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CITY OF CORINTH, TEXAS

(Denton County, Texas)

ISSUER # 1317
PROCESS CODE 2

APR 0 9 1999

DUPLICATE
INITIALS DF

$7,000,000
GENERAL OBLIGATION BONDS,
SERIES 1999

Sealed Bids Due Thursday, April 15, 1999,
at 11:00 AM, CST

OFFICIAL STATEMENT

Dated April 1, 1999

Ratings:
Moody's: Applied For
S&P: Applied For
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 existing law, subject to the matters described under "Tax Exemption" herein, including the alternative minimum tax on corporations.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$7,000,000
CITY OF CORINTH, TEXAS
(Denton County)
GENERAL OBLIGATION BONDS, SERIES 1999

Dated Date: April 1, 1999

Due: February 15, as shown on inside cover page

PAYMENT TERMS . . . Interest on the $7,000,000 City of Corinth, Texas, General Obligation Bonds, Series 1999 (the "Bonds") will accrue from April 1, 1999, (the "Dated Date") and will be payable February 15 and August 15 of each year commencing February 15, 2000, and 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. **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 Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Norwest Bank, Texas, N.A., Fort Worth, Texas (see "The Bonds - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Article 823, Vernon's Annotated Texas Civil Statutes ("VATCS"); elections held on September 13, 1997 and, November 3, 1998, as passed by a majority of the participating voters; and an ordinance adopted on the date of the sale of the Bonds; and constitute direct obligations of the City of Corinth, Texas (the "City") payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City. (See "The Bonds – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) construct, reconstruct and improve streets within the City, (ii) provide a new city hall by acquiring or constructing, or both, a suitable facility for such purpose, (iii) construct park improvements, (iv) and to pay the costs of issuance associated with the sale of the Bonds.

MATURITY SCHEDULE

See Schedule on Inside Front Cover

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser(s) and subject to the approving opinion of the Attorney General of Texas and the opinion of Fisher & Newsom, P.C., Bond Counsel, Irving, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on May 26, 1999.

MATURITY SCHEDULE

Amount	Maturity	Rate	Price or Yield	Amount	Maturity	Rate	Price or Yield
$ 100,000	2000			$ 350,000	2010		
225,000	2001			365,000	2011		
240,000	2002			385,000	2012		
255,000	2003			400,000	2013		
270,000	2004			420,000	2014		
285,000	2005			440,000	2015		
295,000	2006			465,000	2016		
310,000	2007			485,000	2017		
325,000	2008			510,000	2018		
335,000	2009			540,000	2019		

(Accrued Interest from April 1, 1999 to be added

Optional Redemption . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2008, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2007, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption as provided above, should the Purchaser(s) select Alternate 2 (a combination of Serial Bonds and Term Bonds), the Term Bonds are subject to mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Interest and Sinking Fund on the first February 15 next following the last maturity for serial Bonds, and annually thereafter on each February 15 until the stated maturity for the Term Bonds. The principal amount of Term Bonds to be redeemed on each mandatory redemption date shall be the principal amount that would have been due and payable in the Maturity Schedule shown above had no conversion to Term Bonds occurred (See "The Bonds – Mandatory Sinking Fund Redemption").

Ratings: **Moody's: "Aaa"**
Standard & Poor's: "AAA"
(Ambac Insured)

SUPPLEMENT TO
OFFICIAL STATEMENT

relating to

$7,000,000
CITY OF CORINTH, TEXAS
(Denton County)
GENERAL OBLIGATION BONDS, SERIES 1999

On April 15, 1999, the above-captioned bonds (the "Bonds") were awarded to an underwriter or group of underwriters managed by First Tennessee Capital Markets (the "Purchasers"). The interest rate with respect to each maturity of Bonds and the initial reoffering price/yield for each maturity are as follows:

MATURITY SCHEDULE

Amount	Maturity (2/15)	Rate	Initial Reoffering Price or Yield	Amount	Maturity (2/15)	Rate	Initial Reoffering Price or Yield
$ 100,000	2000	3.50%	100	$ 350,000	2010	4.25%	100
225,000	2001	3.60%	100	365,000	2011	4.30%	100
240,000	2002	3.70%	100	385,000	2012	4.35%	100
255,000	2003	3.80%	100	400,000	2013	4.40%	100
270,000	2004	4.50%	3.90%	420,000	2014	4.50%	100
285,000	2005	5.00%	4.00%	440,000	2015	4.60%	100
295,000	2006	5.00%	4.05%	465,000	2016	4.65%	100
310,000	2007	5.00%	4.10%	485,000	2017	4.70%	100
325,000	2008	4.15%	100	510,000	2018	4.75%	100
335,000	2009	4.20%	100	540,000	2019	4.80%	100

The initial reoffering prices/yields were supplied to the City by the Purchasers. The initial reoffering prices/yields less the cost of insurance noted below would produce compensation to the Purchasers of approximately $30,133.50.

Under the caption "INTRODUCTION - DESCRIPTION OF THE CITY" the following should be added:

An election on the adoption of a home rule charter for the City will be held on May 1, 1999. If such election passes, the City will operate pursuant to the provisions of such home rule charter and the general laws of the State under a council-manager form of government. The City Council will continue to consist of a mayor and five councilmembers elected for two year terms and the City's maximum tax rate limit would continue to be $2.50 per $100 assessed valuation, as described below in "THE BONDS - TAX RATE LIMITATION". The proposed charter provides that all ordinances in force on the effective date of the charter (which would include the ordinance authorizing the issuance of the bonds) shall remain in full force and effect and all taxes levied and obligations incurred prior to the effective date of the charter shall be valid if properly fixed or established under the law in force at the time of such proceedings or under the law after the adoption of the charter.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

The following pages contain information regarding such insurance and a specimen insurance policy.

Subject to circumstances occurring subsequent to the date hereof, this Supplement together with the Official Statement noted above, dated April 1, 1999, constitute the "Final Official Statement" within the meaning of SEC Rule 15c2-12.

Dated: April 15, 1999

BOND INSURANCE

The information contained or referred to in this Supplement to Official Statement relating to the Insurer and the Insurance Policy has been provided by the Insurer. Such information has not been independently verified by the City or the Purchaser and is not guaranteed as to completeness or accuracy by the City or the Purchaser and is not to be construed as a representation of the City or the Purchaser. Reference is made to the specimen of the Insurer's policy attached hereto.

Payment Pursuant to Municipal Bond Insurance Policy . . . Ambac Assurance has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation . . . Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $3,290,000,000 (unaudited) and statutory capital of approximately $1,920,000,000 (unaudited) as of December 31, 1998. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Municipal Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information . . . The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference . . . The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and filed on March 31, 1998;

2. The Company's Current Report on Form 8-K dated March 27, 1998 and filed on March 27, 1998;

3. The Company's Amendment to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 1997 and filed on March 31, 1998.

4. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1998 and filed on May 15, 1998.

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1998 and filed on August 14, 1998; and

6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1998 and filed on November 13, 1998.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

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

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

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Corinth, Texas is a political subdivision and Type A general law municipal corporation of the State, located in Denton County, Texas. The City covers approximately 8.5 square miles (see "Introduction - Description of City").
THE BONDS	The Bonds are issued as $7,000,000 General Obligation Bonds, Series 1999. The Bonds are issued as serial Bonds maturing February 15, 2000 through February 15, 2019, unless the purchaser designates one or more maturities as a Term Bond (see "The Bonds -Description of the Bonds").
PAYMENT OF INTEREST	Interest on the Bonds accrues from April 1, 1999, and is payable February 15, 2000, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Bonds - Description of the Bonds" and "The Bonds - Optional Redemption").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the general laws of the State, particularly Article 823, VATCS, elections held on September 13, 1997, and November 3, 1998 and passed by a majority of the participating voters and an Ordinance passed by the City Council of the City (see "The Bonds - Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds constitute direct and voted obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "The Bonds - Security and Source of Payment").
QUALIFIED TAX-EXEMPT OBLIGATIONS	The City will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters - Qualified Tax-Exempt Obligations").
REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2008, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2007, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds may be subject to mandatory redemption in the event the initial purchaser elected to aggregate one or more maturities as a Term Bond (see "The Bonds - Mandatory Sinking Fund Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds 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) construct, reconstruct and improve streets within the City, (ii) provide a new city hall by acquiring or constructing, or both, a suitable facility for such purpose, (iii) construct park improvements, (iv) and to pay the costs of issuance associated with the sale of the Bonds.
RATINGS	The presently outstanding tax supported debt of the City is rated "Baa2" by Moody's Investors Service, Inc. ("Moody's") and "A-" by Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P"). The City also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. Applications for contract ratings on the Bonds have been made to Moody's and S&P (see "Other Information - Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial 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 Bonds - Book-Entry-Only System").

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Net General Obligation (G.O.) Tax Debt	Per Capita G. O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
1995	5,407	$ 219,126,545	$ 40,526	$ 5,239,000	$ 969	2.39%	100.19%
1996	5,594	268,884,663	48,067	5,554,000	993	2.07%	99.25%
1997	6,663	298,975,426	44,871	5,499,000	825	1.84%	105.66%
1998	7,208	361,118,748	50,100	11,324,000	1,571	3.14%	106.51%
1999	9,374	423,719,550	45,202	18,184,000 [2]	1,940	4.29%	101.62%

(1) Source: City officials.
(2) Includes the Bonds.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	1998	1997	1996	1995	1994
Beginning Balance	$ 1,559,978	$ 1,334,674	$ 1,095,325	$ 793,825	$ 518,675
Total Revenue	3,629,681	2,335,846	1,901,793	1,599,402	1,325,342
Total Expenditures	3,006,482	2,325,342	1,662,444	1,297,902	1,051,502
Net Transfers	156,472	214,800	-	-	1,310
Net Funds Available	779,671	225,304	239,349	301,500	275,150
Ending Balance	$ 2,339,649	$ 1,559,978	$ 1,334,674	$1,095,325	$ 793,825

For additional information regarding the City, please contact:

Richard H. Huckaby
City Administrator
City of Corinth
2003 S. Corinth
Corinth, Texas 76205
(940) 497-4145

Or

W. Boyd London, Jr.
Mark C. Kim
First Southwest Company
1700 Pacific Avenue
Suite 500
Dallas, Texas 75201
(214) 953-4013

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Shirley Spellerberg Mayor	14 Years	May, 1999	Realtor - Retired
Don Dickerson Mayor Pro-Tem	6 Years	May, 2000	Operations Manager
Lowell Johnson Councilmember	1 Year	May, 2000	Police Officer
David M. Smith Councilmember	5 Years	May, 1999	Fireman
Gaylan Park Councilmember	1 Year	May, 1999	Nurse
Stan Stienstraw Councilmember	5 Years	May, 1999	Programmer

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Richard H. Huckaby	City Administrator	6 Years
Carolyn Baker	Finance Director	2 Years
Connie Bell	City Secretary	2 Years

CONSULTANTS AND ADVISORS

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

Bond Counsel .... Fisher & Newsom, P.C.
Austin and Irving, Texas

Financial Advisor .... First Southwest Company
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$7,000,000
CITY OF CORINTH, TEXAS
GENERAL OBLIGATION BONDS, SERIES 1999

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $7,000,000 City of Corinth, Texas, General Obligation Bonds, Series 1999. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, 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 as a Type A general law municipality. The City was incorporated in 1960. The City operates under a Mayor/Council 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 Administrator 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 1990 Census population for the City was 3,944, while the 1998 population was 7,208, the 1999 estimated population is 9,374 and the estimated population for year 2000 is 10,780. The City covers approximately 8.5 square miles

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated April 1, 1999, and mature, or are subject to mandatory redemption prior to maturity, on February 15 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2000. The definitive Bonds 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 ("DTC") pursuant to the Book-Entry-Only System described herein. **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 "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . .The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Article 823, Vernon's Annotated Texas Civil Statutes, elections held on September 13, 1997 and, November 3, 1998, and passed by a majority of the participating voters and an Ordinance passed by the City Council.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are direct and voted obligations of the City, payable from the levy and collection of an annual ad valorem levied, within the limits prescribed by law, on all taxable property within the City.

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 within the limits prescribed by law to provide for the payment of principal of and interest on all ad valorem tax debt. The City operates under the general laws of the State of Texas as authorized by Article XI, Section 5 of the Texas Constitution, which limits the maximum tax rate to $2.50 per $100 Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $1.50 maximum tax rate for all General Obligation Debt, based on 90% tax collection.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2008, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2007, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or 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.

MANDATORY SINKING FUND REDEMPTION . . . In addition to being subject to optional redemption as provided above, should the Purchaser(s) select Alternate 2 (a combination of Serial Bonds and Term Bonds), the Term Bonds are subject to mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Interest and Sinking Fund on the first February 15 next following the last maturity for serial Bonds, and annually thereafter on each February 15 until the stated maturity for the Term Bonds. The principal amount of Term Bonds to be redeemed on each mandatory redemption date shall be the principal amount that would have been due and payable in the Maturity Schedule shown on page 2 hereof had no conversion to Term Bonds occurred.

The principal amount of Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds of the same maturity which at least 50 days prior to a mandatory redemption date (i) shall have been acquired by the City, with moneys on deposit in the interest and sinking fund for the Bonds and which are available for mandatory redemption of the Term Bonds, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement. To the extent that a portion of the Term Bonds within a maturity thereof shall have been previously redeemed other than from scheduled mandatory redemption payments, the amount of each scheduled mandatory redemption payment with respect to such Term Bonds shall be reduced, as nearly as practicable, on a pro rata basis.

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

BOOK-ENTRY-ONLY SYSTEM . . . The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (I) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

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According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds 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 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry 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 or the Purchasers.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Norwest Bank, Texas, N.A., Fort Worth, Texzas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds 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 Bonds 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 Bonds 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 Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

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

BONDHOLDERS' REMEDIES . . . The Ordinance does not establish specific events of default with respect to the Bonds. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner of Bonds could presumably obtain a judgment against the City if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. See "Book – Entry – Only System" herein for a description of the duties of DTC with regard to ownership of the Bonds. The enforcement of a claim for payment of principal or interest on the Bonds or the enforcement of other covenants of the City contained in the Ordinance would be subject to the applicable provisions of federal bankruptcy laws and to other laws affecting the rights of creditors of political subdivisions generally. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are subject to bankruptcy and other laws affecting creditors' rights or remedies generally.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Denton County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

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

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

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.

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.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

PUBLIC HEARING 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 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 Council is prohibited from adopting a tax rate that will result in any increase initial tax revenue from the preceding year until it has held a public hearing on the proposed increase following notice to the taxpayers. Each year the City must calculate and publicize certain information concerning its proposed tax rate, including its "rollback tax rate." The rollback tax rate is the rate that will produce last year's maintenance and operation tax levy multiplied by 1.08 plus a rate that will produce the currents year's debt service, which such rates being adjusted to take into account new exemptions and property additions to the tax roll. If the adopted rate exceeds the rollback tax rate, the qualified voters of the City may petition the City Council to call an election to determine whether to reduce the tax rate adopted for the City to the rollback tax 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. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest increases 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 not grant an exemption to the market value of the residence homestead of persons 65 years of age or older of $20,000; the disabled are not granted an exemption of $20,000.

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

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

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

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

The City does not permit split payments, and discounts are not allowed.

The City does tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

1998/99 Market Valuation Established by Denton Central Appraisal District		$ 436,968,837
Less Exemptions/Reductions at 100% Market Value:		
Over 65 Homestead Exemptions	$ 1,076,990	
Disabled Veterans Exemptions	296,000	
Agricultural Land Use Reductions	11,876,297	13,249,287
1998/99 Taxable Assessed Valuation		$ 423,719,550
General Obligation Debt Payable from Ad Valorem Taxes (as of 2/1/99)		
General Obligation Debt	$ 11,184,000	
The Bonds	7,000,000	
General Obligation Debt Payable from Ad Valorem Taxes		$ 18,184,000
General Obligation Interest and Sinking Fund as of 9/30/98		$ 765,220
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		4.29%

1999 Estimated Population - 9,374
Per Capita Taxable Assessed Valuation - $45,202
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,940

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Vaue for Fiscal Year Ended September 30,					
	1999		1998		1997	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 304,641,544	69.72%	$ 241,630,166	64.18%	$ 189,707,682	60.05%
Real, Residential, Multi-Family	125,148	0.03%	122,936	0.03%	119,436	0.04%
Real, Vacant Lots/Tracts	31,463,107	7.20%	19,018,332	5.05%	19,427,043	6.15%
Real, Acreage (Land Only)	25,461,354	5.83%	28,411,784	7.55%	28,112,824	8.90%
Real, Farm and Ranch Improvements	4,987,474	1.14%	4,838,538	1.29%	4,638,829	1.47%
Real, Commercial	18,537,954	4.24%	17,904,997	4.76%	18,675,290	5.91%
Real and Tangible Personal, Utilities	13,807,014	3.16%	11,884,658	3.16%	10,912,910	3.45%
Tangible Personal, Commercial	36,970,487	8.46%	51,655,219	13.72%	43,319,330	13.71%
Tangilble Personal, Other	974,755	0.22%	1,010,051	0.27%	1,012,992	0.32%
Total Appraised Value Before Exemptions	$ 436,968,837	100.00%	$ 376,476,681	100.00%	$ 315,926,336	100.00%
Less: Total Exemptions/Reductions	13,249,287		15,357,933		16,950,910	
Taxable Assessed Value	$ 423,719,550		$ 361,118,748		$ 298,975,426	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	1996		1995	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 155,833,083	57.96%	$ 133,154,524	60.77%
Real, Residential, Multi-Family	110,616	0.04%	98,607	0.05%
Real, Vacant Lots/Tracts	11,895,759	4.42%	10,796,865	4.93%
Real, Acreage (Land Only)	28,192,226	10.48%	27,807,756	12.69%
Real, Farm and Ranch Improvements	4,378,713	1.63%	3,497,388	1.60%
Real, Commercial	6,900,793	2.57%	7,141,224	3.26%
Real, Industrial	10,256,714	3.81%	10,256,714	4.68%
Real and Tangible Personal, Utilities	10,070,675	3.75%	10,047,948	4.59%
Tangible Personal, Commercial	6,334,663	2.36%	15,668,021	7.15%
Tangible Personal, Industrial	34,197,141	12.72%	106,950	0.05%
Total Appraised Value Before Exemptions	714,280	0.27%	550,548	0.25%
Less: Total Exemptions/Reductions	$ 268,884,663	100.00%	$ 219,126,545	100.00%
Taxable Assessed Value	0		0	
	$ 268,884,663		$ 219,126,545	

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	Net G.O. Tax Debt Outstanding at End of Year	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
1995	5,407	$ 219,126,543	$ 40,526	$ 5,554,000	2.53%	1,027
1996	5,594	268,884,663	48,067	5,499,000	2.05%	983
1997	6,663	298,975,426	44,871	11,324,000	3.79%	1,700
1998	7,208	361,118,748	50,100	11,184,000	3.10%	1,552
1999	9,374	423,719,550	45,202	17,734,000 (3)	4.19% (3)	1,892 (3)

audit

(1) Source: City Records.
(2) As reported by the Denton County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes the Bonds.

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
1995	$ 0.3865	$ 0.3415	$ 0.0450	$ 906,943	98.99%	100.19%
1996	0.4285	0.3685	0.0600	1,100,357	98.38%	99.25%
1997	0.4285	0.3685	0.0600	1,242,682	100.89%	105.66%
1998	0.4885	0.3933	0.0952	1,795,742	96.75%	101.50%
1999	0.5260	0.3627	0.1633	2,231,215	96.45%	101.62%

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TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	1998/99 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Boeing Defense & Space-Corinth	Electronics Manufacturer	$ 30,450,344	7.19 %
TU Electric	Electric Utility	6,310,340	1.49
Albertsons Inc.	Grocery Store	3,923,031	0.93
Oakmont Management	Real Estate	2,721,301	0.64
Coserv Elect Co-Op	Real Estate	2,633,401	0.62
Kensington Est. LP P/S	Real Estate	2,591,790	0.61
Century Telephone	Telephone Utility	2,563,121	0.60
Standard Pacific of Texas	Real Estate	2,176,431	0.51
Beazer Homes Tex LP P/S	Real Estate	2,158,047	0.51
HillwoodOakmont Ltd P/S	Real Estate	1,996,150	0.47
		$ 57,523,956	13.58 %

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

TABLE 6 - TAX ADEQUACY

1999 Princiapal and Interest Requirement	$	1,024,920
$0.2547 Tax Rate at 95% Collection Produces	$	1,025,253
Average Annual Principal and Interest Requirements, 1999-2019	$	1,346,953
$0.3339 Tax Rate at 95% Collection Produces	$	1,344,060
Maximum Principal and Interest Requirements	$	1,574,209
$0.3911 Tax Rate at 95% Collection Produces	$	1,574,309

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	1998/99 Taxable Assessed Value	1998 Tax Rate	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 6/1/98	Authorized But Unissued Debt As Of 6/1/98
City of Corinth	$ 423,719,550	$ 0.52600	$ 18,184,000 (1)	100.00%	$ 18,184,000 (1)	$ 1,530,000
Corinth Municipal Utility District #1	55,305,526	0.40000	1,870,000	100.00%	1,870,000	1,550,000
Denton County	16,055,323,544	0.24875	61,685,000	2.13%	1,313,891	13,145,000
Denton Independent School District	2,610,877,680	1.85000	115,773,638	4.09%	4,735,142	44,600,000
Lake Dallas Independent School District	443,288,000	1.57000	15,240,000	41.27%	6,289,548	-
Total Direct and Overlapping G. O. Tax Debt					$ 32,392,580	
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					7.64%	
Per Capita Overlapping G. O.Tax Debt					3,455.58	

(1) Includes the Bonds.

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt [1]			This $7,000,000 Issue [2]			Total Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
1999	$ 450,000	$ 574,920	$ 1,024,920	$ -	$ -	$ -	$ 1,024,920	
2000	470,000	545,975	1,015,975	100,000	458,234	558,234	1,574,209	
2001	489,000	519,333	1,008,333	225,000	324,340	549,340	1,557,673	
2002	510,000	491,385	1,001,385	240,000	311,669	551,669	1,553,054	13.66%
2003	550,000	461,927	1,011,927	255,000	298,180	553,180	1,565,107	
2004	580,000	430,586	1,010,586	270,000	283,874	553,874	1,564,460	
2005	600,000	398,396	998,396	285,000	268,750	553,750	1,552,146	
2006	605,000	363,413	968,413	295,000	254,273	549,273	1,517,686	
2007	450,000	337,113	787,113	310,000	241,284	551,284	1,338,397	36.76%
2008	480,000	315,195	795,195	325,000	228,344	553,344	1,348,539	
2009	500,000	291,833	791,833	335,000	214,647	549,647	1,341,480	
2010	515,000	267,258	782,258	350,000	200,087	550,087	1,332,345	
2011	540,000	241,095	781,095	365,000	184,532	549,532	1,330,627	
2012	570,000	213,177	783,177	385,000	167,839	552,839	1,336,016	60.76%
2013	600,000	183,710	783,710	400,000	149,917	549,917	1,333,627	
2014	605,000	153,098	758,098	420,000	130,682	550,682	1,308,780	
2015	635,000	121,291	756,291	440,000	110,081	550,081	1,306,372	
2016	665,000	87,770	752,770	465,000	88,062	553,062	1,305,832	
2017	665,000	53,431	718,431	485,000	64,666	549,666	1,268,097	90.35%
2018	705,000	18,154	723,154	510,000	39,912	549,912	1,273,066	
2019				540,000	13,581	553,581	553,581	100.00%
	$ 11,184,000	$ 6,069,060	$ 17,253,060	$ 7,000,000	$ 4,032,951	$ 11,032,951	$ 28,286,011	

(1) "Outstanding Debt" does not include lease/purchase obligations.
(2) Average life of the issue - 12.275 years. Interest on the Bonds has been calculated at the rate of 4.7540224% for purposes of illustration.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Obligation Debt Service Requirements, Fiscal Year Ending 9/30/98		$ 1,024,920
Interest and Sinking Fund, 9/30/98	$ 765,220	
1998-99 Budgeted Interest and Sinking Fund Tax Levy Collection	691,892	1,457,112
Estimated Balance, 9/30/99		$ 432,192

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	~~Amount Previously Issued~~	Unissued Balance
Municipal Building	10/24/70	$ 30,000	~~$ -~~	$ 30,000

Wrong

Called Mark Kim left voice mail not showing 98 election

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of any General Obligation Bonds within the next twelve months.

TABLE 11 - OTHER OBLIGATIONS

The City has the following lease/purchase agreements outstanding as of June 1, 1998.

Equipment Purchased	Amount of Commitment	Annual Payment	Number of Annual Payments	Final Payment Due
Management System Hardware/Software	$ 115,800	$ 32,999	4	2/01
Various Public Works Equipment	99,000	28,318	4	6/01
Various Public Works Equipment	190,000	54,505	4	2/02
Upgrade Meters	409,000	116,685	4	2/02

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note #8.)

FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	1998	1997	1996	1995	1994
Revenues:					
Property Taxes	$ 1,465,583	$ 1,129,572	$ 948,704	$ 815,352	$ 703,720
Franchise Taxes	288,457	247,189	217,925	189,708	170,442
Sales Taxes	340,883	246,271	213,712	191,943	155,048
Other Taxes	4,325	4,703	-	-	-
Fees and Permits	734,859	296,185	192,009	107,568	101,857
Fine and Forfeitures	255,755	180,819	195,707	173,254	123,276
Charges for Services	16,549	13,925	13,280	15,000	19,543
Interest	74,743	62,571	53,002	41,470	24,507
Park Donations	185,320	35,995	-	-	-
Miscellaneous	263,207	118,616	67,454	65,107	26,949
Total Revenues	$ 3,629,681	$ 2,335,846	$ 1,901,793	$ 1,599,402	$ 1,325,342
Expenditures:					
General Government	$ 165,843	$ 142,906	$ 128,674	$ 115,788	$ 156,020
Public Safety	801,293	604,852	496,677	500,256	421,763
Highways and Street	667,349	439,992	380,539	205,666	132,975
Municipal Court	166,827	129,125	93,173	91,625	73,528
Community Development	207,722	178,262	104,651	76,199	68,912
Health and Welfare	30,475	25,012	22,919	17,937	13,204
City Administrator	151,484	100,464	69,787	57,793	47,624
Fleet Maintenance	44,245	41,986	38,706	37,676	58,989
Parks and Recreation	148,009	75,920	19,294	2,453	474
Animal Control	106,621	85,735	55,380	26,607	30,394
Capital Outlay	516,614	492,055	243,082	155,803	36,987
Debt Service	-	9,033	9,562	10,099	10,632
Total Expenditures	$ 3,006,482	$ 2,325,342	$ 1,662,444	$ 1,297,902	$ 1,051,502
Excess (Deficiency) of Revenues Over Expenditures	$ 623,199	$ 10,504	$ 239,349	$ 301,500	$ 273,840
Other Sources (Uses)	156,472	214,800	-	-	1,310
Other Miscellaneous Adjustments		-	-	-	-
Beginning Fund Balance	$ 1,559,978	$ 1,334,674	$ 1,095,325	$ 793,825	$ 518,675
Ending Fund Balance	$ 2,339,649	$ 1,559,978	$ 1,334,674	$ 1,095,325	$ 793,825

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 Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (1)
1995	$ 208,674	18.96%	$ 0.0776	$ 38.59
1996	227,260	18.29%	0.0760	40.63
1997	197,596	11.00%	0.0547	29.66
1998	340,883	18.98%	0.0944	45.45
1999 (2)	166,885	9.29%	0.0462	17.80

(1) Based on population estimates from City records.
(2) Partial collections through January 15, 1999.

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, 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 10% 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, revenue sharing or other non-recurring revenues for capital expenditures only. Such revenues are never to be used to fund 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 Administrator 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.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (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 of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for City deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that 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 the clauses (1) through (5) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) 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 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 regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio 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 Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; 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.

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

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS . . . Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers' with personal business relationships or 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 Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 14 - CURRENT INVESTMENTS

As of February 28, 1999, the City's investable funds were invested in the following categories:

Description	% of Total	Purchase Price	Market Value
Agency Discount Notes	33.42%	$ 5,880,133	$ 5,876,400
Bank Deposits	24.41%	4,294,152	4,294,152
Money Market Funds	7.52%	1,322,789	1,322,789
TexPool	34.66%	6,098,089	6,098,089
Total	100.00%	$ 17,595,163	$ 17,591,430

As of such date, 100% of the City's investment portfolio will mature within one month. The market value of the investment portfolio was approximately 100.36% of its purchase price.

TexPool is a local government investment pool under the control of the Texas Comptroller of Public Accounts. The Comptroller has engaged Chase Bank of Texas, and its affiliates, to provide investment management and fund accounting services for TexPool. First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. TexPool currently maintains an AAAm rating from Standard & Poor's. The pool's investment objectives include achieving a stable net asset value of $1.00 per share. Daily investment or redemption of funds is allowed by the participants.

TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income under Section 103(a) of the Internal Revenue Code of 1986, as amended, and applicable regulations, published rulings and court decisions (collectively, the "Code"). Furthermore, in the opinion of Bond Counsel, the Bonds will not be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds will not be treated as a preference item under the alternative minimum tax provisions of the Code as applicable to individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax on such corporations. The statutes, applicable regulations, published rulings of the Internal Revenue Service and court decisions on which such opinions are based are subject to change.

These opinions are dependent in part on future compliance by the City with certain post-issuance requirements of the Code, including the arbitrage rebate requirements. Failure to comply with such requirements may cause the interest on the Bonds to be includable in gross income retroactive to the date of issue. In this connection, various covenants and representations will be made by the City in the documents authorizing the issuance of the Bonds that are designed to provide assurance of compliance with such requirements, and for purposes of its opinions, Bond Counsel will assume compliance by the City therewith. In addition such opinions are based upon representations and certifications of the City pertaining to the use, expenditure and investment of the proceeds of the Bonds.

Except as described above, Bond Counsel expresses no opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, certain insurance companies, owners of an interest in a Financial Asset Securitization Investment Trust (FASIT), certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals seeking the earned income tax credit, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and S corporations with subchapter C earnings and profits. Prospective purchasers should consult their own tax advisors as to the applicability to these and other such collateral consequences to their particular circumstances. The form of Bond Counsel's opinion is set forth in Appendix C hereto.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that thereafter may come to Bond Counsel's attention or reflect changes in any law that thereafter may occur or become effective.

QUALIFIED TAX-EXEMPT OBLIGATIONS . . . Section 265 of the Internal Revenue Code of 1986 provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the holder. For certain holders that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Internal Revenue Code of 1986 provides an exception to this rule for interest expense incurred by financial institutions to carry tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the City, as "qualified tax-exempt obligations". An issuer may only designate an issue as an issue of "qualified tax-exempt obligations" where not more than $10 million of tax-exempt obligations are issued by the issuer during the calendar year in which the issue so designated is issued.

The City has pursuant to the Ordinance designated the Bonds as "qualified tax-exempt obligations". Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent disallowance of interest expense under section 265 of the Internal Revenue Code of 1986. However, such purchasers would be subject to the 20 percent interest disallowance rule applicable under prior law.

TAX ACCOUNTING TREATMENT OF DISCOUNT BONDS . . . The initial public offering price to be paid for certain Bonds may be less than the stated redemption price at maturity (as defined in Section 1272 of the Code) of such Bonds (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of the Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the stated redemption price at maturity constitutes interest, or original issue discount, to the initial purchaser of such Discount Bonds. Original issue discount may also result from an initial purchaser's payment of accrued interest on Bonds which have an initial interest payment period longer than six months. A portion of such interest, allocable to the holding period of such Discount Bonds by the initial purchaser, will, upon the disposition of such Discount Bonds (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bonds.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by the Tax Reform Act of 1986, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, owners of an interest in a Financial Asset Securitization Investment Trust, certain insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals seeking the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or who have paid or incurred certain expenses allocable to tax-exempt obligations.

In the event of the sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by the owner in excess of the basis of such Discount Bonds in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds 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 Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

OTHER INFORMATION

RATINGS

The presently outstanding tax supported debt of the City is rated "Baa2" by Moody's and "A-" by S&P. The City also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. Applications for contract ratings on this issue have been made to Moody's and S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views 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 they 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, or either of them, may have an adverse effect on the market price of the Bonds.

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 Bonds for Sale

The sale of the Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 9 of the Bond Procedures Act provides that the Bonds "shall constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas". The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions and No-Litigation Certificate

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds 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. 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 Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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.

Continuing Disclosure Of Information

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

Annual Reports . . . The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and in Appendix B. The City will update and provide this information with six months after the end of each year ending in or after 1999. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if audited such financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and the SID of the change.

The Municipal Advisory Council of Texas has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476/6947.

Material Event Notices. . . The City will also provide timely notices of certain events of certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Ordinance make any provision for debt service reserves or liquidity enhancement.) In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and Sid . . . The City has agreed to provide the foregoing information only to NRMSIRs and the SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

Limitations and Amendments . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds. 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 SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 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 Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under

"Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

YEAR 2000 ISSUES

Possible Impact of the Issue. The Year 2000 issue results from computer programs that do not differentiate between the Year 1900 and the Year 2000 because they were written using two digits rather than four to define the applicable year; accordingly, computer systems and equipment with embedded computer hardware that have time-sensitive calculations or functions may not properly recognize the Year 2000. As described below, while the City is taking steps to assess the full scope of the Year 2000 issue on its operations, and it believes that it has identified the areas of its operations that it will need to modify (to the extent that it has not already done so), given the proliferation of computers and embedded computed processing devices or "microchips" throughout virtually all aspects of the City's operations and in the general economic environment, in which the City is only a small part, it is possible that despite all precautions taken, the Year 2000-computer issue will become manifest. The description herein of the Year 2000 issue and the City's efforts to address the issue, is not intended to be a complete description of the issue or all aspects of the City's response to the issue.

The City's Year 2000 Strategy. The City staff is approaching the potential problems in four (4) fundamental ways: (1) Awareness – The City has inventoried operations to identify each activity that depends on computers. This inventory includes hardware and software licensed from third parties, maintenance and support agreements, and source code agreements and hardware maintenance agreements; (2) Solutions – Individual PCs have been check for Y2K compliance. Three PCs were found non-compliant and have/will be replaced. There is no known applications are Y2K compliant. If any additional computer and/or embedded chip dependent activities and equipment are identified, they will be evaluated to determine if they are Y2K compliant. If not Y2K compliant, corrective action will be taken; (3) Interface – The City is dependent on other entities, which may or may not be fully Y2K compliant. The City is requiring written statements of Y2K and leap year compliance from all service and support agencies; Contingency Plans - Plans are being developed to sustain service operations manually if, despite our best preparation efforts, Y2K problems occur. The City believes that it has identified and remediated Year 2000 problems in its mission critical non-information technology equipment.

The City's goal with respect to the "millennium bug" is to ensure that all City IT and non-IT hardware and software are made compliant. The City has prioritized its efforts to those items of equipment and software that the City considers to be mission critical for the City and its residents. The City acknowledges, however that it is possible that despite its good faith effort to identify all areas of City government that could be affected by this phenomenon, the issue may manifest itself in the City. Moreover, the City cannot predict the extent to which persons not directly within the control of the City will address the issue. Despite the City's efforts, should it fail to identify and/or adequately address Year 2000 issues it is possible that events could arise that would have a material adverse effect on the operations and financial position of the City.

Interdependency with Other Entities. The City contracts with numerous third party vendors (the "vendors"), including the Denton County Appraisal District, for tax appraisal; the Upper Trinity Regional Water District for water supply; the City of Denton, Texas, for sewage treatment; the Texas Comptroller of Public Accounts for sales tax collection; and various public companies for electric, gas and telephone service. The City is seeking confirmation from its vendors that they are or will be Year 2000-compliant on a timely basis. In addition to utility service interdependency, the City, like other municipalities and business, is interdependent with, among others, financial service sector entities, who collect tax payments and process financial transactions for the City. While the City is implementing a Year 2000 strategy, as described above, it cannot control the operations of such entities. Any particular manifestation of the Year 2000 issue by entities with whom the City does business or any material and adverse manifestation of Year 2000 issues in the economy as a whole could materially and adversely affect the ability of the City to deliver its governmental services and/or its financial condition.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company may submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and 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.

The Ordinance authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

SHIRLEY SPELLERBERG
Mayor
City of Corinth, Texas

ATTEST:

CONNIE BELL
City Secretary

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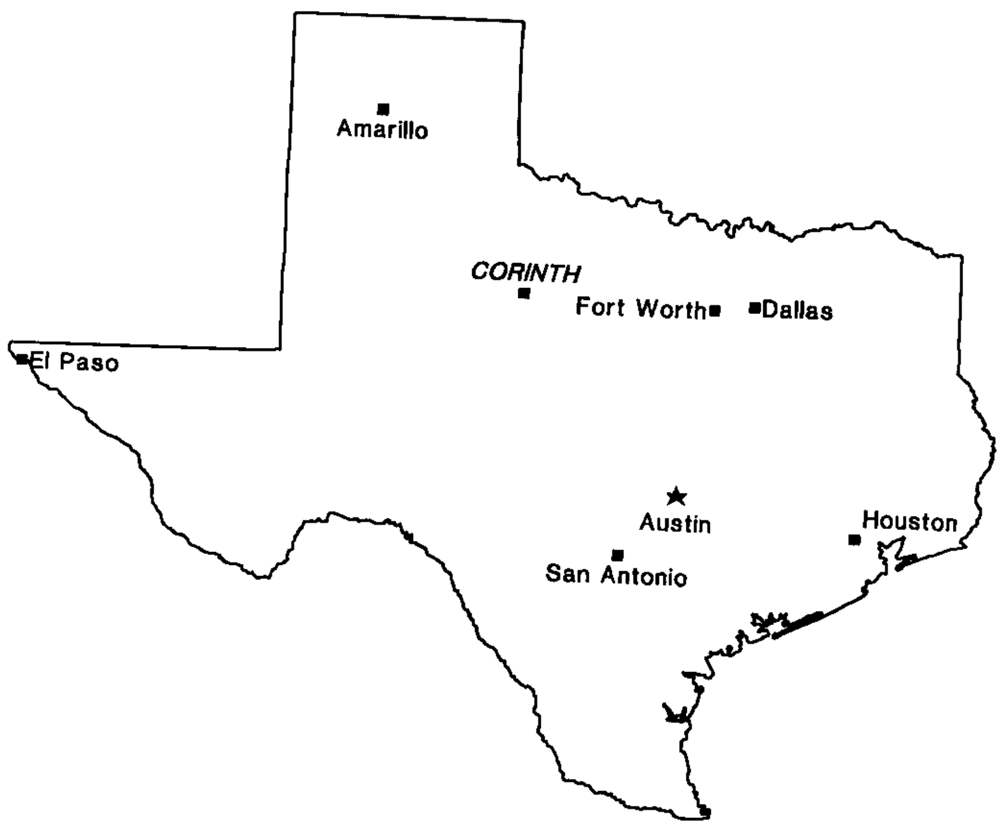
APPENDIX A

GENERAL INFORMATION REGARDING THE CITY



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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 the City of Denton, Texas and approximately 30 north miles of Dallas, Texas. The City is primarily a residential community. The City is a Type A general law municipality operating under Article XI, Section 5 of the Texas Constitution. The City was incorporated in 1960 and operates as a Mayor/Council form of government.

The City is approximately 8.5 square miles in area and has 81 full time employees.

The City has 3,289 single-family residences and contains approximately 55.4 miles of streets. The ethnicity of the City population for 1997 is as follows:

White	6,200
Black	288
Indian	216
Asian	144
Hispanic	360

CITY SERVICES . . . The City provides the basis 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 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.

INDUSTRY . . . Boeing Electronics ("Boeing") is the City's largest employer. Boeing moved its operations to the City in 1987 and is a manufacturer of military and commercial electronics. Boeing currently employs approximately 1800 workers and it is estimated that 180 employees live in the City.

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 facility available to the residents of the City is the Lewisville Lake for boating, fishing and swimming and the Lewisville Lake Park on Lake Lewisville immediately to the east of the City. This 570 acre park contains boat storage, boat rental and supplies, boat launching ramps, fishing barge, picnic and camping facilities and 3,000 square foot covered pavilion. Lake Grapevine is located approximately 12 miles away to the southwest of the City.

Professional football, baseball, basketball and soccer teams and golf tournaments are approximately 30 miles away by interstate in the Fort Worth-Dallas metroplex.

UTILITIES. . . Gas is provided by Lone Star Gas Company. Electric power is furnished by TU Electric.

BUILDING PERMITS

Year Ended 9/30	Commercial		Residential		
	Number	Amount	Number	Amount	Grand Total
1995	6	$ 2,032,300	165	$ 30,094,470	32,126,770
1996					
1997	17	1,772,927	760	119,018,531	120,791,458
1998	10	12,420,000	800	125,282,664	137,702,664

Approximately 27% of the total area of the City is developed. Residential acreage is estimated at 3,070 acres, 615 lots of which are presently available. Commercial and industrial zoning requirements comprise 783 acres of the City's total of 5,145 acres.

ECONOMIC RANKING . . . The following data for Denton County was taken from "Sales and Marketing Management August, 1997 Survey of Buying Power".

	Denton County
Population	353,500
% of Population by Age Group:	
18 - 24 years	11.6%
25 - 34 years	20.5%
35 - 49 years	25.9%
50 and over	14.3%
Households (thousands)	132
Total Retail Sales	$ 2,632,353
Retail Sales By Store Group:	
Food	$ 494,677
Eating and Drinking Places	246,159
General Merchandise	426,836
Furniture/Furnishings/Appliances	111,046
Automotive	737,009
Total Effective Buying Income	$ 6,294,683,000
Median Household EBI	$ 41,613
% of Households By EBI Group:	
$20,000 - $34,999	20.7%
$35,000 - $49,999	19.1%
$50,000 and Over	39.7%
Buying Power Index	.1341

UNEMPLOYMENT RATE

	Average Annual				
Denton County	1998 (1)	1997	1996	1995	1994
Civilian Labor Force	228,324	220,330	211,508	201,245	191,735
Total Employed	223,505	215,195	205,533	194,239	184,643
Total Unemployed	4,819	5,135	5,975	7,006	7,092
Unemployment Rate	2.1%	2.3%	2.8%	3.5%	3.7%

(1) Calculations are for January through November 1998.

APPENDIX B

EXCERPTS FROM THE

CITY OFCORINTH, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 1998

The information contained in this Appendix consists of excerpts from the City of Corinth, Texas Annual Financial Report for the Year Ended September 30, 1998, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
Corinth, Texas

We have audited the accompanying general purpose financial statements of the City of Corinth, Texas, as of and for the year ended September 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the Year 2000 Issue. The City of Corinth, Texas, has included such disclosures in Note 12. Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the City of Corinth, Texas' disclosures with respect to the Year 2000 Issue made in Note 12. Further, we do not provide assurance that the City of Corinth, Texas, is or will be year 2000 ready, that the City of Corinth, Texas' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of Corinth, Texas does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might be determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above, present fairly, in all material respects, the financial position of the City of Corinth, Texas, as of September 30, 1998, and the results of its operations and cash flows of the proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

AMERICAN PLAZA ■ 200 WEST HWY. 6 ■ SUITE 300 ■ P.O. BOX 20725 ■ WACO, TX 76702-0725 ■ (254)772-4901 ■ FAX: (254)772-4920 ■
AFFILIATE OFFICES: BROWNSVILLE, TX (956)544-7778 ■ HILLSBORO, TX (254)582-2583 ■ ALBUQUERQUE, NM (505)266-5904

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 1998, on our consideration of the City of Corinth's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Corinth, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Pattillo, Brown & Hill L.L.P.

December 30, 1998

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CITY OF CORINTH, TEXAS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 1998

	Governmental Fund Types		
	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash	$ 399,417	$ 415,960	$ 866,811
Investments, at market	1,490,771	311,929	2,727,743
Receivables:			
Fees and services	-	-	-
Property taxes	73,165	15,233	-
Grant	-	-	-
Other	152,822	-	192,961
Allowance for uncollectible accounts	(24,322)	-	-
Due from other funds	596,924	76,491	138,664
Inventory, at cost	-	-	-
Prepaid costs	533	-	-
Restricted assets	-	-	-
Deferred bond issuance costs, net	-	-	-
Property, plant and equipment, net	-	-	-
Amount available in Debt Service Fund	-	-	-
Amounts to be provided for retirement of General Long-Term Debt	-	-	-
Total Assets	$ 2,689,310	$ 819,613	$ 3,926,179
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	$ 170,651	$ -	$ 33
Accrued interest payable	-	-	-
Municipal court bond	1,672	-	-
Current portion of long-term debt	-	-	-
Due to other funds	96,855	39,160	274,825
Deferred revenue	48,843	15,233	192,961
Other liabilities	31,640	-	19,901
Customer meter deposits	-	-	-
Compensated absences	-	-	-
Long-term debt	-	-	-
Total Liabilities	349,661	54,393	487,720
Fund Equity:			
Contributed capital	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings:			
Reserved for capital improvements	-	-	-
Reserved for self-insurance	-	-	-
Unreserved	-	-	-
Fund balance:			
Reserved for debt service	-	765,220	-
Unreserved	2,339,649	-	3,438,459
Total Fund Equity	2,339,649	765,220	3,438,459
Total Liabilities and Fund Equity	$ 2,689,310	$ 819,613	$ 3,926,179

The accompanying notes are an integral part of these financial statements

Proprietary Fund Types		Account Groups		Totals (Memorandum Only)	
Water and Sewer	Internal Service Fund	General Fixed Assets	General Long-Term Debt	September 30, 1998	September 30, 1997
$ 484,149	$ 49,225	$ -	$ -	$ 2,215,562	$ 1,363,882
5,791,368	-	-	-	10,321,811	6,239,787
510,125	-	-	-	510,125	291,200
-	-	-	-	88,398	85,085
-	-	-	-	-	3,040
-	-	-	-	345,783	73,848
-	-	-	-	(24,322)	(24,322)
1,007,593	-	-	-	1,819,672	1,577,594
69,678	-	-	-	69,678	56,418
-	-	-	-	533	19,056
1,174,670	-	-	-	1,174,670	838,696
193,785	-	-	-	193,785	105,109
6,025,127	-	1,828,334	-	7,853,461	6,560,774
-	-	-	765,220	765,220	163,180
-	-	-	5,751,171	5,751,171	975,385
$ 15,256,495	$ 49,225	$ 1,828,334	$ 6,516,391	$ 31,085,547	$ 18,328,732
$ 415,589	$ 11	$ -	$ -	$ 586,284	$ 327,698
60,028	-	-	-	60,028	39,456
-	-	-	-	1,672	6,354
324,191	-	-	-	324,191	344,435
1,408,832	-	-	-	1,819,672	1,577,594
-	-	-	-	257,037	92,763
177	-	-	-	51,718	267
189,927	-	-	-	189,927	139,160
5,029	-	-	27,026	32,055	24,628
4,753,554	-	-	6,489,365	11,242,919	5,494,365
7,157,327	11	-	6,516,391	14,565,503	8,046,720
4,010,400	-	-	-	4,010,400	4,010,400
-	-	1,828,334	-	1,828,334	1,406,874
984,743	-	-	-	984,743	584,325
-	49,214	-	-	49,214	-
3,104,025	-	-	-	3,104,025	2,472,975
-	-	-	-	765,220	278,391
-	-	-	-	5,778,108	1,529,047
8,099,168	49,214	1,828,334	-	16,520,044	10,282,012
$ 15,256,495	$ 49,225	$ 1,828,334	$ 6,516,391	$ 31,085,547	$ 18,328,732

CITY OF CORINTH, TEXAS

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Governmental Fund Types			Totals (Memorandum Only)	
	General Fund	Debt Service Fund	Capital Projects Fund	September 30, 1998	September 30, 1997
REVENUE					
Property taxes	$ 1,465,583	$ 385,571	$ -	$ 1,851,154	$ 1,308,318
Franchise taxes	288,457	-	-	288,457	247,189
Sales taxes	340,883	-	-	340,883	246,271
Other taxes	4,325	-	-	4,325	4,703
Fees and permits	734,859	-	-	734,859	296,185
Fines and forfeitures	255,755	-	-	255,755	180,819
Charges for services	16,549	-	-	16,549	13,925
Interest from investments	74,743	43,985	9,175	127,903	68,588
Interest on tax bonds	-	-	96,009	96,009	-
Park donations	185,320	-	-	185,320	35,995
Special assessment	-	-	98,096	98,096	47,051
Miscellaneous	263,207	-	-	263,207	119,534
Total Revenue	3,629,681	429,556	203,280	4,262,517	2,568,578
EXPENDITURES					
Current:					
General government (administration)	165,843	-	-	165,843	142,906
Public safety (police fire)	801,293	-	-	801,293	604,852
Highways and streets	667,349	-	-	667,349	439,992
Municipal court	166,827	-	-	166,827	129,125
Community Development	207,722	-	-	207,722	178,262
Health and welfare (ambulance)	30,475	-	-	30,475	25,012
City administrator	151,484	-	-	151,484	100,464
Fleet maintenance	44,290	-	-	44,290	41,986
Parks and recreation	148,243	-	-	148,243	75,920
Animal control	106,621	-	-	106,621	85,735
Capital outlay	516,335	-	1,710,171	2,226,506	518,057
Debt Service:					
Principal retirement	-	119,432	-	119,432	63,500
Interest	-	240,970	191,775	432,745	87,336
Bond agent fees	-	-	-	-	2,250
Debt issuance costs	-	-	131,944	131,944	-
Total Expenditures	3,006,482	360,402	2,033,890	5,400,774	2,495,397
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	623,199	69,154	(1,830,610)	(1,138,257)	73,181
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	5,300,000	5,300,000	-
Loan proceeds	190,000	-	-	190,000	214,800
Transfer in (out)	(33,528)	532,886	-	499,358	-
Total Other Financing Sources (Uses)	156,472	532,886	5,300,000	5,989,358	214,800
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	779,671	602,040	3,469,390	4,851,101	287,981
FUND BALANCE, BEGINNING OF YEAR	1,559,978	163,180	(30,931)	1,692,227	1,404,246
FUND BALANCE, END OF YEAR	$ 2,339,649	$ 765,220	$ 3,438,459	$ 6,543,328	$ 1,692,227

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

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CITY OF CORINTH, TEXAS

STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 1998

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Property taxes	$ 1,364,907	$ 1,465,583	$ 100,676
Franchise taxes	273,591	288,457	14,866
Sales taxes	290,274	340,883	50,609
Other taxes	4,252	4,325	73
Fees and permits	676,184	734,859	58,675
Fines and forfeitures	163,600	255,755	92,155
Charges for services	13,760	16,549	2,789
Interest from investments	69,114	74,743	5,629
Park donations	123,375	185,320	61,945
Miscellaneous	293,380	263,207	(30,173)
Total Revenue	3,272,437	3,629,681	357,244
EXPENDITURES			
Current:			
General government	172,413	165,843	6,570
Public safety	817,062	801,293	15,769
Highways and streets	1,115,574	667,349	448,225
Municipal court	153,447	166,827	(13,380)
Community development	233,739	207,722	26,017
Health and welfare	30,475	30,475	-
City administrator	155,401	151,484	3,917
Fleet maintenance	50,069	44,290	5,779
Parks and recreation	177,625	148,243	29,382
Animal control	126,814	106,621	20,193
Capital outlay	573,062	516,335	56,727
Debt Service:			
Principal retirement	-	-	-
Interest	-	-	-
Total Expenditures	3,605,681	3,006,482	599,199
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	$(333,244)	$ 623,199	$ 956,443

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

Debt Service Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 362,802	$ 385,571	$ 22,769	$ 1,727,709	$ 1,851,154	$ 123,445
-	-	-	273,591	288,457	14,866
-	-	-	290,274	340,883	50,609
-	-	-	4,252	4,325	73
-	-	-	676,184	734,859	58,675
-	-	-	163,600	255,755	92,155
-	-	-	13,760	16,549	2,789
1,000	43,985	42,985	70,114	118,728	48,614
-	-	-	123,375	185,320	61,945
-	-	-	293,380	263,207	(30,173)
363,802	429,556	65,754	3,636,239	4,059,237	422,998
-	-	-	172,413	165,843	6,570
-	-	-	817,062	801,293	15,769
-	-	-	1,115,574	667,349	448,225
-	-	-	153,447	166,827	(13,380)
-	-	-	233,739	207,722	26,017
-	-	-	30,475	30,475	-
-	-	-	155,401	151,484	3,917
-	-	-	50,069	44,290	5,779
-	-	-	177,625	148,243	29,382
-	-	-	126,814	106,621	20,193
-	-	-	573,062	516,335	56,727
60,279	119,432	(59,153)	60,279	119,432	(59,153)
5,554	240,970	(235,416)	5,554	240,970	(235,416)
65,833	360,402	(294,569)	3,671,514	3,366,884	304,630
$ 297,969	$ 69,154	$(228,815)	$(35,275)	$ 692,353	$ 727,628

CITY OF CORINTH, TEXAS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
OPERATING REVENUE			
Water and sewer charges	$ 2,330,029	$ -	$ 2,330,029
Penalties and reconnect fees	74,736	-	74,736
Tap and service fees	398,882	-	398,882
Impact fees	1,731,748	-	1,731,748
Inspection revenue	4,786	-	4,786
Garbage revenue	236,100	-	236,100
Street light revenue	32,342	-	32,342
Insurance deductions	-	157,109	157,109
Other revenue	34,205	-	34,205
Total Operating Revenue	4,842,828	157,109	4,999,937
OPERATING EXPENSES			
Water supply and sewage disposal contract	1,415,371	-	1,415,371
Salaries and related expenses	470,715	-	470,715
Materials and maintenance	111,121	-	111,121
Engineering and Upper Trinity fees	18,907	-	18,907
Utilities	148,105	-	148,105
Insurance and bonds	19,431	-	19,431
Vehicle expenses	28,561	-	28,561
Garbage expenses	222,313	-	222,313
Infrastructure expenses	621,115	-	621,115
Health insurance payments	-	107,895	107,895
Other expenses	196,893	-	196,893
Depreciation expense	241,524	-	241,524
Total Operating Expenses	3,494,056	107,895	3,601,951
OPERATING INCOME (LOSS)	1,348,772	49,214	1,397,986
NONOPERATING REVENUE (EXPENSES)			
Interest income	346,997	-	346,997
Interest expense	(280,154)	-	(280,154)
Transfers in (out)	(499,358)	-	(499,358)
Total Nonoperating Revenue (Expenses)	(432,515)	-	(432,515)
NET INCOME (LOSS)	916,257	49,214	965,471
RETAINED EARNINGS, BEGINNING OF YEAR	3,172,511	-	3,172,511
RETAINED EARNINGS, END OF YEAR	$ 4,088,768	$ 49,214	$ 4,137,982

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

CITY OF CORINTH, TEXAS

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	$ 1,348,772	$ 49,214	$ 1,397,986
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	289,649	-	289,649
Changes in assets and liabilities:			
(Increase) in accounts receivable	(218,925)	-	(218,925)
(Increase) in inventory	(13,260)	-	(13,260)
(Increase) decrease in restricted assets	(451,185)	-	(451,185)
Increase in due to/from other funds	188,673	-	188,673
Increase (decrease) in accounts payable	222,976	11	222,987
Increase (decrease) in other liabilities	177	-	177
Increase (decrease) in accrued interest payable	20,572	-	20,572
Increase (decrease) in compensated absences	166	-	166
Increase in customer meter deposits	50,767	-	50,767
Net Cash Provided by Operating Activities	1,438,382	49,225	1,487,607
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds transferred (to) from the General Fund	(499,358)	-	(499,358)
Net Cash Provided by (Used) in Noncapital Financing Activities	(499,358)	-	(499,358)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,112,751)	-	(1,112,751)
Interest paid on long-term debt	(280,154)	-	(280,154)
Cost of new bond issuance	(104,491)	-	(104,491)
Proceeds from issuance of general obligation bonds	3,745,000	-	3,745,000
Principal paid on bonds and certificates of obligation	(175,000)	-	(175,000)
Refunding of long-term debt	(3,240,000)	-	(3,240,000)
Proceeds from issuance of notes payable	409,000	-	409,000
Loss on refunding of debt	(413,565)	-	(413,565)
Net Cash Provided (Used) in Capital and Related Financing Activities	(1,171,961)	-	(1,171,961)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investing activities	123,386	-	123,386
Net Cash Provided by Investing Activities	123,386	-	123,386
NET INCREASE (DECREASE) IN CASH	(109,551)	49,225	(60,326)
CASH, BEGINNING OF YEAR	478,489	-	478,489
CASH, END OF YEAR	$ 368,938	$ 49,225	$ 418,163

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Corinth are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board. A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Corinth. These operations include the police department, municipal court, street department, animal control, parks and recreation, and community development. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Corinth.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the accompanying financial statements include the City of Corinth Water and Sewer System.

The City Council approves the system's budget. The water and sewer system cannot issue bonded debt without Council approval. The operations of the Water and Sewer System are reported in the Water and Sewer System Fund, an Enterprise Fund.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The City's accounts are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund and account group are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenue and expenditures or expenses. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds and account groups are grouped into three broad fund categories and two account groups. The following is a description of the fund types and account groups used by the City in the accompanying financial statements:

Governmental Fund Types:

General Fund - The General Fund accounts for the resources used to finance the fundamental operations of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the payment of principal and interest on general long-term bonded debt of the City. Payment of principal and interest on equipment, financing used in general activities of the City and other financing is serviced by the General Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Proprietary Fund Types:

Water and Sewer Fund - This Enterprise Fund is used to account for operations of the water and sewer system which 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.

The Internal Service Fund – Accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Account Groups:

General Fixed Assets Account Group - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

Account Groups: (Continued)

General Long-Term Debt Account Group - This account group records the principal outstanding on all general long-term debt expected to be financed from governmental funds and is offset by the amount available in the Debt Service Fund and the amount to be provided in future years.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenue and other financing uses) in net current assets.

The Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenue) and decreases (e.g. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are considered available if they are expected to be collected within 60 days after year-end and be used to pay liabilities of the current fiscal year. Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that unmatured principal and interest on general long-term debt are recorded as fund liabilities when due.

Revenue from sales tax, franchise taxes, fines, special assessments, licenses, and charges for services are recorded when actually received. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the Proprietary Fund type. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Unbilled water and sewer fund revenue are not recorded at year-end because such amounts are not material.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

a. Prior to September 1, the City Administrator submits to the Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures and the means of financing them.

b. Public hearings are conducted at City Hall to obtain taxpayer comments concerning the proposed budget.

c. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.

d. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service Funds and the Water and Sewer System Fund.

e. Budgets for the General and Debt Service Funds are adopted on a basis consistent with general accepted accounting principles (GAAP). The budget for the Water and Sewer System Fund is adopted on a budgetary basis different from GAAP, in that debt service principal payments and fixed asset purchases are budgeted as expenses instead of budgeting depreciation expense. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

The City Council is required to approve all budget amendments that alter department appropriations as well as activity appropriations. The City has not established a legal level of control for budget variances. There were amendments to the budget approved by Council for the year ended September 30, 1998.

Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition in construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets (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, in the Proprietary Fund type, they are depreciated over the remaining useful lives of the related fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, water lines and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation in the Proprietary Fund types is computed over the estimated useful lives using the straight-line method.

Inventory

Enterprise Fund inventory consists of materials and supplies, and is stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

Accumulated Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation leave, which will be paid to employees upon separation from service. Unused sick leave lapses upon separation from service with the City. In governmental funds, the cost of vacation leave is recognized when payments are made to employees. A long-term liability of \$27,026 of accrued vacation leave at September 30, 1998, has been recorded in the General Long-Term Debt Account Group, representing the City's commitment to fund such cost from future operations. The Proprietary Fund accrues vacation leave in the period in which it is earned, and a liability of \$5,029 has been recorded in the Water and Sewer Fund at September 30, 1998.

Ad Valorem Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and are recognized as revenue when they become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending, are recorded as deferred revenue and are recognized when they become available. Current taxes are due on October 1, and become delinquent if unpaid on February 1. Penalties and interest on unpaid taxes are calculated at the rate of 1.5% per month of delinquency.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ad Valorem Taxes (Continued)

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The ad valorem tax is allocated to the Debt Service Fund, at the beginning of each year, based on the projected annual requirement for debt service on general obligation bonded debt. The projected annual requirement takes into consideration the following items: the beginning fund balance available in the Debt Service Fund and the maintenance of an adequate ending fund balance.

Allowance for Uncollectible Accounts

An allowance for uncollected personal property taxes is provided based upon an analysis of historical trends. No allowance is provided for uncollectible real property taxes, since all real property taxes will ultimately be collected when title to the property is transferred, except in rare instances in which the taxes are discharged in bankruptcy.

Cash and Investments

For purposes of the statement of cash flows, cash includes amounts in demand deposits, as well as short-term investments with maturity dates within three months of the date acquired by the City. Investments are stated at cost and carry maturity dates of longer than three months, but not more than one year.

Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

The following details the description and amount of all reserves used by the City:

a.	Reserve for capital improvements represents impact fees collected and certificates of obligation proceeds which are legally restricted for capital improvements to the water and wastewater system of the City.	$ 984,743
b.	Reserve for debt service represents that portion of fund balance legally restricted to debt service.	$ 765,220
c.	Reserve for self-insurance represents the proceeds of the internal service fund which is set up to partially self-insure the City.	$ 49,214

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

Total Column

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

The cash and investment policies of the City are governed by State statutes and the adopted City Investment Policy. City policies governing bank deposits require depositors to be FDIC-insured institutions and depositories must fully collateralize all time deposits in excess of FDIC insurance limits.

Deposits - At September 30, 1998, the City's demand deposits and certificates of deposit with its financial institutions were entirely covered by federal depository insurance or by collateral held by the pledging bank's trust department in the City's name.

Investments - State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, in obligations of the State of Texas and other political subdivisions of any state rated "A" or above by Standard & Poor's Corporation or Moody's, and repurchase agreements. The City did not engage in repurchase nor reverse repurchase agreement transactions during the current year.

(continued)

2. CASH AND INVESTMENTS (Continued)

Investments held at a financial institution can be categorized according to three levels of risk. The three levels of risk are:

Category 1 - Investments that are insured, registered or held by the entity or by its agent in the entity's name.

Category 2 - Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the entity's name.

Based on these three levels of risk, the City's investments at September 30, 1998, are classified as follows:

	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities	$ 4,301,418	$ -	$ -	$ 4,301,418	$ 4,301,418
	$ 4,301,418	$ -	$ -		
Investment in state investment pool				6,020,394	6,020,394
				$ 10,321,812	$ 10,321,812

3. CHANGES IN FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance 10/01/97	Additions	Deletions	Balance 09/30/98
Land	$ 57,912	$ -	$ -	$ 57,912
Buildings	427,569	13,369	-	440,938
Machinery and equipment	715,229	312,738	-	1,027,967
Automotive equipment	206,164	95,353	-	301,517
Total	$ 1,406,874	$ 421,460	$ -	$ 1,828,334

(continued)

3. CHANGES IN FIXED ASSETS (Continued)

The following is a summary of changes in the Proprietary Fund type property, plant and equipment:

	Balance 10/01/97	Additions	Deletions	Balance 09/30/98
Land	$ 172,483	$ 1,451	$ -	$ 173,934
Buildings	186,973	-	-	186,973
Water distribution system	3,046,172	993,365	-	4,039,537
Sewage disposal system	1,885,888	-	-	1,885,888
Lift station and improvements	1,052,212	13,572	-	1,065,784
Automobiles and machinery	393,014	42,031	-	435,045
Office equipment	41,912	2,218	-	44,130
Construction in progress	583,551	538,293	478,680	643,164
Total	$ 7,362,205	$ 1,590,930	$ 478,680	8,474,455
Less accumulated depreciation at September 30, 1998				2,449,328
Property, Plant and Equipment, Net				$ 6,025,127

In the Proprietary Fund, the following estimated useful lives are used to compute depreciation:

Classification of Assets	Years
Water distribution system	40 - 50
Sewer disposal system	40
Buildings	15
Lift station and improvements	10 - 40
Automobiles	3 - 5
Equipment	3 - 10

4. GENERAL LONG-TERM DEBT

General long-term debt of the City consists of two general obligation bond series, certificates of obligation, one note, and accrued compensated absences. General obligation bond retirement is provided from ad valorem tax while the note is serviced by the General Fund. The certificates of obligation will be retired through the levy of a special assessment. Interest rates on general long-term debt range from 5.75% to 9.25%.

Proceeds received from financing through bank loans and other sources was used to acquire equipment.

(continued)

4. GENERAL LONG-TERM DEBT (Continued)

A summary of changes in general long-term debt for the fiscal year follows:

	Total	General Obligation Bonds	Notes Payable	Compensated Absences, Net	Certificates of Obligation
Balance - 10/01/97	$ 1,138,565	$ 474,000	$ 214,800	$ 19,765	$ 430,000
Proceeds from issuance	5,490,000	4,500,000	190,000	-	800,000
Net change in compensated absences	7,261	-	-	7,261	-
Principal paid	(119,435)	(55,000)	(49,435)	-	(15,000)
Balance - 09/30/98	$ 6,516,391	$ 4,919,000	$ 355,365	$ 27,026	$ 1,215,000

The debt service requirements for the general obligation bonds, certificates of obligation, and notes payable are as follows:

Year Ended September 30	General Obligation Bonds Principal	Notes Payable Principal
1999	$ 185,000	$ 96,029
2000	190,000	101,360
2001	194,000	107,030
2002	200,000	50,946
2003	210,000	-
2004 and thereafter	3,940,000	-
Total	$ 4,919,000	$ 355,365

Year Ended September 30	Certificates of Obligation Principal
1999	$ 35,000
2000	40,000
2001	40,000
2002	40,000
2003	45,000
2004 and thereafter	1,015,000
Total	$ 1,215,000

(continued)

4. GENERAL LONG-TERM DEBT (Continued)

General obligation bonds at September 30, 1998, are comprised of the following individual issues:

$850,000 General Obligation Bonds, Series 1985A, serial bonds due in annual installments of $45,000 to $65,000 through July 10, 2005; interest at 8.20 %.	$	405,000
$74,000 General Obligation Bonds, Series 1985B, serial bonds due in annual installments of $4,000 to $5,000 through July 10, 2001; interest at 9.25%.		14,000
$4,500,000 General Obligation Refunding and Improvement Bonds, Series 1997, serial bonds due in annual installments of $125,000 to $350,000 through February 15, 2018.		4,500,000
Total	$	4,919,000

Certificates of obligation at September 30, 1998, consist of the following:

$430,000 Combination Tax and Revenue Certificates of Obligation, Series 1995, serial obligations due in annual installments of $15,000 to $35,000 through February, 2016; interest at 5.75% to 6.805.	$	415,000
$800,000 Combination Tax and Revenue Certificates of Obligation, Series 1998, serial obligations due in annual installments of $20,000 to $65,000 through February 15, 2018.		800,000
Total	$	1,215,000

General long-term debt notes payable at September 30, 1998, consists of the following:

$99,000 note payable with an interest rate of 5.61%, payable to Lake Cities State bank, payable in equal payments of $28,317.79 through June 2001.	$	76,236
$115,800 note payable with an interest rate of 5.450%, payable to Lake Cities State Bank, payable in equal payments of $32,999.01 through February 2001.		89,129
$190,000 note payable with an interest rate of 5.610% payable to Lake Cities State Bank, payable in equal payments of $54,505.16 through February 15, 2002.		190,000
Total	$	355,365

5. WATER AND SEWER LONG-TERM DEBT

Long-term debt of the Water and Sewer Fund consists of one revenue bond series, two certificates of obligation series, two notes payable and accrued compensated absences, with interest rates ranging from 3.5% to 7%. Water and sewer long-term debt is serviced by revenue from the Water and Sewer System. A summary of changes in the long-term debt for the fiscal year follows:

	Total	Revenue Bonds	Certificates of Obligations	Notes Payable	Compensated Absences, Net
Balance - 10/01/97	$ 4,724,863	$ 105,000	$ 4,615,000	$ -	$ 4,863
Debt issued	4,154,000	-	3,745,000	409,000	-
Net change in compensated absences	166	-	-	-	166
Principal paid	(3,415,000)	(105,000)	(3,310,000)	-	-
Balance - 09/30/98	$ 5,464,029	$ -	$ 5,050,000	$ 409,000	$ 5,029

The debt service requirements for the water and sewer long-term debt is as follows:

Year Ended September 30	Certificates of Obligation Principal	Notes Payable Principal
1999	$ 230,000	$ 94,191
2000	240,000	99,371
2001	255,000	104,836
2002	270,000	110,602
2003	295,000	-
2004 and thereafter	3,760,000	-
Total	$ 5,050,000	$ 409,000

(continued)

5. WATER AND SEWER LONG-TERM DEBT (Continued)

Water and sewer long-term debt at September 30, 1998, consists of the following individual issues:

Certificates of Obligation:	
$4,660,000 Combination Tax and Revenue Certificates of Obligations, Series 1994, serial obligations due in annual installments of $45,000 to $385,000 through February, 2006; interest at 6.25% to 7.00%.	$ 1,305,000
$3,745,000 General Obligation Refunding and Improvement Bonds, Series 1997, serial bonds due in annual installments of $100,000 to $290,000 through February 15, 2018.	3,745,000
Total	5,050,000
Notes Payable:	
$409,000 note payable with an interest rate of 5.50%, payable to American Bank, payable in equal payments of $116,686.45 through February 10, 2002.	409,000
Total Water and Sewer Long-Term Debt	5,459,000
Less:	
Current maturities	324,191
Noncurrent portion	$ 5,134,809
Reported in the financial statements as:	
Noncurrent debt outstanding	$ 5,134,809
Unamortized loss on refunding	381,255
Net Noncurrent Debt Outstanding	$ 4,753,554

Advance Refunding:

The City issued $8,245,000 of general obligation refunding bonds to provide resources to deposit with the Escrow Agent in the amount necessary to accomplish the discharge and final payment of $3,240,000 Combination Tax and Revenue Certificates of Obligation, Series 1994, on their respective redemption dates. The City issued $3,745,000 of general obligation refunding bonds in the proprietary fund in order to lower the overall debt service requirements of the City and pay the costs associated with the issuance of bonds. The City issued the remaining $4,500,000 of general obligation refunding bonds in the Capital Projects Fund for the construction of a City park. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Proprietary Fund. The advance refunding was undertaken to lower debt service requirements of the City and resulted in an economic gain of $170,700.

6. 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 includes, among other things, a commitment by the City of Corinth to 2.0 million gallons of water per day (MGD) demand. In June, 1994, the City began purchasing its water from UTRWD. The move has caused a significant decrease in the demand charge paid by the City, which will result in an overall decrease in water costs as a result of the change.

The accompanying financial statements also include $1,275 representing the City's share of UTRWD administrative charges for the year ended September 30, 1998.

7. CONTRIBUTED CAPITAL

During the year, there were no increases in contributed capital in the Water and Sewer Fund. Contributed capital at September 30, 1998, consists of capital contributed from the following sources:

Contributed from:

Real estate developers	$ 2,562,808
City of Corinth general fund	924,000
Federal grants	413,249
Customers	75,343
Other	35,000
Total	$ 4,010,400

8. EMPLOYEES RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 700 administered by TMRS, an agent multiple-employer public employee retirement system.

(continued)

8. EMPLOYEES RETIREMENT PLAN (Continued)

Plan Description

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

Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 1997, valuation is effective for rates beginning January 1999)

(continued)

8. EMPLOYEES RETIREMENT PLAN (Continued)

Contributions

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/97	12/31/96	12/31/95
Actuarial Value of Assets	$ 691,311	$ 528,750	$ 433,655
Actuarial Accrued Liability	$ 780,481	$ 601,071	$ 476,236
Percentage Funded	88.6%	88.0%	91.1%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	$ 89,170	$ 72,321	$ 42,581
Annual Covered Payroll	$ 1,290,861	$ 1,142,945	$ 827,744
UAAL as a Percentage of Covered Payroll	6.9%	6.3%	5.1%
Net Pension Obligation (NPO) at the Beginning of Period	$ -	$ -	$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 74,864	$ 65,075	$ 41,216
Contributions Made	$ 74,864	$ 65,075	$ 41,216
Increase in NPO	$ -	$ -	$ -
NPO at the End of Period	$ -	$ -	$ -

Note: Trend data presented is audited information as of December 31st of the previous year, which is the fiscal year of the Texas Municipal Retirement System.

9. INTERFUND RECEIVABLES AND PAYABLES

During the normal course of operations, the City has numerous transactions between funds involving expenditures made by one fund and reimbursed by another fund.

Interfund balances at September 30, 1998, consisted of the following amounts due from and due to other fund:

Fund	Due From	Due To
Proprietary funds	$ 812,079	$ 410,840
Governmental funds	1,007,593	1,408,832
Total	$ 1,819,672	$ 1,819,672

10. RESTRICTED ASSETS - WATER AND SEWER FUND

Restricted assets in the Water and Sewer Fund, held for specific purposes in accordance with bond ordinances or other legal restrictions, at September 30, 1998, are comprised of the following:

	Restricted For		
	Meter Deposits	Capital Improvements	Total
Cash	$ 189,927	$ 984,743	$ 1,174,670

11. DEFERRED BOND ISSUANCE COSTS

Deferred bond issuance costs in the Proprietary Fund at September 30, 1998, consists of the following:

Bond issuance costs incurred in fiscal year 1992 in connection with the $300,000 certificates of obligation issue	$ 12,832
Bond issuance costs incurred in fiscal year 1994 in connection with the $4,660,000 certificates of obligation issue	119,900
Bond issuance costs incurred in fiscal year 1998 in connection with the $3,745,000 general obligation issue	104,491
Less accumulated amortization	43,438
Deferred bond issuance costs, net	$ 193,785

12. YEAR 2000 ISSUE

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The City of Corinth has not inventoried computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting City operations. It is unknown as of September 30, 1998, what effects, if any, failing to remediate such systems will have upon City operations and financial reporting.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City of Corinth is or will be year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City does business will be year 2000 ready.

13. RISK MANAGEMENT

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for the purpose of providing coverage against risks which are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts. The Pool agrees to handle all liability, property and workers' compensation claims and provide any defense as is necessary. The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The City also carries commercial insurance on all other risks of loss, including employee health and accident insurance.

The City has experienced no significant reductions in coverage through the Pool over the past year.

There have been no insurance settlements exceeding Pool coverage for any of the past three years.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Form of Opinion of Bond Counsel]

$________
CITY OF CORINTH, TEXAS
GENERAL OBLIGATION BONDS
SERIES 1999

WE HAVE CONDUCTED AN EXAMINATION into the validity of an issue of bonds entitled "City of Corinth, Texas General Obligation Bonds, Series 1999" (the "Bonds"), issued by the City of Corinth, Texas (the "City"), as fully registered bonds, maturing and bearing interest in the manner, payable and subject to prior redemption, all as provided in the ordinance authorizing the issuance of the Bonds (the "Ordinance").

WE HAVE EXAMINED those portions of the Constitution and laws of the State of Texas considered by us relevant to this opinion, certified copies of the proceedings of the City Council of the City, and other documents authorizing and relating to the issuance of the Bonds, including the form of Bonds approved in the Ordinance.

BASED ON SAID EXAMINATION, IT IS OUR OPINION, as bond counsel for the City, that the Bonds have been duly authorized, executed and delivered in accordance with the Constitution and laws of the State of Texas and constitute valid and legally binding obligations of the City; that the Bonds are equally secured by and payable from a continuing ad valorem tax levied upon all taxable property in the City, within the limit prescribed by law, as described in the Ordinance; and that the total indebtedness of the City, including the Bonds, does not exceed any constitutional or statutory limitation.

BASED ON THE FOREGOING, IT IS OUR FURTHER OPINION that the interest on the Bonds is excludable from gross income under Section 103(a) of the Internal Revenue Code of 1986, as amended, and applicable regulations, published rulings and court decisions (collectively, the "Code"). It is our further opinion that the Bonds will not be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds will not be treated as a preference item under the alternative minimum tax provisions of the Code as applicable to individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. The statutes, applicable regulations, published rulings of the Internal Revenue Service and court decisions on which such opinions are based are subject to change.

These opinions are dependent in part on future compliance by the City with certain post-issuance requirements of the Code, including arbitrage rebate requirements. Failure to comply with such requirements may cause the interest on the Bonds to be includable in gross income retroactive to the date of issue. In this connection, various covenants and representations have been made by the City in the documents authorizing the issuance of the Bonds that are designed to provide assurance of compliance with such requirements, and for purposes of these opinions, we assume compliance therewith. In addition, such opinions are based upon representations and certifications of the City pertaining to the use, expenditure and investment of the proceeds of the Bonds.

Except as described above, we express no opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, certain insurance companies, owners of an interest in a Financial Asset Securitization Investment Trust, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals seeking the earned income tax credit, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and S corporations with Subchapter C earnings and profits. Prospective purchasers should consult their own tax advisors as to the applicability of these and other such collateral consequences to their particular circumstances.

THE OPINIONS CONTAINED HEREIN are limited to the extent that the rights of the registered owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights or remedies generally and to the extent that certain equitable remedies, including specific performance, may be unavailable.

WE HAVE ACTED AS BOND COUNSEL for the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the application to the Bonds of those provisions of the Code as to which an opinion is rendered herein and for no other reason or purpose. 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 City and have not assumed any responsibility with respect thereto.

Respectfully,

Financial Advisory Services
Provided By

FIRST SOUTHWEST COMPANY

INVESTMENT BANKERS