	5.000%	1.120%	KW(2)
1,215,000	2020	5.000%	1.230%	KX(0)
1,270,000	2021	5.000%	1.350%	KY(8)
1,195,000	2022	5.000%	1.480%	KZ(5)
1,255,000	2023	5.000%	1.650%	LA(9)
1,325,000	2024	5.000%	1.780%	LB(7)
1,395,000	2025	5.000%	1.920%	LC(5)
1,460,000	2026	5.000%	2.110%	LD(3)
1,540,000	2027	5.000%	2.280%	LE(1)

(Interest to accrue from the date of delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ, a division of McGraw Hill Financial on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of CUSIP numbers set forth herein.

REDEMPTION OPTION . . . The Bonds are not subject to redemption prior to maturity.

FSCContinuingDisclosureServices
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated July 6, 2017

Ratings:
S&P: "AA"
Moody's: "Aa2"
(see "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, including the alternative minimum tax on corporations.

THE CERTIFICATES **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$4,855,000
CITY OF CORINTH, TEXAS
(Denton County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017

Dated Date: Date of Delivery
Interest to Accrue From Date of Delivery

Due: February 15, as shown on page 4

PAYMENT TERMS . . . Interest on the $4,855,000 City of Corinth, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017 (the "Certificates"), will accrue from their date of delivery and will be payable February 15, 2018, and on each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the 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 Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Amegy Bank National Association, Plano, Texas (see "The Obligations - Paying Agent/Registrar").

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

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) acquiring, improving and equipping a public safety facility for the police and fire departments; (iii) constructing and equipping a new fire station and improvements to existing fire stations: and (iv) paying legal, fiscal and engineering fees in connection with such projects and to pay costs of issuance of the Certificates.

CUSIP PREFIX: 21885A

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 4

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the issuance of the $14,240,000 City of Corinth, Texas, General Obligation Refunding Bonds, Series 2017 (the "Bonds") under a common Official Statement. The Certificates and the Bonds are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and while they share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the rights of the City to redeem the Obligations of either series, the rights of their respective holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about August 3, 2017.

CUSIP Prefix: 21885A [1]

MATURITY SCHEDULE

Amount	Maturity (Feb. 15)	Rate	Price or Yield	CUSIP Suffix[1]
$ 30,000	2019	2.000%	1.150%	LF(8)
90,000	2020	2.000%	1.300%	LG(6)
200,000	2021	4.000%	1.400%	LH(4)
210,000	2022	4.000%	1.550%	LJ(0)
215,000	2023	4.000%	1.750%	LK(7)
225,000	2024	4.000%	1.900%	LL(5)
235,000	2025	4.000%	2.000%	LM(3)
245,000	2026	5.000%	2.150%	LN(1)
255,000	2027	5.000%	2.300%	LP(6)
270,000	2028	4.000%	2.500% [2]	LQ(4)
280,000	2029	4.000%	2.700% [2]	LR(2)
290,000	2030	3.000%	3.000%	LS(0)
300,000	2031	3.000%	3.100%	LT(8)
310,000	2032	3.000%	3.150%	LU(5)
320,000	2033	3.125%	3.200%	LV(3)
330,000	2034	3.125%	3.250%	LW(1)
340,000	2035	3.250%	3.300%	LX(9)
350,000	2036	3.250%	3.350%	LY(7)
360,000	2037	3.375%	3.400%	LZ(4)

(Interest to accrue from Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ a division of McGraw Hill Financial 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 Underwriters shall be responsible for the selection or correctness of CUSIP numbers set forth herein.

(2) Yield shown to first call date, February 15, 2027.

REDEMPTION OPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

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

The prices and other terms respecting the offering and sale of the Obligations may be changed from time to time by the Initial Purchaser after the Obligations are released for sale, and the Obligations may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Obligations into investment accounts.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE OBLIGATIONS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE COVER PAGES CONTAIN CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND ARE NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

NONE OF THE CITY OR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY- ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

THE CITY ..... The City of Corinth is a political subdivision and home rule municipal corporation of the State of Texas, located in Denton County, Texas. The City covers approximately 7.8 square miles (see "Introduction - Description of the City").

THE OBLIGATIONS ..... The Bonds are issued as $14,240,000 General Obligation Refunding Bonds, Series 2017 (the "Bonds"). The Bonds are issued as serial Bonds maturing on February 15 of each year in the years 2018 through 2027 (see "The Obligations - Description of the Obligations").

The Certificates are issued as $4,855,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017 (the "Certificates"). The Certificates are issued as serial Certificates maturing on February 15 of each year in the years 2019 through 2037 (see "The Obligations – Description of the Obligations").

The Bonds and the Certificates are sometimes referred to collectively herein as the "Obligations."

PAYMENT OF INTEREST ..... Interest on the Bonds accrues from their date of delivery and is payable February 15, 2018, and on each August 15 and February 15 thereafter until maturity (see "The Obligations – Description of the Obligations").

Interest on the Certificates accrues from their date of delivery and is payable February 15, 2018, and on each August 15 and February 15 thereafter until maturity or prior redemption (see "The Obligations – Description of the Obligations").

AUTHORITY FOR ISSUANCE ..... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended, and the ordinance authorizing the issuance of the Bonds adopted by the City Council of the City (see "The Obligations - Authority for Issuance of the Bonds").

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 271, Subchapter C, Texas Local Government Code, as amended, and the ordinance authorizing the issuance of the Certificates adopted by the City Council of the City (see "The Obligations - Authority for Issuance of the Certificates").

SECURITY FOR THE BONDS ..... The Bonds constitute direct obligations of the City payable from a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City (see "The Obligations – Security and Source of Payment" and "The Obligations – Tax Rate Limitation").

SECURITY FOR THE CERTIFICATES ..... The Certificates constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and from a limited pledge of the surplus net revenues (not to exceed $1,000) of the City's waterworks and sewer System (see "The Obligations – Security and Source of Payment" and "The Obligations – Tax Rate Limitation").

QUALIFIED TAX-EXEMPT OBLIGATIONS ..... The City **has not** designated the Obligations of either series as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters - Qualified Tax-Exempt Obligations for Financial Institutions").

OPTIONAL REDEMPTION ..... The Bonds are not subject to redemption prior to maturity.

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

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

USE OF PROCEEDS ..... Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings, and (ii) pay the costs associated with the issuance of the Bonds (see "Plan of Financing"; also see Schedule I attached hereto for a detailed description of the Refunded Obligations).

Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) acquiring, improving and equipping a public safety facility for the police and fire departments; (iii) constructing and equipping a new fire station and improvements to existing fire stations: and (iv) paying legal, fiscal and engineering fees in connection with such projects and to pay costs of issuance of the Certificates.

RATINGS ..... The Obligations and the presently outstanding tax-supported debt of the City are rated "AA" Standard & Poor's Ratings Services, a Standard & Poor's Financial Service LLC business ("S&P") and "Aa2" by Moody's Investor Service, Inc. ("Moody's"), without regard to credit enhancement (see "Other Information - Ratings").

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

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

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt[3]	Per Capita G. O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2013	19,961	$ 1,393,698,516	$ 69,821	$ 27,530,000	1,379	1.98%	99.87%
2014	20,126	1,428,952,690	71,000	24,965,000	1,240	1.75%	99.71%
2015	20,578	1,538,127,064	74,746	22,405,000	1,089	1.46%	99.90%
2016	20,620	1,638,520,892	79,463	33,130,000	1,607	2.02%	98.99%
2017	20,740	1,799,383,154	86,759	34,030,000 [4]	1,641 [4]	1.89% [4]	98.71% [5]

(1) Source: City Officials
(2) As reported by the Denton Central Appraisal District on the City's annual State property tax reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected, subject to change. Includes the Obligations; excludes the Refunded Obligations.
(5) Collections as of March 31, 2017.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2016	2015	2014	2013	2012
Beginning Balance	$ 3,726,935	$ 3,810,097	$ 4,162,122	$ 5,454,704	$ 4,769,223
Total Revenue	14,238,479	13,979,796	13,155,150	12,487,504	12,281,192
Total Expenditures	14,505,253	13,970,693	13,223,772	13,036,847	12,342,920
Net Transfers	274,947	(92,265)	(283,403)	(743,239)	747,209
Prior Period Adjustments	-	-	-	-	-
Ending Balance	$ 3,735,108	$ 3,726,935	$ 3,810,097	$ 4,162,122	$ 5,454,704

For additional information regarding the City, please contact:

Lee Ann Bunselmeyer
Finance Director
City of Corinth
3300 Corinth Parkway
Corinth, Texas 76208
(940) 498-3280

Or

W. Boyd London, Jr.
Marti Shew
Hilltop Securities Inc.
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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Bill Heidemann Mayor	2 years	May 2019	Retired
Joe Harrison Mayor Pro-Tem	11 years	May 2018	Retired
Sam Burke Councilmember	1 year	May 2018	Attorney
Scott Garber Councilmember	2 year	May 2018	Small Business Owner
Lowell Johnson Councilmember	9 years	May 2018	Retired
Don Glockel Councilmember	2 year	May 2018	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City
Bob Hart	City Manager	3 months
Lee Ann Bunselmeyer	Finance Director	9 yrs 5 months
Kimberly Pence	City Secretary	16 yrs 2 months

CONSULTANTS AND ADVISORS

Auditors ..... Davis Kinard & Co, PC
Abilene, Texas

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

Financial Advisor ..... Hilltop Securities Inc.
Dallas, Texas

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OFFICIAL STATEMENT

RELATING TO

$14,240,000
CITY OF CORINTH, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017

AND

$4,855,000
CITY OF CORINTH, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $14,240,000 City of Corinth, Texas, General Obligation Refunding Bonds, Series 2017 (the "Bonds") and $4,855,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017 (the "Certificates", and together with the Bonds, herein collectively referred to as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances (the "Bond Ordinance" with respect to the Bonds and the "Certificate Ordinance" with respect to the Certificates), each adopted on the date of sale of the Obligations which authorized the issuance of the Obligations. The Bond Ordinance and the Certificate Ordinance are herein collectively referred to as the "Ordinances".

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City of Corinth, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

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 1960, and adopted its Home Rule Charter on May 6, 1999. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the other terms of the three Councilmembers expiring in even-numbered 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), streets, water and sanitary sewer utilities, parks and recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 19,926, while the estimated 2017 population is 20,740. The City covers approximately 7.8 square miles.

PLAN OF FINANCING

PURPOSE . . . The Bonds are being issued for the purpose of (i) refunding a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings, and (ii) paying the costs of issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their redemption dates.

Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) acquiring, improving and equipping a public safety facility for the police and fire departments; (iii) constructing and equipping a new fire station and improvements to existing fire stations: and (iv) paying legal, fiscal and engineering fees in connection with such projects and to pay costs of issuance of the Certificates.

REFUNDED OBLIGATIONS . . . The Refunded Obligations and the interest due thereon are to be paid on the scheduled redemption date from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank National Association, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Initial Purchaser and other funds of the City, if any, the City will deposit with the Escrow Agent an amount sufficient to accomplish the discharge and final payment of the Refunded Obligations on the redemption date. Such funds will be held uninvested by the Escrow Agent in a special escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. By the deposit of Bond proceeds and other funds of the City, if any, with the Paying Agent/Registrar for the Refunded Obligations, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law.

As a result of such defeasance, and in reliance upon the sufficiency certificate of the City's financial advisor or the Paying Agent/Registrar for the Refunded Obligations, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Paying Agent/Registrar for the Refunded Obligations and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt, and the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time. **The funds on deposit in the Escrow Fund will not be available to pay the Bonds or the Certificates.**

SOURCES AND USES OF OBLIGATION PROCEEDS . . . Proceeds from the sale of the Obligations are expected to be expended as follows:

	The Bonds	The Certificates
Sources of Funds		
Par Amount	$ 14,240,000.00	$ 4,855,000.00
Reoffering Premium	2,035,140.40	281,435.65
Transfer from Prior Issue Debt Service Funds	393,855.00	-
Total Sources	$ 16,668,995.40	$ 5,136,435.65
Uses of Funds		
Total Underwriters' Discount	$ 59,975.32	$ 64,126.30
Costs of Issuance	125,000.00	72,309.35
Deposit to Debt Service Fund	1,403.41	-
Deposit to Escrow Fund	16,482,616.67	-
Deposit to Project Construction Fund	-	5,000,000.00
Total Uses	$ 16,668,995.40	$ 5,136,435.65

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated as of the Date of Delivery, and mature on February 15 in each of the years and in the amounts shown on pages 2 (with respect to the Bonds) and 4 (with respect to the Certificates). Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will accrue from their date of initial delivery and is payable February 15, 2018, and on each August 15 and February 15 thereafter until maturity. Interest on the Certificates will accrue from their date of initial delivery and is payable February 15, 2018, and on each August 15 and February 15 thereafter until maturity or redemption prior to maturity. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

Interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Obligations will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "The Obligations - Book-Entry-Only System" herein. If the date for any payment on the Obligations shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE OF THE BONDS. . . The Bonds are being pursuant to the Constitution and general laws of the State, particularly Chapter 1207, Texas Government Code, as amended and the Bond Ordinance.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Chapter 271, Subchapter C, Texas Local Government Code, as amended, and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT . . .

Tax Pledge . . . The Obligations constitute direct obligations of the City payable from an annual direct and continuing ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "The Obligations - Tax Rate Limitation" below).

Limited Pledge of Waterworks and Sewer System Net Revenues for Certificates . . . The Certificates are additionally secured by a lien on and limited pledge of the surplus net revenues (not to exceed $1,000) of the City's combined waterworks and sewer system (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, as provided in the Certificate Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service for obligations payable from annual ad valorem property taxes, as calculated at the time of issuance. Also, see "Tax Information – General Obligation Debt Limitation."

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 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 series and maturities of 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 s are in Book-Entry-Only form) shall determine by lot the Certificates, 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.

The Bonds are not subject to redemption prior to maturity.

NOTICE OF REDEMPTION AND OTHER NOTICES . . . Not less than 30 days prior to a redemption date for the Certificates, the City will cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of an Certificate 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 of redemption so mailed will be conclusively presumed to have been duly given irrespective of whether received by the owner of a Certificate. If such notice of redemption is given and if due provision for such payment is made and all other conditions to redemption are satisfied, all as provided above and as further described in the following paragraph, the Certificates or portions thereof which are to be so redeemed thereby automatically will be treated as redeemed prior to their scheduled maturities, and they will not bear interest after the date fixed for redemption, and they will not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Certificate 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 may state that said redemption will, 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 such Certificates have not been redeemed.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption relating to the Certificates, notice of proposed amendment to the respective Ordinances or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be

governed by the Certificate Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "The Obligations - Book-Entry-Only System" herein.)

AMENDMENTS . . . In the Ordinances, the City has reserved the right to amend the Ordinances without the consent of any holder for the purpose of amending or supplementing the Ordinances 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 Ordinances that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinances 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 Ordinances 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 Ordinances further provide that the holders of the Obligations aggregating a majority in principal amount of the outstanding Obligations of either series shall have the right from time to time to approve any amendment not described above to the respective Ordinances 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 Obligations so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Obligations of such series; (ii) reducing the rate of interest borne by any of the outstanding Obligations of such series; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Obligations of such series; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Obligations of such series, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Obligations of such series necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

DEFEASANCE. . .The Ordinances provide for the defeasance of the Obligations when the payment of the principal on the Obligations, plus interest on the Obligations to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/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 Obligations, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinances provide that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has 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.

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 Obligations. Because the Ordinances do 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.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations 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 Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), 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 Obligations. The Obligations will be issued as fully-registered Obligations registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, 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"). Direct Participants and Indirect Participants are referred to herein as "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 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Initial Purchaser take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Obligations 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 Obligations, 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 Ordinances will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC with respect to the Obligations, or the use of the Book-Entry-Only System with respect to the Obligations is discontinued by the City, printed Obligations of the respective series will be issued to the DTC Participants or the holder, as the case may be, and such Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Amegy Bank National Association, Plano, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar with respect to either or both series. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations 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 Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Obligations will be printed and delivered to the registered owners thereof and thereafter may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar 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. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations 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 Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered

and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate. See "The Obligations - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

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

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

REMEDIES . . . The Ordinances provide that if the City defaults in the payment of the Obligations of either series when due, or if it fails to make payments into any fund or funds created in the respective Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the respective 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 respective Obligations. 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 Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court 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 Obligations or Ordinances 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 Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

Initially, the only registered owner of the Obligations will be The Depository Trust Company. See "Book-Entry-Only System" herein.

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TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Denton Central 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 Title 1, Texas Tax Code as amended (referred to herein as 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 that would not exceed the lesser of (1) the property's market value in the most recent tax year in which it was appraised or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000. Senate Joint Resolution 1 ("Senate Joint Resolution 1"), passed during the 84th Texas Legislature, proposed a constitutional amendment increasing the mandatory homestead exemption for school districts from $15,000 to $25,000 and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption. While Senate Joint Resolution 1 is not directly applicable to municipalities and counties, Senate Bill 1, which was also passed by the 84th Legislature, provides that if the constitutional amendment is approved by the voters on November 3, 2015, then the governing body of a school district, municipality, or county is prohibited from reducing the amount of or repealing an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) for a period running through December 31, 2019. The constitutional amendment was approved by voters at a statewide election held on November 3, 2015.

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 county, municipality or junior college, may, on its own initiative or by a petition and referendum process, freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required

to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, the surviving spouse of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in transit", which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date of 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.

Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011, to provide for the taxation of the goods-in-transit. After holding a public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing units rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the gods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

The City or Denton County may create one or more tax increment financing districts ("TIF") within the City or County, as applicable, pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, as amended, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the City created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation. Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

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 have been held on the proposed tax rate following 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. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process that 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, the Cumulative Penalty remains at 12%, and interest accrues at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Tax Code . . . The City does grant an exemption to the market value of the residence homestead of persons 65 years of age or older of $20,000; the disabled under the age of 65 are granted an exemption of $20,000;

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

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 Denton County collects taxes for the City.

The City does not permit split payments of taxes, 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 adopted a tax abatement policy in December 2015.

Tax Abatement Reinvestment Zone . . . The City currently has one agreement in place. DATCU planned to expend at least $12,000,000 in Real Property Improvements in the newly created Reinvestment Zone number 14-1. The agreement took effect on April 3, 2014 and expires five years thereafter. It may be renewed by the City Council for one or more subsequent terms of five years or less.

Table 1 - Valuation, Exemptions and General Obligation Debt

2016/2017 Market Valuation Established by Denton County Appraisal District (excludes totally exempt property)		$ 1,900,212,413
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Adjustment	$ 35,418,501	
Over 65	23,076,304	
Disabled Persons	1,260,000	
Disabled Veterans Exemptions	11,378,504	
Freeport	416,987	
Pollution Control	59,616	
Member of Armed Services Surviving Spouse	293,280	
Agriculural Land Use Reductions	28,926,067	100,829,259
2016/2017 Taxable Assessed Valuation		$ 1,799,383,154
General Obligation Debt Payable from Ad Valorem Taxes (as of 4/15/2017)[1]	$ 14,935,000	
The Bonds	14,240,000	
The Certificates	4,855,000	$ 34,030,000
Less: Self-Supporting Debt[2]	$ 7,445,100	
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 26,584,900
General Obligation Interest and Sinking Fund (as of 3/31/2017)		$ 803,449
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		1.48%

2017 Estimated Population - 20,740
Per Capita Taxable Assessed Valuation - $86,759
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,282

(1) Excludes the Refunded Obligations.
(2) General obligation debt in the amounts shown for which repayment is provided from revenues of the City's waterworks and sewer system. It is the City's current policy to pay such self-supporting debt from such revenue source; provided, however, that this policy is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Vaue for Fiscal Year Ended September 30,					
	2017		2016		2015	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,508,174,446	79.37%	$ 1,354,889,784	79.33%	$ 1,268,029,679	78.83%
Real, Residential, Multi-Family	35,412,094	1.86%	27,772,321	1.63%	28,315,879	1.76%
Real, Vacant Lots/Tracts	43,556,138	2.29%	43,386,427	2.54%	45,823,202	2.85%
Real, Acreage (Land Only)	29,147,999	1.53%	26,585,770	1.56%	26,869,389	1.67%
Real, Farm and Ranch Improvements	18,766,638	0.99%	16,594,301	0.97%	17,448,576	1.08%
Real, Commercial and Industrial	170,037,300	8.95%	149,143,085	8.73%	149,396,045	9.29%
Oil and Gas	705,830	0.04%	1,888,300	0.11%	1,567,490	0.10%
Real and Tangible Personal, Utilities	23,675,622	1.25%	22,766,354	1.33%	10,495,712	0.65%
Tangible Personal, Business	46,793,939	2.46%	40,725,377	2.38%	40,012,286	2.49%
Tangible Personal, Other	44,200	0.00%	29,023	0.00%	-	0.00%
Real Inventory	4,340,275	0.23%	5,742,504	0.34%	4,214,465	0.26%
Special Inventory	19,557,932	1.03%	18,377,708	1.08%	16,445,048	1.02%
Total Appraised Value Before Exemptions	$ 1,900,212,413	100.00%	$ 1,707,900,954	100.00%	$ 1,608,617,771	100.00%
Less: Total Exemptions/Reductions			69,380,062		70,490,707	
Taxable Assessed Value	$ 1,900,212,413		$ 1,638,520,892		$ 1,538,127,064	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2014		2013	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,168,796,929	78.73%	$ 1,142,365,967	78.60%
Real, Residential, Multi-Family	24,998,692	1.68%	26,804,518	1.84%
Real, Vacant Lots/Tracts	39,986,154	2.69%	37,331,794	2.57%
Real, Acreage (Land Only)	25,553,372	1.72%	32,949,674	2.27%
Real, Farm and Ranch Improvements	11,788,763	0.79%	5,937,846	0.41%
Real, Commercial and Industrial	131,042,782	8.83%	126,085,929	8.68%
Oil and Gas	1,149,036	0.08%	1,035,898	0.07%
Real and Tangible Personal, Utilities	21,328,498	1.44%	20,826,234	1.43%
Tangible Personal, Business	38,951,873	2.62%	43,805,236	3.01%
Real Inventory	5,899,381	0.40%	6,510,016	0.45%
Special Inventory	15,147,535	1.02%	9,765,185	0.67%
Total Appraised Value Before Exemptions	$ 1,484,643,015	100.00%	$ 1,453,418,297	100.00%
Less: Total Exemptions/Reductions	55,690,325		59,719,781	
Taxable Assessed Value	$ 1,428,952,690		$ 1,393,698,516	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [3]	Ratio G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2013	19,961	$1,393,698,516	$ 69,821	$ 27,530,000	1.98%	$ 1,379
2014	20,126	1,428,952,690	71,000	24,965,000	1.75%	1,240
2015	20,578	1,538,127,064	74,746	22,405,000	1.46%	1,089
2016	20,620	1,638,520,892	79,463	33,130,000	2.02%	1,607
2017	20,740	1,799,383,154	86,759	34,030,000 [4]	1.89% [4]	1,641 [4]

(1) Source: City officials.
(2) As reported by the Appraisal District on City's annual State Property Tax Reports filed with the Comptroller of Public Accounts; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected, subject to change. Excludes the Refunded Obligations. Includes the Obligations and self-supporting debt.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2013	$0.60489	$0.46143	$0.14346	$8,451,696	99.69%	99.87%
2014	0.60489	0.46143	0.14346	8,655,958	99.71%	99.71%
2015	0.59489	0.45143	0.14346	9,188,784	99.68%	99.90%
2016	0.58489	0.44143	0.14346	9,594,646	99.72%	98.99%
2017	0.58193	0.44298	0.13895	10,451,297	98.57% [1]	98.71% [1]

(1) Collections as of March 31, 2017.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2016/17 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Boulevard 2010 LLC	Apartments	$ 22,426,418	1.25%
Denton County Electric CoOp	Electric Utility	21,030,718	1.17%
Anixter, Inc.	Distribution Services	14,775,337	0.82%
Texas Health Resources	Medical	12,815,000	0.71%
Oncor Electric Delivery Co.	Electric Utility	12,540,849	0.70%
DATCU	Banking	12,000,000	0.67%
Tower Ridge Corinth I, Ltd	Real Estate	8,401,782	0.47%
Utter, Bill	Individual	8,312,342	0.46%
Utter Properties LLC	Real Estate	8,170,569	0.45%
Kensington Square LP P/S	Real Estate	6,660,000	0.37%
		$ 127,133,015	7.07%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law (see "The Obligations - Tax Rate Limitation").

TABLE 6 – TAX ADEQUACY (1)

2017 Net Principal and Interest Requirements	$ 2,095,222
$ 0.1177 Tax Rate at 99% collection produces	$ 2,096,695
Average Annual Net Principal and Interest Requirements, 2017-2037	$ 1,852,932
$ 0.1041 Tax Rate at 99% collection produces	$ 1,854,426
Maximum Net Principal and Interest Requirements, 2018	$ 2,740,993
$ 0.1539 Tax Rate at 99% collection produces	$ 2,741,558

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

TABLE 7 - 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	2016/17 Taxable Assessed Valuation	2016/17 Tax Rate	Total Net Tax Supported Debt as of 4/15/2017	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 4/15/2017	Authorized But Unissued Debt as of 4/15/2017
City of Corinth	$ 1,799,383,154	$ 0.5819	$ 26,584,900 (1)	100.00%	$ 26,584,900 (1)	$ -
Denton County	78,259,024,841	0.2480	608,655,000	2.19%	13,329,545	118,408,296
Denton ISD	12,758,213,322	1.5400	839,287,749	6.57%	55,141,205	-
Lake Dallas ISD	1,452,258,614	1.6700	82,662,581	44.46%	36,751,784	17,600,000

Total Direct and Overlapping Funded Debt	$ 131,807,433
Ration of Direct and Overlapping Funded Debt to Taxable Assessed Valuation	7.33%
Per Capita Direct and Overlapping Funded Debt	$ 6,355.23

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

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service (1)			The Bonds(2)		The Certificates(3)		Less: Self-Supporting Debt	Net Tax Supported Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Principal	Interest			
2017	$ 2,150,000	$ 1,175,748	$ 3,325,748	$ -	$ -	$ -	$ -	$ 1,230,526	$ 2,095,222	
2018	390,000	595,001	985,001	1,905,000	657,628	-	180,510	987,147	2,740,993	
2019	605,000	583,767	1,188,767	1,680,000	574,750	30,000	174,388	1,024,745	2,623,160	
2020	1,070,000	565,617	1,635,617	1,215,000	502,375	90,000	173,188	1,040,084	2,576,096	
2021	565,000	548,550	1,113,550	1,270,000	440,250	200,000	168,288	905,875	2,286,213	30.87%
2022	585,000	528,275	1,113,275	1,195,000	378,625	210,000	160,088	902,375	2,154,613	
2023	615,000	498,275	1,113,275	1,255,000	317,375	215,000	151,588	902,250	2,149,988	
2024	640,000	470,100	1,110,100	1,325,000	252,875	225,000	142,788	905,250	2,150,513	
2025	670,000	443,900	1,113,900	1,395,000	184,875	235,000	133,588	906,250	2,156,113	
2026	700,000	413,000	1,113,000	1,460,000	113,500	245,000	122,763	905,250	2,149,013	61.19%
2027	735,000	377,125	1,112,125	1,540,000	38,500	255,000	110,263	907,125	2,148,763	
2028	770,000	339,500	1,109,500	-	-	270,000	98,488	-	1,477,988	
2029	810,000	300,000	1,110,000	-	-	280,000	87,488	-	1,477,488	
2030	855,000	258,375	1,113,375	-	-	290,000	77,538	-	1,480,913	
2031	890,000	219,200	1,109,200	-	-	300,000	68,688	-	1,477,888	80.53%
2032	930,000	182,800	1,112,800	-	-	310,000	59,538	-	1,482,338	
2033	965,000	144,900	1,109,900	-	-	320,000	49,888	-	1,479,788	
2034	1,005,000	105,500	1,110,500	-	-	330,000	39,731	-	1,480,231	
2035	1,045,000	64,500	1,109,500	-	-	340,000	29,050	-	1,478,550	
2036	1,090,000	21,800	1,111,800	-	-	350,000	17,838	-	1,479,638	99.00%
2037	-	-	-	-	-	360,000	6,075	-	366,075	100.00%
	$ 17,085,000	$ 7,835,934	$ 24,920,934	$ 14,240,000	$ 3,460,753	$ 4,855,000	$ 2,051,767	$ 10,616,875	$ 38,911,579	

(1) "Outstanding Debt" does not include lease/purchase obligations or the Refunded Obligations.
(2) Average life of the Bonds – 4.903 years.
(3) Average life of the Certificates – 12.166 years.
(4) General obligation debt in the amounts shown for which repayment is currently provided from the surplus net revenues of the City's waterworks and sewer system. It is the City's current policy to provide these payments from the respective revenue sources; provided this policy is subject to change in the future. In the event payment is not made from revenues, the City will be required to levy and collect an ad valorem tax sufficient to make such debt service payments.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Obligation Debt Service Requirements, Fiscal Year Ending 9/30/17 (1)		$ 2,095,222
Interest and Sinking Fund Balance, Fiscal Year Ending 9/30/16	$ 347,253	
Budgeted Interest and Sinking Fund Tax Levy Collection	2,500,243	$ 2,847,496
Estimated Balance, Fiscal Year Ending 9/30/16		$ 752,274

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

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued ad valorem tax bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . After the issuance of the Obligations, the City does not anticipate the issuance of additional debt payable from ad valorem taxes in the next 12 months.

TABLE 11 – OTHER OBLIGATIONS

The City leases various equipment under capital leases. The following is an analysis of the leased assets included in capital assets at September 30, 2016:

Equipment	$ 1,501,585
Less: accumulated depreciation	(193,000)
Net value	$ 1,308,585

The following is a schedule of future minimum payments required under the leases with the present value as of September 30, 2016.

2017	$ 162,362
2018	162,362
2019	162,362
2020	162,362
2021	162,362
2022-2026	519,948
2027-2028	130,149
Total minimum lease payments	$ 1,461,907
Less amount representing interest	(193,716)
Present value of minimum lease payments	$ 1,268,191

PENSION FUND

Plan Description – The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com.*

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

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

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

The plan provision are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 25 years of service regardless of age. Members may work for more than on TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms.

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

Inactive employees (or their beneficiaries currently receiving benefits)	61
Inactive employees entitled to but not yet receiving benefits	89
Active employees	146
	296

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14% and 14% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were $1,380,260 and were equal to the required contributions.

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	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with 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 Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment of younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without and adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TRMS Board approved a new portfolio target allocation. 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
Domestic equity	17.50%	4.55%
International equities	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%
	100.00%	

Discount Rate - The discount rate used to measure the Total Pension Liability was 6.750%. 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 net pension liability (asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Balance at 12/31/13	$ 30,491,719	$ 24,281,487	$ 6,210,232
Changes for the year:			
Service cost	1,614,486	-	1,614,486
Interest	2,163,512	-	2,163,512
Change of benefit terms	-	-	-
Difference between expected and actual experience	(356,486)	-	(356,486)
Changes of assumptions	(252,429)	-	(252,429)
Contributions-employer	-	1,415,503	(1,415,503)
Contributions-employees	-	648,976	(648,976)
Net investment income	-	35,841	(35,841)
Benefit payments, including refunds of employee contributions	(783,303)	(783,303)	-
Amotization of prior year assets	-		-
Administrative expense	-	(21,823)	21,823
Other changes	-	(1,078)	1,078
Net changes	2,385,780	1,294,116	1,091,664
Balance at 12/31/14	$ 32,877,499	$ 25,575,603	$ 7,301,896

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%)
Net Pension Liability/(Asset)	$ 13,330,102	$ 7,301,896	$ 2,487,401

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 and Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of $1,682,109.

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

	Deferred Outflows of Resources	Deferred inflows of Resources
Difference in expected and actual economic experience	$ -	$ (485,082)
Changes in actual assumptions	-	(207,352)
Difference between projected and acual investment earnings	1,500,341	-
Contributions subsequent to the measurement date	990,935	-
Total	$ 2,491,276	$ (692,434)

$990,935 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:

Deferred Inflows/Outflows to Be Recognized in Future Years

Year ended September 30,	
2017	$ 229,890
2018	229,890
2019	229,890
2020	183,477
2021	(65,240)
Thereafter	-
	$ 807,907

Other Post-Employment Benefits

Supplemental Death Benefits Fund

The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the 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. Audited financial statements of the SDBF may be obtained from TMRS' website at www.TMRS.com.

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.

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2016, 2015 and 2014 were $9,252, $8,807, and $8,082, respectively, which equaled the required contributions each year:

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues	2016	2015[1]	2014[1]	2013[1]	2012[1]
Program Revenues:					
Charges for Services	$ 4,872,566	$ 4,696,469	$ 4,668,189	$ 3,998,142	$ 3,880,593
Operating Grants and Contributions	189,114	299,613	284,954	144,879	101,458
Capital Grants and Contributions	332,872	380,748	-	551,016	944,835
General Revenues:					
Property Taxes	9,663,535	9,291,409	8,674,195	8,501,824	8,292,788
Sales Taxes	2,023,059	1,889,020	1,822,924	1,728,567	1,689,889
Franchise Taxes	1,068,910	1,074,217	1,039,646	967,846	1,065,097
Hotel Occupancy Taxes	79,007	67,833	-	-	-
Investment Earnings	87,433	55,043	53,860	49,427	63,010
Gain (Loss) on Sale of Fixed Assets	43,222	14,712	9,446	8,556	42,309
Special Item Outflow	-	-	-	-	(134,385)
Miscellaneous	237,674	45,685	4,587	38,121	101,500
Total Revenues	$ 18,597,392	$ 17,814,749	$ 16,557,801	$ 15,988,378	$ 16,047,094
Expenditures					
Community Services	$ 1,734,299	$ 1,855,018	$ 1,735,618	$ 1,740,402	$ 1,729,610
Public Works	4,471,115	4,661,909	4,655,417	4,726,964	4,829,902
City Administration	2,032,778	1,873,459	1,854,669	1,631,852	1,607,926
Finance and Administrative Services	878,384	746,482	665,351	662,238	655,335
Interest on Long-Term Debt	747,838	613,346	702,883	743,848	835,566
Economic Development	1,013,413	860,549	715,554	731,234	730,829
Public Safety	9,331,392	8,937,222	8,558,062	8,188,441	7,769,391
Total Expenses	$ 20,209,219	$ 19,547,985	$ 18,887,554	$ 18,424,979	$ 18,158,559
Increase (Decrease) in Net Assets Before Transfers	$ (1,611,827)	$ (1,733,236)	$ (2,329,753)	$ (2,436,601)	$ (2,111,465)
Net Transfers	1,159,074	778,956	1,082,783	986,679	(269,093)
Increase (Decrease in Net Assets)	$ (452,753)	$ (954,280)	$ (1,246,970)	$ (1,449,922)	$ (2,380,558)
Net Assets - Beginning	39,996,686	45,591,737	46,838,707	48,412,750	50,793,308
Prior Period Adjustment	-	(4,640,771)	-	(124,121)	-
Net Assets - Ending	$ 39,543,933	$ 39,996,686	$ 45,591,737	$ 46,838,707	$ 48,412,750

(1) Hotel Occupancy Tax was previously included with Sales Tax.

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TABLE 12 -A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2016	2015	2014	2013	2012
Revenues:					
Property Taxes	$ 7,274,662	$ 7,059,673	$ 6,620,927	$ 6,497,540	$ 6,287,312
Franchise Taxes	1,068,910	1,288,978	1,039,646	967,846	1,065,097
Sales Taxes	1,374,704	1,074,217	1,214,039	1,154,783	1,131,844
Fees and Permits	695,804	806,074	754,034	528,023	574,703
Fine and Forfeitures	682,806	650,651	690,669	644,639	553,279
Charges for Services	3,068,264	2,984,628	2,772,599	2,599,183	2,527,895
Interest Income	40,127	39,762	31,945	27,377	41,072
Park Donations	1,700	-	-	350	872
Intergovernmental	-	-	-		-
Miscellaneous	31,502	75,813	31,291	67,763	99,118
Total Revenues	$ 14,238,479	$ 13,979,796	$ 13,155,150	$ 12,487,504	$ 12,281,192
Expenditures:					
Public Safety	$ 8,367,080	$ 8,025,586	$ 7,751,770	$ 7,692,292	$ 7,091,899
Community Development	965,581	845,215	703,923	696,458	656,751
City Administration	2,106,266	1,726,487	1,630,684	1,450,262	1,426,866
Finance and Administrative Services	862,114	732,037	652,321	655,646	641,484
Public Works	771,293	915,907	886,174	846,852	852,880
Community Services	1,432,919	1,725,461	1,598,900	1,695,337	1,673,040
Total Expenditures	$ 14,505,253	$ 13,970,693	$ 13,223,772	$ 13,036,847	$ 12,342,920
Excess (Deficiency) of Revenues Over Expenditures	$ (266,774)	$ 9,103	$ (68,622)	$ (549,343)	$ (61,728)
Other Sources (Uses)	274,947	(92,265)	(283,403)	(743,239)	747,209
Other Miscellaneous Adjustments	-	-	-	-	-
Beginning Fund Balance	$ 3,726,935	$ 3,810,097	$ 4,162,122	$ 5,454,704	$ 4,769,223
Prior Period Adjustment	-	-	-	-	-
Ending Fund Balance	$ 3,735,108	$ 3,726,935	$ 3,810,097	$ 4,162,122	$ 5,454,704

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Voters of the City approved the imposition of an additional sales and use tax of half of one percent (1/2 of 1%) for economic development, an additional one-fourth of one percent (1/4 of 1%) for crime control and an additional one-fourth of one percent (1/4 of 1%) for street maintenance. The sales tax for economic development is collected solely for the benefit of the City's Economic Development Corporation.

Fiscal Year Ended 9/30	Total Collected[1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita[2]
2013	$ 1,728,567	20.45%	$ 0.1240	$ 86.60
2014	1,822,924	21.06%	0.1276	90.58
2015	1,956,853	21.30%	0.1272	95.09
2016	2,102,066	21.91%	0.1283	101.94
2017	658,522 [3]	6.30%	0.0366	31.75

(1) Includes tax levied for Hotel Occupancy. Excludes the tax levied for the City's Economic Development Corporation.
(2) Based on population estimates of the City.
(3) Collections as of January 31, 2016.

FINANCIAL POLICIES

Basis of Accounting . . . All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

The more significant revenues which are treated as susceptible to accrual under the modified accrual basis are property taxes, sales tax, intergovernmental revenues, charges for services, and interest. Other revenue sources are not considered measurable and available, and are not treated as susceptible to accrual.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

General Fund Balance . . . The City policy is to maintain surplus and unencumbered funds equal to at least 20% of expenditures in the General Fund. This allows the City to avoid interim borrowing pending tax receipts.

Use of Bond Proceeds, Grants, etc . . . The City's policy is to use bond proceeds, grants, or other non-recurring revenues for capital expenditures or other one-time purposes only. Such revenues are never to be used to fund on going City operations.

Budgetary Procedures . . . The fiscal year of the City is the twelve-month period beginning October 1. The departments submit to the City Administrator a budget of estimated expenditures for the ensuring fiscal year by the first of July. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 1. The City Council then holds a public hearing on the budget. The Council shall then make any changes in the budget as it deems advisable and shall adopt a budget prior to September 30.

The City prepares its annual budgets on a basis which substantially conforms to generally accepted accounting principles (GAAP basis).

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law, including particularly Texas Government Code, as amended, Chapter 2256 (the "PFIA"), in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under the PFIA, 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 or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that 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; (9) 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; (10) 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; (11) no-load money market mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below. The City also is authorized by the PFIA to invest its funds in certificates of deposit issued by one or more federally insured depository institutions, wherever located, in accordance with procedures set forth in the PFIA.

A political subdivision such as the City may enter into securities lending programs if: (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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 Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under the PFIA, 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, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

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

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

TABLE 14 - CURRENT INVESTMENTS

As of March 31, 2017, the City's investable funds were invested in the following categories:

Description	Percent of Portfolio	Market Value
U.S. Federal Agency Coupon	24.81%	$ 7,086,910
U.S. Federal Agency Coupon - Callable	27.91%	7,972,950
Managed Pools	20.79%	5,937,636
Money Market	1.01%	288,705
Bank/Checking	25.47%	7,275,886
Total	100.00%	$ 28,562,087

TAX MATTERS

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

In rendering its opinions, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Obligations and certain other matters and (c) the sufficiency certificate of the City's financial advisor or the Paying Agent/Registrar for the Refunded Obligations. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Obligations of either series to become taxable retroactively to the date of issuance.

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

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

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

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

Under Existing Law, any owner who has purchased such Original Issue Discount Obligation 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 Obligation 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 the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation 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 Obligation was held by such initial owner) is includable in gross income.

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Interest on the Obligations will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

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

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

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. 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 Obligations should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of each series of the Obligations. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Obligations. Under the agreements, 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") via its Electronic Municipal Marketplace Access website ("EMMA"). The public may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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 of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and Appendix B. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2017 and, if not submitted as part of such annual financial information, the City will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

EVENT NOTICES . . . The City will also provide timely notices of certain specified events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations within ten Business Days after the occurrence of such 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 determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modification to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into 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 Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

As used above, the term "Business Day" means a day other than a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the City where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, and the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. 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 jurisdiction has been assumed by leaving the City Council and officials or officers of the City in possession but subject to 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. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of 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 Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax-supported debt of the City are rated "AA" by S&P and "Aa2" by Moody's, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective view of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Obligations.

Due to uncertainty surrounding efforts to address the deficits and debt burden of the United States of America, obligations issued by state and local governments in the United States, such as the Obligations, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Obligations. Any such downward revision or withdrawal of such ratings, may have an adverse effect on the market prices of the Obligations.

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 Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations 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, as amended) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, 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. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State, the Texas Public Funds Investment Act, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Initial Purchaser a complete transcripts of proceedings had incident to the authorization and issuance of each series of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Obligations and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect, and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations which would affect the provision made for their payment or security, or in any manner questioning the validity of said Obligations will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notices of Sale and Bidding Instructions, the Official Bid Forms and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Notices of Sale and Bidding Instructions, the Official Bid Forms and the Official Statement to verify that such information conforms to the provisions of the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the sale and delivery of the Obligations.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Hilltop Securities 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 Obligations, 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 Bonds, the City accepted the bid of J.P. Morgan Securities LLC (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of this Official Statement at a price of $16,215,165.08. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The initial yields shown on page 2 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Bonds are sold in the secondary market.

After requesting competitive bids for the Certificates, the City accepted the bid of Robert W. Baird & Co., Inc. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 4 of this Official Statement at a price of $5,072,309.35. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The initial yields shown on page 4 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

CERTIFICATION AS TO OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the City will furnish the Initial Purchaser a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Obligations and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (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.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

BILL HEIDEMANN
Mayor
City of Corinth, Texas

ATTEST:

KIMBERLY PENCE
City Secretary

Schedule I

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax & Revenue Certificates of Obligation, Series 2007

Original Dated Date	Original Maturity	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date
8/15/2007	2/15/2018	4.375%	$ 1,135,000	$ 1,135,000	9/5/2017
	2/15/2019	4.500%	1,180,000	1,180,000	9/5/2017
	2/15/2020	4.500%	1,235,000	1,235,000	9/5/2017
	2/15/2021	4.625%	1,295,000	1,295,000	9/5/2017
	2/15/2022	5.250%	1,360,000	1,360,000	9/5/2017
	2/15/2023	5.250%	1,430,000	1,430,000	9/5/2017
	2/15/2027 (1)	5.250%	6,535,000	6,535,000	9/5/2017

General Obligation Refunding Bonds, Series 2007

Original Dated Date	Original Maturity	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date
2/1/2007	2/15/2018	4.190%	$ 930,000	$ 930,000	9/5/2017
	2/15/2019	4.290%	670,000	670,000	9/5/2017
	2/15/2020	4.390%	135,000	135,000	9/5/2017
	2/15/2021	4.490%	140,000	140,000	9/5/2017

(1) Represents a Term Certificate with a final maturity of February 15, 2020.

THE CITY

LOCATION AND HISTORY . . . The City of Corinth, Texas (the "City") is a north central Texas city located in north Denton County on Interstate Highway 35, approximately 8 miles south of Denton, Texas and approximately 30 miles north of Dallas, Texas. The City is primarily a residential community. The City is a home rule municipality operating under Article XI, Section 5 of the Texas Constitution. The City was incorporated in 1960 and operates as a Council/Manager form of government.

The City is approximately 7.8 square miles in area and has 166 full time employees. The City has 7,180 single-family residences and contains approximately 90 miles of streets.

CITY SERVICES . . . The City provides the basic governmental services to the citizens such as police protection, fire protection, water and sewer and parks and recreation programs.

EDUCATION . . . The City is served by the Denton Independent School District and the Lake Dallas Independent School District. Secondary education is provided by North Central Texas College, located in Corinth, University of North Texas and Texas Woman's University, approximately 10 miles away in Denton; in nearby Dallas (approximately 30 miles) is a choice of University of Texas at Dallas, University of Dallas, Southern Methodist University, Paul Quinn College, the Dallas County College District and in Fort Worth (approximately 45 miles) is the Tarrant County Junior College District, Texas Wesleyan University and Texas Christian University.

TRANSPORTATION . . . Interstate Highway 35 divides the City on a north/south axis and is the State's major north-south freeway, south to Austin and San Antonio and north into Oklahoma.

RECREATION . . . The primary recreational facilities available to the residents of the City is the 184 acre park system that includes a 118 acre Community Park with two football fields, five baseball fields, four soccer fields, three softball fields, a covered pavilion, a basketball court, walking and jogging trails, and a 19 acre nature area with fishing pond and boardwalk. The parks system also includes 13 neighborhood parks with playscapes and swing sets and 12.74 miles of walking and jogging trails that make up the remainder of the park system.

UTILITIES. . . Gas is provided by Atmos. Electric power was deregulated, OnCor owns the service lines, however citizens can choose any provider.

BUILDING PERMITS

Year Ended 9/30	Commercial		Residential		Grand Total
	Number	Value	Number	Value	
2011	130	$ 92,384	720	$ 128,804	$ 221,188
2012	109	40,491	649	112,005	152,496
2013	92	17,281	622	111,808	129,089
2014	123	50,619	623	132,649	183,268
2015	78	98,824	558	197,908	296,732
2016	86	31,250	563	195,133	226,383

MAJOR BUSINESSES

Major Businesses	Type of Business	Number of Employees
CoServ	Utility	440
North Central Texas College	Education	340
Lake Dallas ISD	Education	197
Denton ISD	Education	166
City of Corinth	Municipality	160
Bill Utter Ford	Auto Dealership	150
Oakmonth Country Club	Country Club	101
DATCU	Banking	100
Albertsons	Grocery	90
Mac Haik Nissan	Auto Dealership	65

EMPLOYMENT

Employment statistics for Denton County are as follows:

Denton County	Average Annual 2017[1]	2016	2015	2014	2013
Civilian Labor Force	454,151	443,801	427,163	413,515	400,856
Total Employed	436,755	428,611	411,963	395,163	379,529
Total Unemployed	17,396	15,190	15,200	18,352	21,327
Unemployment Rate	3.8%	3.4%	3.6%	4.4%	5.3%

(1) As of March 2017.
Source: Texas Employment Commission, Austin, Texas.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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APPENDIX B

EXCERPTS FROM THE

CITY OF CORINTH, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2016

The information contained in this Appendix consists of excerpts from the City of Corinth, 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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DK Davis Kinard & Co, PC
CERTIFIED PUBLIC ACCOUNTANTS
Quality. Integrity. Knowledge.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Corinth, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Corinth, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 11-19 and 61-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Davis Kinard & Co, PC
Certified Public Accountants

Abilene, Texas
February 13, 2017

As management of the City of Corinth, (the "City") 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. The Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, to provide an overview of the City's financial activity, to identify changes in the City's financial position and to identify any material deviations from the financial plan. We encourage readers to consider the information presented here in conjunction with the accompanying Letter of Transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $66,014,385.
- Total net position decreased $1,053,890 from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $19,286,456, an increase of $11,938,179 in comparison with the prior year. This net increase is due to a bond sale in May 2016. Of the combined ending balances, $2,853,726 or 15% is available for spending within the City's guidelines *(unassigned fund balance).*
- The City's unassigned fund balance for the general fund was $3,295,962 or 22% of total general fund expenditures.
- Long term liabilities increased to $44,969,256 during fiscal year 2016. The net increase is due to a bond sale of $13 mil in May 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two types of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City reporting operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general governmental* services were financed in the *short term,* as well as, what remains for future spending.
- *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like* a *business.*
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others to whom the resources in question belong.

Required Components of the City's Annual Financial Report

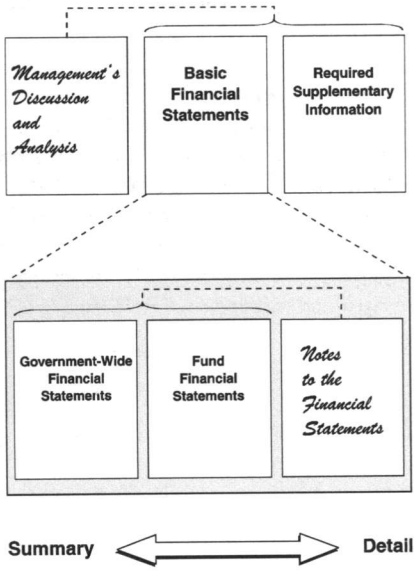


Figure 1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

Government-wide financial statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* presents information on all of the City of Corinth's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference 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 of Corinth is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities).* The governmental activities of the City include public safety, fire services, community services, planning and community development, public works, city administration, finance and administrative services and debt service. The business-type activities are the water and wastewater utility fund, which includes contracted garbage collection services, and the storm water utility fund.

The government-wide financial statements include not only the City itself (known as the *primary government),* but also a legally separate Economic Development Corporation as a component unit for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 23 of this report.

Figure 1. Major Feature of the City's Government-wide and Fund Financial Statements

		Fund Statements		
Type of Statements	**Government-wide**	**Governmental**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses or self insurance funds	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balance	• Statement of net position • Statement of revenues, expenditures & changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; may contain capital assets
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenue and expenses during year, regardless of when cash is received or paid	All revenue and expenses during year, regardless of when cash is received or paid

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Corinth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial

statements, governmental fund financial statements focus *on near-term inflows and outflows of spendable resources,* as well as, *on balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Corinth reports twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds. Data from the non-major governmental funds are combined into a single aggregated presentation. Fund data for the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Corinth adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26 – 32 of this report.

Proprietary funds. The City of Corinth maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Corinth uses two enterprise funds to account for its water and wastewater operations and for its storm water utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Fund and the Storm Water Fund, both of which are considered to be major funds of the City.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $66,014,385 at the close of the most recent fiscal year.

By far the largest portion of the City of Corinth's net position ($57,505,386 or 87%) reflects its investment in capital assets (i.e., land, buildings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Corinth uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Corinth's investment in 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.

A portion of the City's net position ($2,406,861 or 4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($6,102,138 or 9%) may be used to meet the City's ongoing obligations to citizens and creditors. The City currently has $23,996,876 available in cash and investments that may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year the City of Corinth is able to report positive balances in the government-wide as a whole and the business-type activities.

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and Other Assets	$ 23,594,016	$ 11,602,074	$ 6,521,230	$ 8,179,129	$ 30,115,246	$ 19,781,203
Capital assets	51,304,769	49,521,596	31,248,756	31,779,350	82,553,525	81,300,946
Total assets	74,898,785	61,123,670	37,769,986	39,958,479	112,668,771	101,082,149
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows - pension	2,201,353	1,109,256	289,923	142,590	2,491,276	1,251,846
Deferred loss from refunding	51,183	31,820	19,024	23,310	70,207	55,130
Total Deferred Outflows of Resources	2,252,536	1,141,076	308,947	165,900	2,561,483	1,306,976
LIABILITIES						
Long-term liabilities outstanding	34,305,414	19,333,256	10,663,842	11,351,347	44,969,256	30,684,603
Other liabilities	2,690,668	2,719,666	863,511	1,673,762	3,554,179	4,393,428
Total liabilities	36,996,082	22,052,922	11,527,353	13,025,109	48,523,435	35,078,031
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - pension	611,306	215,138	81,128	27,681	692,434	242,819
Total Deferred Inflows of Resources	611,306	215,138	81,128	27,681	692,434	242,819
NET POSITION						
Net investment in capital assets	35,967,465	37,162,807	21,537,921	21,568,651	57,505,386	58,731,458
Restricted	1,759,359	1,066,371	647,502	645,963	2,406,861	1,712,334
Unrestricted	1,817,109	1,767,508	4,285,029	4,856,975	6,102,138	6,624,483
Total Net Position	$ 39,543,933	$ 39,996,686	$ 26,470,452	$ 27,071,589	$ 66,014,385	$ 67,068,275

Government-wide activities. As shown above, governmental activities decreased net position by $452,753 and business-type activities decreased net position by $601,137. A detailed examination of all the elements affecting net position can be found in Table II.

TABLE II

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues						
Charges for services	$ 4,872,566	$ 4,696,469	$ 11,751,505	$ 11,684,011	$ 16,624,071	$ 16,380,480
Operating grants and contributions	189,114	299,613	-	-	189,114	299,613
Capital grants and contributions	332,872	380,748	1,448,393	607,013	1,781,265	987,761
General revenues						
Property taxes	9,663,535	9,291,409	-	-	9,663,535	9,291,409
Sales taxes	2,023,059	1,889,020	-	-	2,023,059	1,889,020
Franchise taxes	1,068,910	1,074,217	-	-	1,068,910	1,074,217
Hotel taxes	79,007	67,833	-	-	79,007	67,833
Miscellaneous	237,674	45,685	4,741	(391)	242,415	45,294
Investment interest	87,433	55,043	26,328	18,423	113,761	73,466
Gain (loss) on sale of capital assets	43,222	14,712	9,768	5,333	52,990	20,045
Total Revenues	18,597,392	17,814,749	13,240,735	12,314,389	31,838,127	30,129,138
Expenses:						
Public safety	9,331,392	8,937,222	-	-	9,331,392	8,937,222
Community services	1,734,299	1,855,018	-	-	1,734,299	1,855,018
Public works	4,471,115	4,661,909	-	-	4,471,115	4,661,909
Planning and community development	1,013,413	860,549	-	-	1,013,413	860,549
City administration	2,032,778	1,873,459	-	-	2,032,778	1,873,459
Finance and administrative services	878,384	746,482	-	-	878,384	746,482
Interest on long-term debt	747,838	613,346	-	-	747,838	613,346
Water and wastewater	-	-	12,157,058	11,107,570	12,157,058	11,107,570
Storm drainage	-	-	525,740	540,217	525,740	540,217
Total Expenses	20,209,219	19,547,985	12,682,798	11,647,787	32,892,017	31,195,772
Increase (decrease) in net position before transfers, contributions and special items	(1,611,827)	(1,733,236)	557,937	666,602	(1,053,890)	(1,066,634)
Net transfers	1,159,074	778,956	(1,159,074)	(778,956)	-	-
Increase (decrease) in net position	(452,753)	(954,280)	(601,137)	(112,354)	(1,053,890)	(1,066,634)
Net postion - beginning	39,996,686	45,591,737	27,071,589	27,802,557	67,068,275	73,394,294
Prior Period Adjustment	-	(4,640,771)	-	(618,614)	-	(5,259,385)
Net position - ending	$ 39,543,933	$ 39,996,686	$ 26,470,452	$ 27,071,589	$ 66,014,385	$ 67,068,275

City of Corinth's Changes in Fund Balance. The City's governmental funds increased fund balance by $11,938,179. The increase can be attributed to the receipt of bond proceeds, as well as, the use of funds in the General Vehicle Replacement Fund, 2004 Tax Note Fund, 2007 CO Streets Fund, the 2007 CO Tech Fund and the 2010 CO Fire Fund for replacement vehicles and equipment and for Capital Improvement Projects. Net position, as part of the government-wide reports, is reported on a full-accrual basis. The reconciliation between the overall increase to governmental fund balances and the $452,753 net decrease to governmental activities net position illustrates the differences in reporting between the modified accrual basis used in the funds and full-accrual used at the government-wide level.

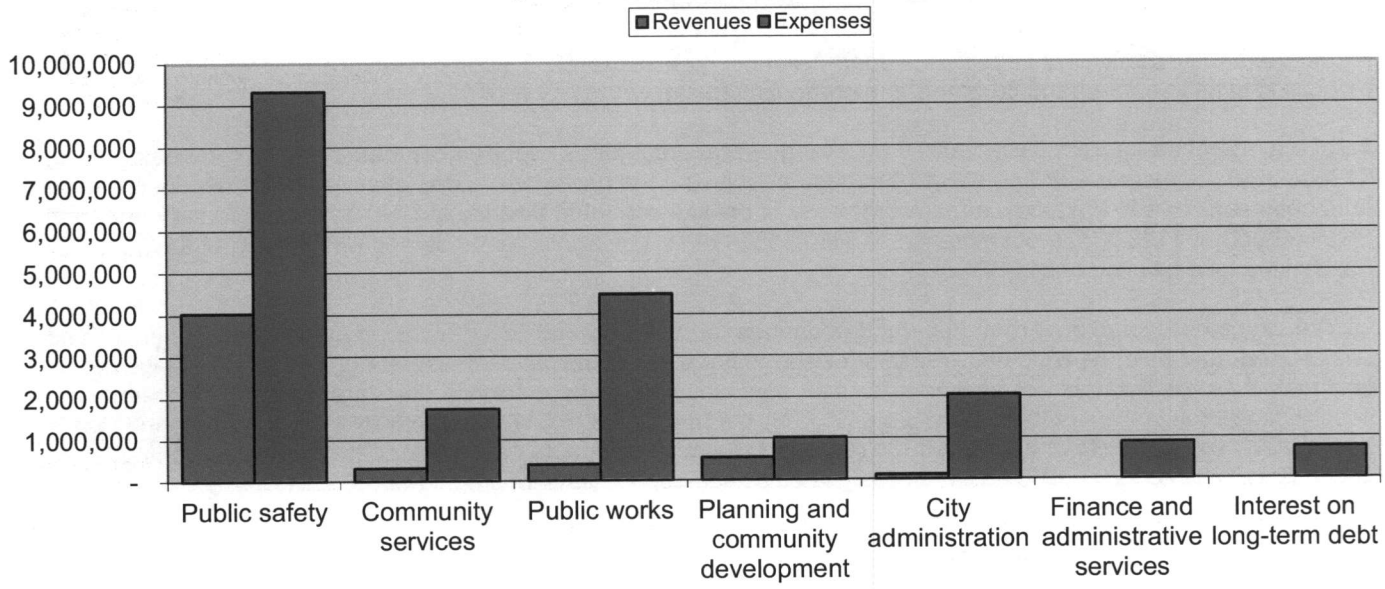
The following are the most significant factors in the reconciliation:

- Depreciation of capital assets is not reported in the funds.
- Donations/developer contributions do not constitute revenue in the funds, but are reported as an increase to net position.
- Repayment of bond principal is an expenditure in the funds but not an expense in the statement of activities.
- Bond proceeds are reported as current resources in the funds but are not reported as revenue in the statement of activities.

Exhibit A-6 on page 32 provides a detailed reconciliation between the statement of activities and the statement of revenues, expenditures and changes in fund balances of governmental funds.

Governmental Activities. Public safety, community services, public works, and planning and community development account for 82% of the expenses for the governmental activities. City administration, finance and administrative services and interest on long-term debt account for the remaining 18% of total expenses. These expenses were funded by revenues collected from a variety of sources. Property taxes produced $9,663,535 or 49%, Charges for services accounted for $4,872,566 or 25%, Sales tax received was $2,023,059 or 10%, Franchise taxes provided $1,068,910 or 5%, capital grants and contributions provided $332,872 or 2% and operating grants and contributions provided $189,114 or 1% for the governmental activities. The remaining 8% of revenue is made up of hotel occupancy tax, transfers, investment interest and other miscellaneous revenue. Figure 2 provides a graphic representation of the City's expenses and any directly related revenues by source.

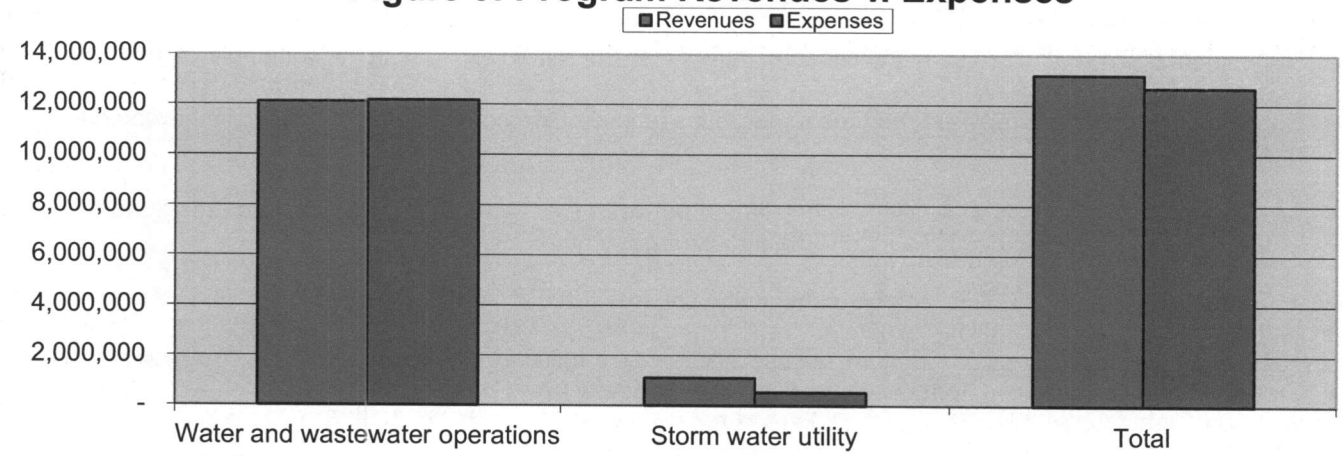
Figure 2: Program Revenues v. Expenses



Business-type Activities. Business-type activities decreased the City's net position by $601,137. Charges for Services is major revenue source in both the Water/Wastewater Fund and the Storm Drainage Fund, producing $11,047,722 and $703,783, respectively, in revenue. Charges for services account for 89% of the revenue. Contributions of assets arising from new property development within the City, totaled $1,448,393 or 11% in revenue. Less than 1% of revenue is made up of investment interest and other miscellaneous revenue.

Total revenue from water and wastewater sales and services was $11,047,722; associated costs of water, wastewater treatment, and operations and maintenance accounted for $12,157,058 of the total business-type expenses of $12,682,798. The remaining $525,740 in expenses for business-type activities is associated with the storm water utility. Storm water utility fees brought in $703,783 in revenue. The following chart (Figure 3) provides a graphic representation of the City's business-type expenses and any directly related revenues by source.

Figure 3: Program Revenues v. Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $19,286,456, an increase of $11,938,179 in comparison with the prior year. The net increase in combined ending fund balance is due to the following: a net increase in the General Fund balance of $8,173, a net increase in the Debt Service Fund of $122,834, a net increase of $480,655 in other governmental funds and the addition of the 2016 CO Fund with a fund balance of $11,326,517.

Of the combined total governmental fund balances of $19,286,456, $3,295,962 reflects the General Fund *unassigned* fund balance which is available for spending at the government's discretion. The fund balance that is designated as *restricted* is not available for new spending due to debt service amounts, specific programs, and construction projects amounts to $347,254, $1,696,426 and $11,326,517, respectively. The fund balance that is designated as *committed,* $2,623,387 represents those amounts committed to liquidate contracts or encumbrances. The fund balance amount designated as *non-spendable* is for prepaid items, $194,898, and inventories, $244,248.

General Fund. The General Fund is the chief operating fund of the City of Corinth. At the end of the current fiscal year, *unassigned* fund balance of the General Fund was $3,295,962 while total fund balance reached $3,735,108. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures for the fiscal year. Unassigned fund balance represents 22% of total General Fund expenditures, while total fund balance represents 25% of that same amount.

This year, in the General Fund, revenues were more than expected by a total of $274,684. Traffic Fines, Parks & Recreation Fees, Miscellaneous Income, Donations, Franchise Fees, and Charges for Services were less than budget by $70,348, $27,189, $27,098, $13,300, $7,925 and $1,038, respectively. Sales Tax, Fire Services, Development Fees & Permits, Utility Fees, Interest Income, Property Taxes, and Police Fees & Permits were above budget by $136,385, $135,037, $107,929, $17,261, $11,997, $7,239, and $5,734, respectively. The City budgeted for no growth in fiscal year 2016. While revenues were over budget by $274,684, expenditures were under budget by $399,725. The net effect at year end was an excess of $8,173 of revenues over expenditures in the General Fund.

Debt Service Fund. As part of the budgetary process, the government enacts a dedicated property tax for debt service each fiscal year. The Debt Service Fund has a total fund balance of $347,254, all of which is restricted for the payment of debt service.

2016 CO Fund. This fund is used to track revenues and expenditures related to the 2016 CO Debt Issuance for Streets, Facility Renovations and Purchase of new Public Safety Facility.

Other Governmental Funds. The non-major governmental funds are the Crime Control and Prevention Fund, Street Maintenance Fund, Hotel-Motel Tax Fund, Keep Corinth Beautiful Fund, County Child Safety Fund, Special Revenue Funds, Municipal Court Security Fund, Municipal Court Technology Fund, Police Confiscation Fund – State, Police Confiscation Fund – Federal, Parks Development Fund, Community Park Improvement Fund, Tree Mitigation Fund, Roadway Impact Fee Fund, Governmental Capital Projects Fund, Vehicle Replacement Fund, LCFD Vehicle & Equipment Replacement Fund, Technology Equipment Replacement Fund, Street Escrow Fund, 2004 Tax Note Fund, 2007 CO Streets Fund, 2007 CO Tech Fund, 2010 CO Fire Fund and the 2016 Public Property Finance Fund. Each of these funds is used to account for revenues and expenditures related to specific purposes.

- The Corinth Crime Control and Prevention District is a special sales tax of $.0025 levied for crime control and prevention within the City. Sales tax collections were $44,593 more than budgeted, interest earnings were more than budgeted by $507 and expenditures were $40,076 less than budgeted. Due to the positive variances in revenues and expenditures, actual fund balance increased $34,098.

- The Street Maintenance Sales Tax fund accounts for the collection of a special sales tax of $.0025. Sales tax collections were more than budgeted by $34,149, interest earnings were more than budgeted by $1,302 and expenditures were less than budget by $26,303. These combined increased actual fund balance by $218,330.

Proprietary funds. The City of Corinth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City maintains two enterprise funds, the Water and Wastewater fund and the Storm Water utility fund.

Water and Wastewater fund assets of $33,025,576 and deferred outflows of resources of $280,402 exceeded liabilities of $9,710,004 and deferred inflows of resources of $71,128, reporting net position of $23,524,846. The net non-operating revenues and expenses were ($355,982) which included investment interest and debt service interest, as well as, the sale of aging and obsolete capital assets at auction. The largest portion of the non-operating expenses was $393,044 of interest expense. Unrestricted net position for the Water and Wastewater fund decreased from $4,249,196 in fiscal year 2015 to $3,520,593 for fiscal year 2016.

Storm Water utility fund assets of $4,744,410 and deferred outflows of $28,545 exceeded liabilities of $1,817,349 and deferred inflows of resources of $10,000, leaving total net position of $2,945,606. Total net position increased $19,155, unrestricted net position increased from $607,779 to $764,436. The storm water utility reported operating income of $260,598 in fiscal year 2016. Net non-operating revenues and expenses were ($78,780) which includes $3,775 in interest income and $82,555 in interest expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

For fiscal year 2015-16, General Fund actual expenditures (including transfers) were $15,078,257 compared to the final budget of $15,477,982. The $399,725 expenditure variance was primarily due to reduced costs of $230,095 for Community Services, $67,137 in City Administration, $53,318 in Public Works and $37,816 in Public Safety. Actual revenue (including transfers) was $15,086,430 compared to the final budget of $14,830,982. Of the $255,448 revenue variance, approximately $136,385 was for increased Sales Tax collection, $135,037 was due to an increase in Fire Service Charges and $107,929 was due to increased Development Fees and Permits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Corinth's investment in capital assets for its governmental and business type activities as of September 30, 2016, amounts to $82,553,525 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities and infrastructure. The total change in the City's investment in capital assets for the current fiscal year represents purchases, retirements, construction in progress for infrastructure and transfers and adjustments as of September 30, 2016.

TABLE III
CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-Type Activities		TOTAL	
	2016	2015	2016	2015	2016	2015
Land	$ 2,595,762	$ 2,466,298	$ 497,399	$ 497,399	$ 3,093,161	$ 2,963,697
CIP	4,462,332	1,359,999	388,642	349,267	4,850,974	1,709,266
Buildings	4,298,852	4,436,086	104,182	110,748	4,403,034	4,546,834
Machinery and equipment	5,566,641	4,798,402	398,116	467,770	5,964,757	5,266,172
Infrastructure	34,381,182	36,460,811	29,860,417	30,354,166	64,241,599	66,814,977
Total capital assets	$ 51,304,769	$ 49,521,596	$ 31,248,756	$ 31,779,350	$ 82,553,525	$ 81,300,946

Additional information on the City's capital assets can be found in the notes to the financial statements on page 48.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $33,130,000 consisting of General Obligation Bonds and Certificates of Obligation. Debt can be reallocated among the Governmental and Business-Type Activities to reflect the amount of outstanding debt related to capital projects. All debt payments were made when due. Total debt payments equaled $2,570,000. Total outstanding debt increased by $11,309,800 in fiscal year 2016 due to a bond sale and the addition of a new capital lease (see Note 6).

TABLE IV
OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		TOTAL	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	$ 3,458,925	$ 4,611,500	$ 816,075	$ 1,063,500	$ 4,275,000	$ 5,675,000
Certificates of Obligation and Tax Notes	20,102,388	7,388,904	8,752,612	9,341,096	28,855,000	16,730,000
Capital Lease Obligation	1,268,191	683,391	-	-	1,268,191	683,391
Total outstanding debt	$ 24,829,504	$ 12,683,795	$ 9,568,687	$ 10,404,596	$ 34,398,191	$ 23,088,391

Additional information on the City's long-term debt can be found in this report in the notes to the financial statements on page 51.

Moody's Investor's Service, Inc. has given the City's General Obligation Bond and the Certificates of Obligation a rating of "AA2". Standard and Poor's Corporation has given both the City's General Obligation and Certificates of Obligation an "AA" rating. The City is permitted by Article XI. Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 20.01 percent.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City continued to experience an increase in sales tax during FY 2015-16. Additionally, all other revenues held firm. Departments limited their requests for funds and absorbed increased demands for service with reduced staffing and support. The budget reflected the commitment to deliver quality service through carefully planned resource allocations.

The City Council approved a tax rate of $.58193 for fiscal year 2017. General operations and maintenance will receive $.442980 of the total and the remaining $.138950 will fund long-term debt of the City.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Corinth, 3300 Corinth Parkway, Corinth, Texas, 76208.

CORINTH
Gateway to Success

BASIC FINANCIAL STATEMENTS

CORINTH
Gateway to Success

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

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Corinth Economic Development Corporation
ASSETS				
Cash and cash equivalents	$ 3,016,117	$ 946,253	$ 3,962,370	$ 174,656
Investments	16,232,449	3,802,057	20,034,506	2,883,682
Receivables (net of allowance)				
Accounts	3,906,304	1,585,701	5,492,005	140,375
Inventories	244,248	187,219	431,467	
Prepaid items	194,898	-	194,898	
Capital assets not being depreciated				
Land	2,595,762	497,399	3,093,161	
Construction in progress	4,462,332	388,642	4,850,974	
Capital assets (net of accumulated depreciation)				
Buildings	4,298,852	104,182	4,403,034	
Machinery and equipment	5,566,641	398,116	5,964,757	
Infrastructure	34,381,182	29,860,417	64,241,599	
Total assets	74,898,785	37,769,986	112,668,771	3,198,713
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss from refunding	51,183	19,024	70,207	
Deferred outflows - pension	2,201,353	289,923	2,491,276	
Total Deferred Outflows of Resources	2,252,536	308,947	2,561,483	-
LIABILITIES				
Accounts payable	177,215	162,966	340,181	782
Accrued liabilities	318,806	46,093	364,899	4,295
Accrued interest payable	183,915	57,197	241,112	
Municipal court bonds	11,535	-	11,535	
Customer meter deposits	-	583,590	583,590	
Other liabilities	1,999,197	13,665	2,012,862	
Noncurrent Liabilities				
Due within one year	2,041,984	900,195	2,942,179	11,557
Due in more than one year	32,263,430	9,763,647	42,027,077	
Total liabilities	36,996,082	11,527,353	48,523,435	16,634
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	611,306	81,128	692,434	
Total Deferred Inflows of Resources	611,306	81,128	692,434	-
NET POSITION				
Net investment in capital assets	35,967,465	21,537,921	57,505,386	
Restricted for capital projects	-	647,502	647,502	
Restricted for specific programs	1,565,688	-	1,565,688	
Restricted for debt service	193,671	-	193,671	
Restricted for economic development	-	-	-	3,182,079
Unrestricted	1,817,109	4,285,029	6,102,138	
Total net position	$ 39,543,933	$ 26,470,452	$ 66,014,385	$ 3,182,079

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

CITY OF CORINTH, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Public safety	$ 9,331,392	$ 3,960,494	$ 77,014	$ -
Community services	1,734,299	206,560	105,600	-
Public works	4,471,115	59,205	-	332,872
Planning and community development	1,013,413	540,906	-	-
City administration	2,032,778	105,401	6,500	-
Finance and administrative services	878,384	-	-	-
Interest on long-term debt	747,838	-	-	-
Total governmental activities	20,209,219	4,872,566	189,114	332,872
Business-type activities:				
Water and sewer	12,157,058	11,047,722	-	1,057,143
Storm drainage	525,740	703,783	-	391,250
Total business-type activities	12,682,798	11,751,505	-	1,448,393
Total primary government	$ 32,892,017	$ 16,624,071	$ 189,114	$ 1,781,265
Component unit				
Corinth Economic Development Corporation	$ 604,412	$ -	$ -	$ -

General revenues:
Taxes:
Property taxes
Sales taxes
Franchise taxes
Hotel occupancy tax
Investment income
Other income (expense)
Gain (loss) on sale of capital assets
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Corinth Economic Development Corporation
$ (5,293,884)	$ -	$ (5,293,884)	
(1,422,139)	-	(1,422,139)	
(4,079,038)	-	(4,079,038)	
(472,507)	-	(472,507)	
(1,920,877)	-	(1,920,877)	
(878,384)	-	(878,384)	
(747,838)	-	(747,838)	
(14,814,667)	-	(14,814,667)	
-	(52,193)	(52,193)	
-	569,293	569,293	
-	517,100	517,100	
(14,814,667)	517,100	(14,297,567)	
			$ (604,412)
9,663,535	-	9,663,535	-
2,023,059	-	2,023,059	679,427
1,068,910	-	1,068,910	-
79,007	-	79,007	-
87,433	26,328	113,761	18,127
237,674	4,741	242,415	-
43,222	9,768	52,990	-
1,159,074	(1,159,074)	-	-
14,361,914	(1,118,237)	13,243,677	697,554
(452,753)	(601,137)	(1,053,890)	93,142
39,996,686	27,071,589	67,068,275	3,088,937
$ 39,543,933	$ 26,470,452	$ 66,014,385	$ 3,182,079

CITY OF CORINTH, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2016

	General	Debt Service	2016 CO Fund
ASSETS			
Cash and cash equivalents	$ 84,337	$ 72,485	$ 832,712
Investments	2,978,878	274,178	10,561,519
Receivables (net of allowance)			
Property taxes	66,815	21,836	-
Sales taxes	250,170	-	-
Accounts	67,491	9,120	-
Interest	4,134	-	8,879
Warrants	2,751,668	-	-
Ambulance	134,339	-	-
Miscellaneous	317,838	-	-
Due from other governments	123,073	-	-
Inventories	244,248	-	-
Prepaid items	194,898	-	-
Total Assets	$ 7,217,889	$ 377,619	$ 11,403,110
LIABILITIES			
Accounts payable	$ 83,925	$ 33	$ 76,593
Accrued liabilities	313,235	-	-
Municipal court bonds	11,535	-	-
Other liabilities	1,303,611	-	-
Total Liabilities	1,712,306	33	76,593
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,770,475	30,332	-
Total Deferred Inflows of Resources	1,770,475	30,332	-
FUND BALANCES			
Nonspendable	439,146	-	-
Restricted	-	347,254	11,326,517
Committed	-	-	-
Unassigned	3,295,962	-	-
Total Fund Balances	3,735,108	347,254	11,326,517
Total liabiliites, deferred inflows of resources, and fund balances	$ 7,217,889	$ 377,619	$ 11,403,110

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

Other Governmental Funds	Total Governmental
$ 2,026,583	$ 3,016,117
2,417,874	16,232,449
-	88,651
116,210	366,380
-	76,611
2,218	15,231
-	2,751,668
-	134,339
32,513	350,351
-	123,073
-	244,248
-	194,898
$ 4,595,398	$ 23,594,016
$ 16,664	$ 177,215
5,571	318,806
-	11,535
695,586	1,999,197
717,821	2,506,753
-	1,800,807
-	1,800,807
-	439,146
1,696,426	13,370,197
2,623,387	2,623,387
(442,236)	2,853,726
3,877,577	19,286,456
$ 4,595,398	$ 23,594,016

CITY OF CORINTH, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2016

Exhibit A-4

Total Fund Balances - Governmental Funds	$	19,286,456
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		51,304,769
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. As a result, these liabilities decrease net position:		
Capital leases payable		(1,268,191)
Bonds payable		(25,577,551)
Accrued compensated absences		(994,772)
Deferred loss on bond refunding is not included in the governmental funds but is deferred and amortized in the government wide statements.		51,183
Payables for bond interest which are not due in the current period are not reported in the fund financial statements but are included in the statement of net position. This results in a decrease in net position.		(183,915)
Included in liabilities is the recognition of the City's net pension liability in the amount of $6,464,900, a deferred inflow of resources of $611,306 and a deferred outflow of resources of $2,201,353. This results in a decrease in net position.		(4,874,853)
Other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. Net property taxes receivable of $86,088, net fines, fees and court costs receivable of $1,513,400, net fees for ambulance receivables of $134,339 and net receivables for other items of $66,980 were unavailable to pay for the current period expenditures and are deferred inflows in the governmental funds but are recognized as revenue in the government wide statements. This results in an increase in net position.		1,800,807
Net position of governmental activities	$	39,543,933

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

CORINTH
Gateway to Success

CITY OF CORINTH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Debt Service	2016 CO Fund
REVENUES			
Taxes:			
Property	$ 7,274,662	$ 2,361,370	$ -
Sales	1,374,704	-	-
Hotel occupancy tax	-	-	-
Franchise	1,068,910	-	-
Escrow and impact fees	-	-	-
Utility fees	29,761	-	-
Traffic fines & forfeitures	682,806	-	-
Development fees & permits	488,866	-	-
Police fees & permits	29,834	-	-
Parks & recreation fees	147,343	-	-
Fire services	2,588,688	-	-
Donations	1,700	-	-
Interest income	40,127	2,482	23,820
Grants	-	-	-
Miscellaneous income	31,502	-	-
Charges for services	479,576	-	-
Total revenues	14,238,479	2,363,852	23,820
EXPENDITURES			
Current:			
Public safety	8,367,080	-	-
Community services	1,432,919	-	-
Public works	771,293	-	-
Planning and community development	965,581	-	-
City administration	2,106,266	-	-
Finance and administrative services	862,114	-	-
Debt service:			
Principal	-	1,729,692	-
Interest	-	547,913	216,030
Capital outlay:			
Public safety	-	-	3,727,303
Total expenditures	14,505,253	2,277,605	3,943,333
Excess (Deficiency) of Revenues over Expenditures	(266,774)	86,247	(3,919,513)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	-	1,208,988	15,246,030
Proceeds from sale of capital assets	-	-	-
Payments to bond refunding agent	-	(1,179,213)	-
Transfers out	(573,004)	-	-
Transfers in	847,951	6,812	-
Total Other Financing Sources (Uses)	274,947	36,587	15,246,030
Net Change in Fund Balance	8,173	122,834	11,326,517
Fund Balance - October 1 (Beginning)	3,726,935	224,420	-
Fund Balance - September 30 (Ending)	$ 3,735,108	$ 347,254	$ 11,326,517

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

Other Governmental Funds	Total Governmental Funds
$ -	$ 9,636,032
648,355	2,023,059
79,007	79,007
-	1,068,910
59,205	59,205
-	29,761
30,046	712,852
-	488,866
31,958	61,792
10,365	157,708
91,699	2,680,387
184,520	186,220
21,004	87,433
3,144	3,144
258,303	289,805
-	479,576
1,417,606	18,043,757
1,335,903	9,702,983
74,607	1,507,526
950,688	1,721,981
15,570	981,151
67,543	2,173,809
-	862,114
76,895	1,806,587
20,642	784,585
-	3,727,303
2,541,848	23,268,039
(1,124,242)	(5,224,282)
661,695	17,116,713
65,887	65,887
-	(1,179,213)
(10,525)	(583,529)
887,840	1,742,603
1,604,897	17,162,461
480,655	11,938,179
3,396,922	7,348,277
$ 3,877,577	$ 19,286,456

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

Exhibit A-6

Net Change in Fund Balances - Total Governmental Funds		$ 11,938,179
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements.		6,499,287
The net book value of capital assets disposed reduces net position.		(22,666)
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources.		(4,693,448)
The issuance of long-term debt 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.		
Issuance of bonds	$ (14,452,800)	
Issuance of bond premium	(2,002,217)	
Issuance of capital lease	(661,695)	
Current year deferred loss on bond refunding	(48,881)	
Bond principal repayments	2,891,892	
Capital lease repayment	76,895	
Amortization of premium	129,177	
Amortization of deferred loss on bond refunding	68,244	
		(13,999,385)
Changes in long-term liabilities for compensated absences are not reported in the governmental funds but are included in the statement of activities.		8,488
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the interest accrual is an increase of $94,780. The effect is to decrease net position.		(94,780)
Certain pension expenditures that are recorded in the fund financial statements must be recorded as deferred outflows of revenues. Contributions made after the measurement date caused the change in net position to increase in the amount of $990,935. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's pension expense must be recognized. These cause the change in net position to decrease in the amount of $1,256,904. The net effect is a decrease in net position.		(265,969)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred inflows of resources as revenue, adjusting current year revenue to include the revenue earned from current year's tax levy, and eliminating interfund transactions. These adjustments result in an increase in net position.		177,541
Change in Net Position of Governmental Activities		$ (452,753)

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

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

Exhibit A-7

	Enterprise Funds		
	Water and Sewer Fund	Storm Drainage Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash	$ 794,711	$ 151,542	$ 946,253
Investments	3,102,519	699,538	3,802,057
Receivables (net of allowances for uncollectibles):			
Accounts	1,496,209	82,783	1,578,992
Interest	2,385	719	3,104
Miscellaneous	3,605	-	3,605
Inventories	172,269	14,950	187,219
Total Current Assets	5,571,698	949,532	6,521,230
Non-current assets:			
Capital Assets			
Land	485,399	12,000	497,399
Construction in progress	388,642	-	388,642
Buildings	252,345	-	252,345
Machinery and equipment	1,348,925	275,009	1,623,934
Infrastructure	40,582,804	5,142,232	45,725,036
Less accumulated depreciation	(15,604,237)	(1,634,363)	(17,238,600)
Total Capital Assets (net of accumulated depreciation)	27,453,878	3,794,878	31,248,756
Total assets	33,025,576	4,744,410	37,769,986
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	19,024	-	19,024
Deferred outflows - pension	261,378	28,545	289,923
Total deferred outflows of resources	280,402	28,545	308,947
LIABILITIES			
Current liabilities:			
Accounts payable	161,936	1,030	162,966
Accrued liabilities	41,763	4,330	46,093
Accrued interest payable	46,748	10,449	57,197
Customer deposits	583,590	-	583,590
Other liabilities	-	13,665	13,665
Compensated absences	94,705	2,282	96,987
Current portion of bonds	685,201	118,007	803,208
Total current liabilities	1,613,943	149,763	1,763,706
Non-current liabilities:			
Net pension liability	755,804	81,192	836,996
General obligation bonds	7,340,257	1,586,394	8,926,651
Total Noncurrent Liabilities	8,096,061	1,667,586	9,763,647
Total Liabilities	9,710,004	1,817,349	11,527,353
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	71,128	10,000	81,128
Total Deferred Inflows of Resources	71,128	10,000	81,128
NET POSITION			
Net investment in capital assets	19,447,444	2,090,477	21,537,921
Restricted for capital projects	556,809	90,693	647,502
Unrestricted	3,520,593	764,436	4,285,029
Total net position	$ 23,524,846	$ 2,945,606	$ 26,470,452

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

Exhibit A-8

CITY OF CORINTH, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Funds		
	Water and Sewer Fund	Storm Drainage Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for sales and services:			
Water sales	$ 5,550,353	$ -	$ 5,550,353
Sewer disposal	4,308,134	-	4,308,134
Storm drainage fees	-	695,050	695,050
Garbage	795,023	-	795,023
Penalties and reconnect fees	179,242	-	179,242
Tap fees	111,651	-	111,651
Service fees	68,113	-	68,113
Inspections	35,206	8,733	43,939
Total Operating Revenues	11,047,722	703,783	11,751,505
OPERATING EXPENSES			
Wages & benefits	1,546,452	118,075	1,664,527
Professional services and contracts	2,265,685	52,519	2,318,204
Maintenance and operations	434,257	7,325	441,582
Supplies	74,691	5,600	80,291
Utilities and communication	5,372,011	6,003	5,378,014
Vehicles/equipment and fuel	104,960	9,377	114,337
Travel and training	10,418	-	10,418
Capital outlay	66,623	-	66,623
Depreciation	1,888,917	244,286	2,133,203
Total Operating Expenses	11,764,014	443,185	12,207,199
Operating Income (Loss)	(716,292)	260,598	(455,694)
NONOPERATING REVENUES (EXPENSES)			
Interest income	22,553	3,775	26,328
Miscellaneous income (expense)	4,741	-	4,741
Gain (loss) on sale of capital assets	9,768	-	9,768
Interest expense	(393,044)	(82,555)	(475,599)
Total Non-operating Revenues (Expenses)	(355,982)	(78,780)	(434,762)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,072,274)	181,818	(890,456)
CONTRIBUTIONS AND TRANSFERS			
Special assessment - water and sewer impact fees	144,666	-	144,666
Capital contributions	912,477	391,250	1,303,727
Transfers in	228,530	-	228,530
Transfers out	(833,691)	(553,913)	(1,387,604)
Total Contributions and Transfers	451,982	(162,663)	289,319
Change in Net Position	(620,292)	19,155	(601,137)
Net Position, Beginning	24,145,138	2,926,451	27,071,589
Net Position, Ending	$ 23,524,846	$ 2,945,606	$ 26,470,452

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

CORINTH
Gateway to Success

CITY OF CORINTH, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit A-9

	Enterprise Funds		
	Water and Sewer Fund	Storm Drainage Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 11,288,017	$ 703,028	$ 11,991,045
Payments to or on behalf of employees	(1,470,588)	(119,396)	(1,589,984)
Payments to suppliers	(9,028,351)	(196,554)	(9,224,905)
Net cash provided by operating activities	789,078	387,078	1,176,156
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(833,691)	(553,913)	(1,387,604)
Transfers in	228,530	-	228,530
Net cash used by noncapital financing activities	(605,161)	(553,913)	(1,159,074)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	140,000	140,000
Acquisition of capital assets	(379,179)	(59,703)	(438,882)
Proceeds from issuance of debt	332,200	-	332,200
Principal paid on bonds	(1,059,147)	(108,961)	(1,168,108)
Interest paid on bonds	(397,972)	(86,317)	(484,289)
Proceeds from sale of assets	9,768	-	9,768
Special assessments- impact fees	144,666	-	144,666
Net cash used by capital and related financing activities	(1,349,664)	(114,981)	(1,464,645)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in short-term investments	1,161,393	(100,143)	1,061,250
Interest received	26,304	3,345	29,649
Net cash provided (used) by investing activities	1,187,697	(96,798)	1,090,899
NET CHANGE IN CASH AND CASH EQUIVALENTS	21,950	(378,614)	(356,664)
CASH AND CASH EQUIVALENTS, BEGINNING	772,761	530,156	1,302,917
CASH AND CASH EQUIVALENTS, ENDING	$ 794,711	$ 151,542	$ 946,253

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

Exhibit A-9

CITY OF CORINTH, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Funds		
	Water and Sewer Fund	Storm Drainage Fund	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating (loss) income	$ (716,292)	$ 260,598	$ (455,694)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation and amortization	1,888,917	244,286	2,133,203
(Increase) decrease in accounts receivable	218,295	(755)	217,540
(Increase) decrease in inventories	23,722	143	23,865
Increase (decrease) in accounts payable	(723,428)	(129,538)	(852,966)
Increase (decrease) in customer deposits	22,000	-	22,000
Increase (decrease) in accrued liabilities	75,864	12,344	88,208
Net cash provided by operating activities	$ 789,078	$ 387,078	$ 1,176,156
NONCASH INVESTING AND FINANCING ACTIVITIES			
Infrastructure contributed by developers	$ 912,477	$ 251,250	$ 1,163,727

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

Note 1: REPORTING ENTITY

The City of Corinth, Texas (the City) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The financial statements of the City have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in the financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) the City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

Based on the criteria above, the City has the following component units:

Blended component unit. The *Corinth Crime Control and Prevention District* (CCD) was organized under state law and serves all the citizens of the City and is financed by a one-quarter of one percent (.0025) sales and use tax for the support of crime reduction programs authorized by the City. The CCD is governed by a board of directors, the members of which are appointed and serve at the discretion of the City Council. Because the CCD board is made up of the City Council, the CCD meets the standard that the board is substantially the same as the City Council. The CCD provides services entirely to the City. Therefore the CCD is reported as a blended component unit. The CCD is reported as a special revenue fund and does not issue separate financial statements.

Discretely presented component unit. The *Corinth Economic Development Corporation* (CEDC) was organized under state law for the purpose of promoting economic development. State statutes define projects that the corporation may fund. The CEDC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. The CEDC is reported as a governmental entity and its accounts are maintained on the modified accrual basis of accounting. CEDC does not issue separate financial statements.

Note 2: 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 activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements.

Note 3: 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, certain charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

The City reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Debt Service Fund*** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The ***2016 CO Fund*** is used to account for the resources accumulated for the issuance of the 2016 $13,275,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation.

The City reports the following major proprietary fund types:

Water and Sewer Fund — The Water and Sewer Fund provides water and wastewater services to the residents and businesses of Corinth. The activities supporting the delivery of services are accounted for in this fund, including operations and maintenance, administration, billing, financing and debt service. The Water and Sewer Fund is financed and operated in a manner similar to private business enterprises, where the determination of net income is necessary or useful to sound financial administration.

Storm Drainage Fund – The Storm Drainage Utility Fund is used to protect the public health and safety from damage caused by surface water overflows, and surface water stagnation and pollution within the city.

Additionally, the City reports the following fund types:

Fourteen nonmajor special revenue funds account for specific revenue sources that are legally restricted to expenditures for specialized purposes.

Ten nonmajor capital projects funds are used to account for acquisition and construction of major capital facilities (other than those accounted for within the City's proprietary funds) and vehicle replacement funds. Capital projects are funded primarily though certificates of obligation.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating gr/ants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include cost of sales and services, administrative expenses and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund types, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments for the City and CEDC are reported at fair value (generally based on quoted market prices), except for the positions in TexPool and TexSTAR. In accordance with state law, TexPool and TexSTAR operate in conformity with the requirements of the Securities and Exchange Commission's (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexSTAR qualify as 2a-7 like pools and are reported at the net asset value per share (which approximates fair value) even though they are calculated using the amortized cost method. The Pools are subject to regulatory oversight by the State Comptroller, although they are not registered with the SEC.

Fair Value Measurements

The City adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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 "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." All trade and property tax receivables are shown net of an allowance for uncollectibles.

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventories consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are recorded as expenditures when consumed rather than when purchased.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 has two items that qualify for reporting in this category. The City has a deferred charge on bond 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 City also has deferred outflows of resources for its deferred outflow related to pensions as described in Note 7.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines, ambulance services and other items. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows of resources for its deferred inflow related to pensions as described in Note 7.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements as well as the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction are not depreciated. Other property, plant, equipment, and infrastructure of the City, as well as the component unit, are depreciated using the straight-line method over the following useful lives:

Building and building improvements	20-50 years
Water and Wastewater system infrastructure	30 years
Storm drainage system infrastructure	30 years
Public domain infrastructure	50 years
Vehicles and equipment	5-10 years
Office equipment	5-10 years

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences

Accumulated earned but unused vacation is accrued when incurred in the government-wide and proprietary fund financial statements. It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. Eligible employees are reimbursed upon separation from service for accumulated vacation, accumulated sick pay; non-exempt employees are reimbursed for compensatory time. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Property Taxes

Property is appraised and a lien on such property becomes enforceable as of January 1st of each year. Taxes are levied on and payable the following October 1. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. The City is permitted by the State of Texas to levy taxes up to $2.50 per $100 of assessed valuation for general government services and for the payment of principal and interest on general long-term debt. The combined current tax rate to finance general government services, including debt service for the fiscal year ended September 30, 2016, was $.58489 per $100 of assessed valuation.

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Following are the City's investments at September 30, 2016, including classification by level, within the fair value hierarchy:

Primary Government

Investment Pools	Fair Value	Level	S&P Rating	Weighted Average Maturity
TexSTAR	$ 5,922,657	n/a	AAAm	< 60 days

Other Investments	Fair Value	Level	S&P Rating	Investment Maturity in Years: Less than 1 Year	1 - 5	More than 5
U.S. Government Backed Securities	11,309,786	Level 2	AA+	$ 3,215,000	$ 8,094,786	$ -
Money market	2,783,440	Level 1	n/a	2,783,440	-	-
Total	14,093,226			$ 5,998,440	$ 8,094,786	$ -
Less: reconciling items	18,623					
Total Investments	$ 20,034,506					

CEDC

Investment Pools	Fair Value		S&P Rating	Weighted Average Maturity
TexPool	$ 953,468	n/a	AAAm	< 60 days

Other Investments	Fair Value	Level	S&P Rating	Investment Maturity in Years: Less than 1 Year	1 - 5	More than 5
U.S. Government Backed Securities	1,930,214	Level 2	AA+	$ -	$ 1,930,214	$ -
Total Investments	$ 2,883,682			$ -	$ 1,930,214	$ -

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

The Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities to invest their public funds through the investment pools. TexSTAR is administered by JP Morgan Investment Management, Inc. and First Southwest and is rated AAAm by Standard and Poor's.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to decline in fair value of securities by limiting the City to securities with maturities not to exceed 36 months from date of purchase. The City also manages the weighted average days to maturity for the operating funds portfolio to less than 270 days, and the reserve, special project and capital project funds to less than 365 days. The CEDC limits weighted average days to maturity for the operating funds portfolio to less than 270 days.

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

The City and its component unit invest in the public funds investment pools listed above, which have specified maximum weighted average maturities for their investment portfolios. The maximum weighted average maturity (WAM) of TexPool investment portfolios cannot exceed 60 days. TexSTAR also maintains a portfolio maximum WAM of 60 days calculated according to SEC rule 2a-7.

Credit Risk. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2016, the City's investments in TexPool and TexSTAR were both rated AAAm by Standard & Poor's.

The City's investment policy requires diversification of investments according to the following guidelines:

Investment	Maximum of Portfolio %
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	100%
Local Government Obligations	10%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	100%
U.S. Treasury and Agency Callables	30%

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,466,298	$ 129,464	$ -	$ 2,595,762
Construction in progress	1,359,999	4,638,220	1,535,887	4,462,332
Total assets not being depreciated	3,826,297	4,767,684	1,535,887	7,058,094
Capital assets, being depreciated:				
Buildings	6,656,127	69,092	-	6,725,219
Machinery and equipment	9,802,766	1,676,056	334,660	11,144,162
Infrastructure	93,861,885	1,522,342	-	95,384,227
Total capital assets being depreciated	110,320,778	3,267,490	334,660	113,253,608
Less accumulated depreciation:				
Buildings	2,220,041	206,326	-	2,426,367
Machinery and equipment	5,004,364	885,151	311,994	5,577,521
Infrastructure	57,401,074	3,601,971	-	61,003,045
Total accumulated depreciation	64,625,479	4,693,448	311,994	69,006,933
Total capital assets being depreciated, net	45,695,299	(1,425,958)	22,666	44,246,675
Governmental activities capital assets, net	$ 49,521,596	$ 3,341,726	$ 1,558,553	$ 51,304,769

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 497,399	$ -	$ -	$ 497,399
Construction in progress	349,267	378,842	339,467	388,642
Total assets not being depreciated	846,666	378,842	339,467	886,041
Capital assets, being depreciated:				
Buildings	252,345	-	-	252,345
Machinery and equipment	1,643,054	27,040	46,160	1,623,934
Infrastructure	44,188,842	1,536,194	-	45,725,036
Total capital assets being depreciated	46,084,241	1,563,234	46,160	47,601,315
Less accumulated depreciation:				
Buildings	141,597	6,566	-	148,163
Machinery and equipment	1,175,284	96,694	46,160	1,225,818
Infrastructure	13,834,676	2,029,943	-	15,864,619
Total accumulated depreciation	15,151,557	2,133,203	46,160	17,238,600
Total capital assets being depreciated, net	30,932,684	(569,969)	-	30,362,715
Business-type activities capital assets, net	$ 31,779,350	$ (191,127)	$ 339,467	$ 31,248,756

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

Governmental activities:	
Public safety	$ 656,182
Community services	214,271
Public works	3,620,208
Planning and community development	9,943
City administration	192,294
Finance and administrative services	550
Total depreciation expense - governmental activities	$ 4,693,448
Business-type activities	
Water and sewer	$ 1,888,917
Storm drainage	244,286
Total depreciation expense - business-type activities	$ 2,133,203

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Interfund Transfers

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

Transfers In	Transfers Out	Amount	Purpose
General	Water and Sewer	$ 710,626	Administrative Allocation
General	Storm Drainage	57,330	Administrative Allocation
General	Nonmajor	1	Close Out Fund
General	Water and Sewer	79,994	Budgeted Transfer
Debt Service	Nonmajor	6,812	Debt repayments
Nonmajor	General	180,000	Budgeted Transfer
Nonmajor	General	50,000	Budgeted Transfer
Nonmajor	General	146,965	Budgeted Transfer
Nonmajor	General	22,150	Budgeted Transfer
Nonmajor	Water and Sewer	3,501	Budgeted Transfer
Nonmajor	Storm Drainage	250	Budgeted Transfer
Nonmajor	Nonmajor	3,712	CIP Reallocation
Nonmajor	Water and Sewer	39,570	CIP Reallocation
Nonmajor	Storm Drainage	424,184	CIP Reallocation
Nonmajor	General	17,508	Budgeted Transfer
Water and Sewer	General	156,381	Administrative Allocation
Water and Sewer	Storm Drainage	35,187	Administrative Allocation
Water and Sewer	Storm Drainage	25,000	Budgeted Transfer
Water and Sewer	Storm Drainage	11,962	CIP Reallocation
		$ 1,971,133	

Long-term Obligations

Long-term obligations of the City's governmental activities consist of general obligation bonds and certificates of obligation. Sources of retirement of general obligation bond and certificates of obligation are provided from ad valorem tax. Governmental activities long-term obligations are paid by the debt service fund.

Long-term obligations of the City's business-type activities consist of general obligation bonds and certificates of obligation. Business-type activities long-term obligations are serviced by revenue from the Water and Sewer and Storm Drainage systems.

Compensated absences and net pension liability are paid from the fund out of which an employee is regularly paid – primarily the General Fund, Water and Sewer Fund, and Storm Drainage Fund.

Governmental activity capital lease payments are currently being made from the LCFD Vehicle and Equipment Replacement Fund.

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

On April 15, 2016, the City issued $1,510,000 in General Obligation Refunding Bonds, Series 2016. Proceeds from the sale of the bonds were used to partially refund the General Obligation Refunding Bonds, Series 2005, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of $39,984. The bonds issued consisted of current interest bonds of $1,510,000 with interest at 2.0% paid through 2020. The City advance refunded the General Obligation Refunding Bonds, Series 2005 to increase its total debt service payments over 5 years by $4,563 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $46,990. The City intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The City designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

The following is a summary of changes in long-term obligations for the year ended September 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
Certificates of obligation	$ 7,388,906	$ 13,275,000	$ (561,517)	$ 20,102,389	$ 587,810
General obligation bonds	4,611,500	1,177,800	(2,330,375)	3,458,925	777,150
Bond premiums/discounts (net)	143,197	2,002,217	(129,177)	2,016,237	118,813
Compensated absences	1,003,260	466,014	(474,502)	994,772	419,772
Capital lease obligation	683,391	661,695	(76,895)	1,268,191	138,439
Net pension liability	5,503,002	961,898	-	6,464,900	-
Total Governmental Activities	$ 19,333,256	$ 18,544,624	$ (3,572,466)	$ 34,305,414	$ 2,041,984
Business-type activities					
General obligation bonds	$ 1,063,500	$ 332,200	$ (579,625)	$ 816,075	$ 167,850
Certificates of obligation	9,341,092	-	(588,483)	8,752,609	617,190
Bond premiums/discounts (net)	173,470	8,797	(21,092)	161,175	18,168
Compensated absences	66,055	96,987	(66,055)	96,987	96,987
Net pension liability	707,230	129,766	-	836,996	-
Total Business Type Activities	$ 11,351,347	$ 567,750	$ (1,255,255)	$ 10,663,842	$ 900,195
Total long-term obligations	$ 30,684,603	$ 19,112,374	$ (4,827,721)	$ 44,969,256	$ 2,942,179

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

The following is a schedule of the General Obligation and Certificates of Obligation bonds:

	Date of Issue	Amount of Original Issue	Interest Rate	Maturity Date	Governmental Amount Outstanding 9/30/2016	Business Type Amount Outstanding 9/30/2016
General Obligation	2/1/2007	5,250,000	3.78%-4.49%	2/15/2021	$ 2,281,125	$ 483,875
Certificates of Obligation	8/16/2007	23,630,000	4.50%-5.25%	2/15/2027	6,492,389	8,752,609
Certificates of Obligation	4/15/2010	1,500,000	1.95%-3.35%	2/15/2020	335,000	-
Certificates of Obligation	4/21/2016	13,275,000	2.00%-5.00%	2/15/2036	13,275,000	-
General Obligation	4/21/2016	1,510,000	2.00%	2/15/2020	1,177,800	332,200
					$ 23,561,314	$ 9,568,684

The annual requirements to retire general long-term debt, including interest, as of September 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2017	$ 1,364,960	$ 1,124,116	$ 2,489,076
2018	1,569,112	930,028	2,499,140
2019	1,542,577	870,876	2,413,453
2020	1,576,424	817,770	2,394,194
2021	1,232,002	772,386	2,004,388
2022-2026	6,429,577	2,990,870	9,420,447
2027-2031	4,811,661	1,513,931	6,325,592
2032-2036	5,035,001	519,500	5,554,501
Total	$ 23,561,314	$ 9,539,477	$ 33,100,791

The annual requirements to retire enterprise activity debt, including interest, as of September 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2017	$ 785,040	$ 445,486	$ 1,230,526
2018	885,888	408,371	1,294,259
2019	912,423	371,057	1,283,480
2020	863,576	334,341	1,197,917
2021	767,998	298,816	1,066,814
2022-2026	4,340,423	859,193	5,199,616
2027	1,013,336	26,600	1,039,936
Total	$ 9,568,684	$ 2,743,864	$ 11,272,612

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Capital Leases Payable

A summary of changes in capital leases payable for the year ended September 30, 2016 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Capital lease obligation	$ 683,391	$ 661,695	$ (76,895)	$ 1,268,191	$ 138,439

The City leases various equipment under capital lease. The following is an analysis of the leased assets included in capital assets at September 30, 2016:

Equipment	$ 1,501,585
Less: accumulated depreciation	(193,000)
Net value	$ 1,308,585

The following is a schedule of future minimum payments required under the leases with its present value as of September 30, 2016:

2017	$ 162,362
2018	162,362
2019	162,362
2020	162,362
2021	162,362
2022-2026	519,948
2027-2028	130,149
Total minimum lease payments	1,461,907
Less amount representing interest	(193,716)
Present value of minimum lease payments	$ 1,268,191

Note 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Note 7: DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided

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

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

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

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

Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	89
Active employees	146
	296

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14% and 14% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were $1,380,260, and were equal to the required contributions.

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 NPL 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	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Note 7: DEFINED BENEFIT PENSION PLAN (continued)

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%. Based on the size of the city, rates are multiplied by a factor of 100.0%. 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without and adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TRMS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected 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.

Note 7: DEFINED BENEFIT PENSION PLAN (continued)

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2014	$ 30,491,719	$ 24,281,487	$ 6,210,232
Changes for the year:			
Service Cost	1,614,486		1,614,486
Interest	2,163,512		2,163,512
Changes of benefit terms	-		-
Difference between expected and actual experience	(356,486)		(356,486)
Changes of assumptions	(252,429)		(252,429)
Contributions - employer		1,415,503	(1,415,503)
Contributions - employee		648,976	(648,976)
Net investment income		35,841	(35,841)
Benefit payments, including refunds of employee contributions	(783,303)	(783,303)	-
Administrative expense		(21,823)	21,823
Other changes		(1,078)	1,078
Net changes	2,385,780	1,294,116	1,091,664
Balance at 12/31/2015	$ 32,877,499	$ 25,575,603	$ 7,301,896

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	$ 13,330,102	$ 7,301,896	$ 2,487,401

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 $1,682,109.

Note 7: DEFINED BENEFIT PENSION PLAN (continued)

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 Inflows of Resources
Differences between expected and actual economic experience	$ -	$ (485,082)
Changes in actual assumptions	-	(207,352)
Difference between projected and actual investment earnings	1,500,341	-
Contributions subsequent to the measurement date	990,935	-
Total	$ 2,491,276	$ (692,434)

$990,935 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 September 30:	
2017	$ 229,890
2018	229,890
2019	229,890
2020	183,477
2021	(65,240)
Thereafter	-
	$ 807,907

Supplemental Death Benefits Plan

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 Benefit 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. Audited financial statements of the SDBF may be obtained from TMRS' website at www.TMRS.com.

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2016, 2015 and 2014 were $9,252, $8,807, and $8,028, respectively, which equaled the required contributions each year.

Note 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining workers compensation and property and liability insurance through Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Risk Pool ("Pool") is considered a self-sustaining risk pool that provides coverage for its members. The City's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the City. The Pool's liability is limited to the coverage that the City elects as stated in the Pool's Declarations of Coverage for that fund year. 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.

Note 9: COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Estimated costs to complete significant construction projects in progress at year-end totaled approximately $13,573,450.

Upper Trinity Regional Water District (UTRWD)

On November 13, 1990, the City entered into a 30-year contract with Upper Trinity Regional Water District (UTRWD) and other participating political members to develop a regional water system for providing retail utility service to the Denton County area.

The contract included, among other things, a commitment by the City to 2.0 million gallons of water per day demand. On February 4, 1999 the City amended the contract with Upper Trinity to increase the demand from 2.0 million gallons per day to 5.5 million gallons per day. On September 2, 1999, due to continued growth, the City entered into the third contract amendment with Upper Trinity increasing the demand to 7.5 million gallons per day. The City also currently maintains a contract with the Upper Trinity Regional Water District for treatment of wastewater flows up to 1.608 million gallons per day.

The current demand capacity of 7.5 million gallons per day provides the City with three (3) weighted votes as a member of the Upper Trinity Board. The City has one appointed member to the Upper Trinity Board of Directors and one appointed member to the Upper Trinity Customer Advisory Committee. Under agreements with the UTRWD, all participating and contract entities share in the cost of administering the District and in the cost of planning for future programs and services of the District.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

(Date)

CITY OF CORINTH, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2017
IN THE AGGREGATE PRINCIPAL AMOUNT OF $14,240,000

AS BOND COUNSEL FOR THE CITY OF CORINTH, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Refunding Bonds, Series 2017, described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption prior to maturity, in accordance with the terms and conditions stated in the text of the Bonds and in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Bond Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Bond Ordinance.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, as provided in the Bond Ordinance.

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

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the Bond Ordinance, relating to, among other matters, the use of the projects being refinanced and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds and on the sufficiency certificates of the paying agents for the Refunded Obligations verifying the sufficiency of the amounts deposited to the escrow fund to pay the principal of and interest on the Refunded Obligations on their respective due dates, the accuracy of which we have not independently verified. 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 Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

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

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

Respectfully,

Proposed Form of Opinion of Bond Counsel

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

CITY OF CORINTH, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2017
IN THE AGGREGATE PRINCIPAL AMOUNT OF $4,855,000

AS BOND COUNSEL FOR THE CITY OF CORINTH, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, 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 of Obligation and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates of Obligation (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 of the Certificates of Obligation, including one of the executed Certificates of Obligation (Certificate of Obligation Number T-1).

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates of Obligation 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 of Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the Ordinance, relating to, among other matters, the use of the project being financed and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Certificates of Obligation, the accuracy of which we have not independently verified. 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 of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates of Obligation, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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 of Obligation.

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 of Obligation, nor as to any such insurance policies issued in the future.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates of Obligation is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates of Obligation 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 of Obligation 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 of Obligation, 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 of Obligation 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 of Obligation has been limited as described therein.

Respectfully,

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