PRELIMINARY OFFICIAL STATEMENT

Dated June 17, 2016

Ratings:
Moody's: "Aa1"
S&P: "AA+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

$121,785,000*
CITY OF FRISCO, TEXAS
(Collin and Denton Counties)
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2016

Dated Date: June 15, 2016
Interest Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the $121,785,000* City of Frisco, Texas General Obligation Refunding and Improvement Bonds, Series 2016 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2017, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the 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 OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued by the City of Frisco, Texas (the "City"), pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Chapters 1207, 1331 and 1371, Texas Government Code, as amended, and an ordinance in which the City Council delegated to each of the City Manager and an Assistant City Manager authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (such ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct and voted obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "THE OBLIGATIONS - Security and Source of Payment").

PURPOSE . . . Proceeds of the Bonds are expected to be used for (i) refunding certain outstanding obligations of the City described on Schedule I attached hereto (the "Refunded Obligations") to achieve debt service savings; (ii) constructing and equipping facilities for a community cultural arts and science center, (iii) constructing, improving and equipping public safety facilities consisting of fire department facilities, acquisition of fire trucks and equipment, acquisition of land and acquisition and installation of warning sirens, (iv) constructing and improving streets and roads, bridges and intersections, (v) constructing, improving and equipping parks, trails and recreational facilities and constructing and equipping a maintenance and administration building for the parks and recreation department; and (vi) paying the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – Purpose of the Bonds").

MATURITY SCHEDULE

See page 2

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Frisco, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016A" (the "2016A Certificates") and "City of Frisco, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2016B" (the "2016B Certificates"), under a common Official Statement, and such Bonds, 2016A Certificates and 2016B Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Bonds, 2016A Certificates and 2016B Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and delivered to the Underwriters of the Bonds subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on __________, 2016.

RBC CAPITAL MARKETS

RAYMOND JAMES **WELLS FARGO SECURITIES**

J.P. MORGAN

* Preliminary, subject to change.

MATURITY SCHEDULE* **CUSIP Prefix: 358775 [(1)]**

Principal Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]	Principal Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
$ 5,585,000	2017				$ 5,585,000	2027			
6,145,000	2018				5,890,000	2028			
8,695,000	2019				4,370,000	2029			
8,465,000	2020				4,585,000	2030			
8,925,000	2021				4,670,000	2031			
7,775,000	2022				4,870,000	2032			
8,180,000	2023				5,085,000	2033			
7,990,000	2024				3,605,000	2034			
8,405,000	2025				3,755,000	2035			
5,290,000	2026				3,915,000	2036			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

* Preliminary, subject to change.

FSCContinuingDisclosureServices
A Division of Hilltop Securities

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated June 17, 2016

Ratings:
Moody's: "Aa1"
S&P: "AA+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the 2016A Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

$17,305,000*
CITY OF FRISCO, TEXAS
(Collin and Denton Counties)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2016A

Dated Date: June 15, 2016
Interest Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the $17,305,000* City of Frisco, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016A (the "2016A Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2017, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 2016A Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the 2016A Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the 2016A Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the 2016A Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the 2016A Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The 2016A Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and an ordinance in which the City Council delegated to each of the City Manager and an Assistant City Manager authority to complete the sale of the 2016A Certificates. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the 2016A Certificates (such ordinance and the Pricing Certificate for the 2016A Certificates are jointly referred to as the "2016A Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").

SECURITY AND SOURCE OF PAYMENT . . . The 2016A Certificates constitute direct obligations of the City of Frisco, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of the surplus net revenues of the City's Waterworks and Sewer System, as provided in the 2016A Certificate Ordinance (see "'THE OBLIGATIONS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the 2016A Certificates will be used for (i) constructing improvements and extensions to the City's combined Waterworks and Sewer System; (ii) constructing, acquiring and equipping two City-owned public parking garages located near the City's special events and recreational center and (iii) paying the costs associated with the issuance of the 2016A Certificates (see "PLAN OF FINANCING – Purpose of the 2016A Certificates").

MATURITY SCHEDULE

See page 4

SEPARATE ISSUES . . . The 2016A Certificates are being offered by the City concurrently with the "City of Frisco, Texas General Obligation Refunding and Improvement Bonds, Series 2016" (the "Bonds") and "City of Frisco, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2016B" (the "2016B Certificates"), and such 2016A Certificates, Bonds and 2016B Certificates are hereinafter sometimes referred to collectively as the "Obligations." The 2016A Certificates, Bonds and 2016B Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The 2016A Certificates are offered for delivery when, as and if issued and delivered to the Underwriters of the 2016A Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the 2016A Certificates will be available for delivery through The Depository Trust Company on ______, 2016.

RBC CAPITAL MARKETS

RAYMOND JAMES **WELLS FARGO SECURITIES**

J.P. MORGAN

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* Preliminary, subject to change.

MATURITY SCHEDULE* **CUSIP Prefix: 358775 (1)**

Principal Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix (1)	Principal Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix (1)
$ 570,000	2017				$ 855,000	2027			
615,000	2018				890,000	2028			
630,000	2019				930,000	2029			
650,000	2020				970,000	2030			
670,000	2021				1,010,000	2031			
695,000	2022				1,055,000	2032			
725,000	2023				1,100,000	2033			
755,000	2024				1,145,000	2034			
790,000	2025				1,190,000	2035			
820,000	2026				1,240,000	2036			

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REDEMPTION . . . The City reserves the right, at its option, to redeem 2016A Certificates having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

* Preliminary, subject to change.

FSCContinuingDisclosureServices
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated June 17, 2016

Ratings:
Moody's: "Aa1"
S&P: "AA+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

The 2016B Certificates are **not** obligations described in section 103(a) of the Internal Revenue Code of 1986. See "Tax Matters – 2016B Certificates" herein.

$20,265,000*
CITY OF FRISCO, TEXAS
(Collin and Denton Counties)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2016B

Dated Date: June 15, 2016
Interest Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the $20,265,000* City of Frisco, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2016B (the "2016B Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2017, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 2016B Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the 2016B Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the 2016B Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the 2016B Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the 2016B Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The 2016B Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and an ordinance in which the City Council delegated to each of the City Manager and an Assistant City Manager authority to complete the sale of the 2016B Certificates. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the 2016B Certificates (such ordinance and the Pricing Certificate for the 2016B Certificates are jointly referred to as the "2016B Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").

SECURITY AND SOURCE OF PAYMENT . . . The 2016B Certificates constitute direct obligations of the City of Frisco, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of the surplus net revenues of the City's Waterworks and Sewer System, as provided in the 2016B Certificate Ordinance (see "'THE OBLIGATIONS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the 2016B Certificates will be used for (i) constructing improvements and extensions to the City's combined Waterworks and Sewer System, (ii) constructing, acquiring and equipping two City-owned public parking garages located near the City's special events and recreational center; and (iii) paying the costs associated with the issuance of the 2016B Certificates (see "PLAN OF FINANCING – Purpose of the 2016B Certificates").

MATURITY SCHEDULE

See page 4

SEPARATE ISSUES . . . The 2016B Certificates are being offered by the City concurrently with the "City of Frisco, Texas General Obligation Refunding and Improvement Bonds, Series 2016" (the "Bonds") and "City of Frisco, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016A" (the "2016A Certificates"), and such 2016B Certificates, Bonds, 2016A Certificates are hereinafter sometimes referred to collectively as the "Obligations." The 2016B Certificates, Bonds and 2016A Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The 2016B Certificates are offered for delivery when, as and if issued and delivered to the Underwriters of the 2016B Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the 2016B Certificates will be available for delivery through The Depository Trust Company on ______, 2016.

RBC CAPITAL MARKETS

RAYMOND JAMES **WELLS FARGO SECURITIES**

J.P. MORGAN

* Preliminary, subject to change.

MATURITY SCHEDULE* **CUSIP Prefix: 358775** [(1)]

Principal Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]	Principal Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
$ 630,000	2019				$ 865,000	2031			
640,000	2020				900,000	2032			
655,000	2021				935,000	2033			
670,000	2022				970,000	2034			
685,000	2023				1,010,000	2035			
700,000	2024				1,050,000	2036			
720,000	2025				1,090,000	2037			
740,000	2026				1,135,000	2038			
760,000	2027				1,180,000	2039			
785,000	2028				1,225,000	2040			
810,000	2029				1,275,000	2041			
835,000	2030								

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem 2016B Certificates having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Obligations that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover pages and the Schedule and 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 a representation, promise or guarantee of the Financial Advisor or the Underwriters.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE OBLIGATIONS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.

TABLE OF CONTENTS

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, 2016A Certificates and 2016B Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY	The City of Frisco (the "City") is a political subdivision and municipal corporation of the State, located in Collin and Denton Counties, Texas. The City covers approximately 70 square miles (see "INTRODUCTION - Description of the City").
THE BONDS	The $121,785,000* City of Frisco, Texas General Obligation Refunding and Improvement Bonds, Series 2016 are to mature on February 15 in the years 2017 through 2036 (see "THE OBLIGATIONS - Description of the Obligations").
THE 2016A CERTIFICATES	The $17,305,000* City of Frisco, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016A are to mature on February 15 in the years 2017 through 2036 (see "THE OBLIGATIONS - Description of the Obligations").
THE 2016B CERTIFICATES	The $20,265,000* City of Frisco, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2016B are to mature on February 15 in the years 2019 through 2041 (see "THE OBLIGATIONS - Description of the Obligations").
PAYMENT OF INTEREST	Interest on the Obligations accrues from the Delivery Date (defined herein) and is payable February 15, 2017 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations" and "THE OBLIGATIONS - Optional Redemption").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Chapters 1207, 1331 and 1371, Texas Government Code, as amended, and an ordinance in which the City Council delegated to each of the City Manager and an Assistant City Manager authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (such ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance") (see "THE OBLIGATIONS – Authority for Issuance"). The 2016A Certificates and 2016B Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and an ordinance in which the City Council delegated to each of the City Manager and an Assistant City Manager authority to complete the sale of the 2016A Certificates and 2016B Certificates. The terms of the sale will be included in "Pricing Certificates," which will complete the sale of the 2016A Certificates and 2016B Certificates (such ordinance and the Pricing Certificate for the 2016A Certificates are jointly referred to as the "2016A Certificate Ordinance" and such ordinance and the Pricing Certificate for the 2016B Certificates are jointly referred to as the "2016B Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds constitute direct and voted obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "THE OBLIGATIONS - Security and Source of Payment").
SECURITY FOR THE 2016A CERTIFICATES AND 2016B CERTIFICATES	The 2016A Certificates and 2016B Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's Waterworks and Sewer System (see "THE OBLIGATIONS - Security and Source of Payment").
REDEMPTION	The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

* Preliminary, subject to change.

TAX EXEMPTION............................. In the opinion of Bond Counsel, the interest on the Bonds and 2016A Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

Interest to be paid on the 2016B Certificates is not excludable from gross income for federal income tax purposes. See "TAX MATTERS – 2016B Certificates" herein.

USE OF PROCEEDS .... Proceeds of the Bonds are expected to be used for (i) refunding certain outstanding obligations of the City described on Schedule I attached hereto (the "Refunded Obligations") to achieve debt service savings; (ii) constructing and equipping facilities for a community cultural arts and science center, (iii) constructing, improving and equipping public safety facilities consisting of fire department facilities, acquisition of fire trucks and equipment, acquisition of land and acquisition and installation of warning sirens, (iv) constructing and improving streets and roads, bridges and intersections, (v) constructing, improving and equipping parks, trails and recreational facilities and constructing and equipping a maintenance and administration building for the parks and recreation department; and (vi) paying the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – Purpose of the Bonds").

Proceeds from the sale of the 2016A Certificates will be used for (i) constructing improvements and extensions to the City's combined Waterworks and Sewer System; (ii) constructing, acquiring and equipping two City-owned public parking garages located near the City's special events and recreational center and (iii) paying the costs associated with the issuance of the 2016A Certificates.

Proceeds from the sale of the 2016B Certificates will be used for (i) constructing improvements and extensions to the City's combined Waterworks and Sewer System, (ii) constructing, acquiring and equipping two City-owned public parking garages located near the City's special events and recreational center; and (iii) paying the costs associated with the issuance of the 2016B Certificates.

RATINGS... The Obligations and the presently outstanding general obligation debt of the City are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P").

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

PAYMENT RECORD .... The City has not defaulted in payment of its general obligation tax debt since 1937.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Net Tax Supported Debt at End of Year	Per Capita Net Tax Supported Debt	Ratio Net Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2012	128,281	$ 14,091,861,332 (1)	$ 109,852	$ 233,643,746	$ 1,821	1.66%	103.85%
2013	135,920	14,741,049,643 (2)	108,454	272,628,514	2,006	1.85%	102.76%
2014	142,990	15,922,401,858 (3)	111,353	274,899,560	1,923	1.73%	103.43%
2015	151,030	18,092,532,439 (4)	119,794	284,393,320	1,883	1.57%	103.48%
2016	160,092	20,891,502,221 (5)	130,497	314,751,134 (6)	1,966	1.51%	102.01% (7)

(1) Includes tax incremental value of approximately $907,471,729 that is not available for the City's general use.
(2) Includes tax incremental value of approximately $948,269,733 that is not available for the City's general use.
(3) Includes tax incremental value of approximately $1,024,191,586 that is not available for the City's general use.
(4) Includes tax incremental value of approximately $1,128,830,510 that is not available for the City's general use.
(5) Includes tax incremental value of approximately $1,228,758,775 that is not available for the City's general use.
(6) Projected, includes a portion of the Bonds. Excludes the Refunded Obligations, the 2016A Certificates, the 2016B Certificates and self-supporting obligations. Preliminary, subject to change.
(7) Collections through May 1, 2016.

For additional information regarding the City, please contact:

George Purefoy		David K. Medanich
Nell Lange		Laura Alexander
City of Frisco	or	FirstSouthwest, a Division of Hilltop Securities Inc.
6101 Frisco Square Blvd.		777 Main Street, Suite 1200
Frisco, Texas 75034		Fort Worth, Texas 76102
(972) 292-5110		(817) 332-9710

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Maher Maso Mayor	16 Years	May, 2017	Executive
Bob Allen Councilmember, Place 1	7 Years	May, 2018	Business Strategies Coordinator
Jeff Chaney Councilmember, Place 2	9 Years	May, 2016 (1)	Realtor
Will Sowell Councilmember, Place 3	4 Years	May, 2018	Engineer
John Keating Councilmember, Place 4	6 Years	May, 2016 (1)	Community Volunteer
Tim Nelson Council Member, Place 5	5 Years	May, 2017	US Army Reserve Officer and Entrepreneur
Scott Johnson Council Member, Place 6	8 Years	May, 2017	Real Estate Investor/Developer

(1) A run-off election for these Councilmember positions will be held on June 18, 2016.

SELECTED ADMINISTRATIVE STAFF

Name	Position
George Purefoy	City Manager
Henry J. Hill, III	Deputy City Manager
Nell Lange	Assistant City Manager
Ron Patterson	Assistant City Manager
Anita Cothran	Director of Financial Services
Jenny Page	City Secretary
Richard Abernathy	City Attorney

CONSULTANTS AND ADVISORS

Certified Public Accountants (1) .... Crowe Horwath LLP
Dallas, Texas

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

Financial Advisor .... FirstSouthwest, a Division of Hilltop Securities Inc.
Fort Worth, Texas

(1) The City has engaged Weaver LLP as the city's outside auditor for fiscal year 2016.

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF FRISCO, TEXAS

$121,785,000*
GENERAL OBLIGATION REFUNDING
AND IMPROVEMENT BONDS, SERIES 2016

$17,305,000*
COMBINATION TAX AND LIMITED SURPLUS
REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2016A

$20,265,000*
COMBINATION TAX AND LIMITED SURPLUS
REVENUE CERTIFICATES OF OBLIGATION,
TAXABLE SERIES 2015B

INTRODUCTION

This Preliminary Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $121,785,000* City of Frisco, Texas, General Obligation Refunding and Improvement Bonds, Series 2016, (the "Bonds"), $17,305,000* City of Frisco, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016A (the "2016A Certificates") and $20,265,000* City of Frisco, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Taxable Series 2016B (the "2016B Certificates" and together with the Bonds and the 2016A Certificates, the "Obligations"). The Bonds, the 2016A Certificates and the 2016B Certificates are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance", the "2016A Certificate Ordinance" and the "2016B Certificate Ordinance", respectively, each as defined below, and collectively the "Ordinances"), adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds, 2016A Certificates and 2016B Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City of Frisco, Texas (the "City") is a political subdivision located in Collin and Denton Counties operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1987, and last amended May 8, 2010. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The 2010 census population for the City was 116,989. The 2016 population is estimated to be 160,092. The City covers approximately 70 square miles.

PLAN OF FINANCING

PURPOSE OF THE BONDS . . . Proceeds of the Bonds are expected to be used for (i) refunding certain outstanding obligations of the City described on Schedule I attached hereto (the "Refunded Obligations") to achieve debt service savings; (ii) constructing and equipping facilities for a community cultural arts and science center, (iii) constructing, improving and equipping public safety facilities consisting of fire department facilities and, acquisition of fire trucks and equipment, acquisition of land and acquisition and installation of warning sirens, (iv) constructing and improving streets and roads, bridges and intersections, (v) constructing, improving and equipping parks, trails and recreational facilities and constructing and equipping a maintenance and administration building for the parks and recreation department; and (vi) paying the costs associated with the issuance of the Bonds.

PURPOSE OF THE 2016A CERTIFICATES . . . Proceeds from the sale of the 2016A Certificates will be used for (i) constructing improvements and extensions to the City's combined Waterworks and Sewer System; (ii) constructing, acquiring and equipping two City-owned public parking garages located near the City's special events and recreational center and (iii) paying the costs associated with the issuance of the 2016A Certificates.

PURPOSE OF THE 2016B CERTIFICATES . . . Proceeds from the sale of the 2016B Certificates will be used for (i) constructing improvements and extensions to the City's combined Waterworks and Sewer System, (ii) constructing, acquiring and equipping two City-owned public parking garages located near the City's special events and recreational center; and (iii) paying the costs associated with the issuance of the 2016B Certificates.

* Preliminary, subject to change.

Refunded Obligations . . . Proceeds from the sale of the Bonds will be used in part to refund the Refunded Obligations. The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and redemption dates of such Refunded Obligations as shown in Schedule I, from funds to be deposited pursuant to an escrow agreement with respect to the Bonds (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with other funds of the City, if any, the City will deposit with the Escrow Agent an amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct noncallable obligations of the United States of America or noncallable obligations of an agency or instrumentality of the United States of America that are that are guaranteed or insured the United States of America, or a combination thereof (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Grant Thornton LLP, certified public accountants, a nationally recognized accounting firm, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Obligations (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations").

By deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all the Refunded Obligations in accordance with State law and in reliance upon the Report. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Report, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes or other revenues received by the City, as the case may be, or for the purpose of applying any limitation on the issuance of debt, and the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment when due on the Escrowed Securities.

Sources and Uses of Proceeds . . . The proceeds from the sale of the Obligations will be applied as follows:

Sources of Funds	The Bonds	The 2016A Certificates	The 2016B Certificates
Par Amount	$ -	$ -	$ -
Net Initial Offering Premium	-	-	-
Total Sources of Funds	$ -	$ -	$ -
Uses of Funds			
Deposit to Construction Fund	$ -	$ -	$ -
Deposit to Escrow Fund	-	-	-
Cost of Issuance (1)	-	-	-
Total Uses of Funds	$ -	$ -	$ -

(1) Including Underwriters' Discount.

THE OBLIGATIONS

Description of the Obligations . . . The Obligations are dated June 15, 2016 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on pages 2, 4 and 6 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing February 15, 2017 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

Authority for Issuance . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1207, 1331 and 1371, Texas Government Code, as amended, and an ordinance in which the City Council delegated to each of the City Manager and an Assistant City Manager authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (such ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance").

The 2016A Certificates and 2016B Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and an ordinance in which the City Council delegated to each of the City Manager and an Assistant City Manager authority to complete the sale of the 2016A Certificates and 2016B Certificates. The terms of the sale will be included in a "Pricing Certificates," which will complete the sale of the 2016A Certificates and 2016B Certificates (such ordinance and the Pricing Certificate for the 2016A Certificates are jointly referred to as the "2016A Certificate Ordinance" and such ordinance and Pricing Certificates for the 2016B Certificates are jointly referred to as the "2016B Certificate Ordinance").

SECURITY AND SOURCE OF PAYMENT . . .

The Bonds . . . The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the as provided in the Bond Ordinance.

The 2016A Certificates and 2016B Certificates . . . The principal of and interest on the 2016A Certificates and 2016B Certificates are payable from a direct and continuing ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the 2016A Certificates and 2016B Certificates are payable from a limited pledge (not to exceed $1,000) of the surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system, all as provided in the 2016A Certificate Ordinance and 2016B Certificate Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, including the Obligations, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt, based on 90% tax collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2027 in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of such series of Obligations to be redeemed. If less than all the Obligations of a series of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If the Obligations (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (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.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF AN OBLIGATION (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH OBLIGATION (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

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

DEFEASANCE . . . The Ordinances provide that any Obligation and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Obligation") within the meaning of such Ordinance when payment of the principal of such Obligation, plus interest thereon to the due date either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Obligations shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Obligation, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Obligations. At such time as an Obligation shall be deemed to be a Defeased Obligation hereunder, as aforesaid, such Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes and, with respect to the 2016A Certificates and 2016B Certificates, surplus net revenues of the City's Waterworks and Sewer System, pledged as provided in the applicable Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing to the City. The Ordinances provide that "Government Obligations" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council approves such defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council approves such defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that any particular rating for U.S. Treasury securities used as Government Obligations or the rating for any other Government Obligations will be maintained at any particular rating category.

Upon such deposit as described above, such Defeased Obligations shall no longer be regarded to be outstanding obligations payable from ad valorem taxes levied by the City or from the other revenues pledged to their payment in the Ordinances, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for any purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; and (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Holders of the 2016B Certificates should be aware that the deposit by the City of monies or Government Obligations with the Paying Agent/Registrar or other authorized entity and the release of the 2016B ordinance (a "defeasance") for federal income tax purposes could result in the recognition by the holder of taxable income (or loss), without any corresponding receipt of monies by the holder. See "Tax Matters - 2016B Certificates - Defeasance of the 2016B Certificates."

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

The City and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this

Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of each series of the Obligations in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Obligations will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment 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 Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligation certificates are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS - Transfer, Exchange and Registration" below.

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

Principal of the Obligations is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Obligations for payment. Interest on the Obligations is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Obligations shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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

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

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 Registered Owner of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

REMEDIES . . . Each Ordinance establishes specific events of default with respect to the respective series of Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, each Ordinance provides that any registered owner of a respective Obligation is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the respective Obligations or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the owners of the respective Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in Tooke v. City of Mexia 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages outside of Chapter 1371, owners of Obligations may not be able to bring such a suit against the City for breach of the Obligations or Ordinance covenants in the absence of City action. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Obligations will be The Depository Trust Company. See "THE OBLIGATIONS - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Obligations.

ADDITIONAL SOURCES OF REVENUE ANTICIPATED TO BE AVAILABLE TO PAY DEBT SERVICE ON OUTSTANDING OBLIGATIONS . . . As described in Table 1, "VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT," the City has used various sources of revenue to pay debt service on its general obligation debt.

The City has created two separate corporations (the Frisco Economic Development Corporation and the Frisco Community Development Corporation) pursuant to Chapters 504 and 505, Texas Local Government Code, respectively, as amended, (formerly Sections 4A and 4B, respectively, of Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended). The City levies and collects a 1/2 of 1% sales and use tax within the City for the benefit of each corporation, and each corporation has the authority to utilize the collections generated by such separate 1/2 of 1% sales and use tax for certain public infrastructure and public projects and the promotion and development of new and expanded business enterprises within the City.

The Frisco Economic Development Corporation (the "EDC") currently has six promissory notes outstanding in the amounts of \$11,745,518, \$7,650,000, \$7,046,355, \$7,650,000, \$6,200,000 and \$1,696,940, and its Sales Tax Revenue Bonds, Taxable Series 2007, which currently are outstanding in the aggregate principal amount of \$8,795,000, with principal installment payments in each of the years 2017 through 2030, Sales Tax Revenue Bonds, Taxable Series 2012, currently outstanding in the aggregate principal amount of \$24,605,000, with principal installment payments in each of the years 2017 through 2032, and Sales Tax Revenue Bonds, Taxable Series 2014, currently outstanding in the aggregate principal amount of \$23,140,000, with principal installment payments in each of the years 2017 through 2034 (collectively, the "EDC Bonds"). The City entered into agreements with the EDC pursuant to which the EDC annually will contribute to the City, after providing for the payment of the annual debt service on the EDC Bonds, an amount sufficient to pay debt service of approximately \$1.4 million per year on the City's outstanding general obligation debt (the "EDC Contribution"). **The EDC Contribution is not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the EDC Contribution.** No assurances can be made by the City that the City will receive all or any portion of the EDC Contribution in any year or that the EDC Contribution, if received, will be used to defray a portion of the debt service obligations of the City with respect to outstanding general obligation debt.

The Frisco Community Development Corporation (the "CDC") currently has one promissory note outstanding in the amount of \$13,770,000, and its Sales Tax Revenue Bonds, Series 2016A, currently outstanding in the aggregate principal amount of \$21,690,000, with principal installment payments due on February 15 in each of the years 2018 through 2037; Sales Tax Revenue Bonds, Taxable Series 2016B, currently outstanding in the aggregate principal amount of \$15,180,000, with principal installment payments due on February 15 in each of the years 2018 through 2037; Sales Tax Revenue Bonds, Taxable Series 2015, currently outstanding in the aggregate principal amount of \$5,770,000, with principal installment payments in each of the years 2017 through 2035 , and its Sales Tax Revenue Bonds, Taxable Series 2012, currently outstanding in the aggregate principal amount of \$23,235,000, with principal installment payments in each of the years 2017 through 2032 (the "CDC Bonds"). The City entered into agreements with the CDC pursuant to which the CDC annually will contribute to the City, after providing for payment of the CDC Bonds, an amount sufficient to pay debt service of approximately \$7.1 million per year on the City's outstanding general obligation debt (the "CDC Contribution"). **The CDC Contribution is not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the CDC Contribution.** No assurances can be made by the City that the City will receive all or any portion of the CDC Contribution in any year or that the CDC Contribution, if received, will be used to defray a portion of the debt service obligations of the City with respect to outstanding general obligation debt. See Table 14 - Municipal Sales Tax History, for a discussion of the historical sales tax collections within the City.

The City created Reinvestment Zone Number One, City of Frisco, Texas (the "Zone One") in 1997. The project plan and financing plan for Zone One include a portion of the public infrastructure improvements financed with the proceeds of outstanding general obligation debt issues. **The tax increment revenues anticipated to be available to the City are not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the tax increment revenues.** No assurances can be made by the City that the City will receive all or any portion of the tax increment revenues in any year or that the tax increment revenues, if received, will be used to defray a portion of the debt service obligations of the City in respect to outstanding general obligation debt.

The City created Reinvestment Zone Number Five, City of Frisco, Texas ("Zone Five") in 2014. The project plan and financing plan for Zone Five include a portion of the public infrastructure improvements financed with the proceeds of outstanding general obligation debt issues. **The tax increment revenues anticipated to be available to the City are not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the tax increment revenues.** No assurances can be made by the City that the City will receive all or any portion of the tax increment revenues in any year or that the tax increment revenues, if received, will be used to defray a portion of the debt service obligations of the City in respect to outstanding general obligation debt.

The City has entered into contractual agreements with various private entities for the use of certain of the facilities financed with the proceeds of certain outstanding general obligation debt issues. It is anticipated that such agreements will produce annually sufficient revenues to the City to pay a portion of the debt service on certain of the outstanding general obligation debt issues, including bonds issued to refund such general obligation debt. **The contractual payments are not pledged in support of the City's outstanding general obligation debt issues or the Obligations, and the holders of the Obligations have no claim on payments under the agreements and have no rights under the agreements**. No assurances can be made by the City that the City will receive such payments in any year or that the payments, if received, will be used to defray a portion of the debt service obligations of the City with respect to outstanding general obligation debt.

A portion of the proceeds of certain outstanding general obligation debt issues were used to fund improvements within the Frisco Square development area. The Frisco Square development area is within the territory encompassed by the Frisco Square Management District (the "District"), a political subdivision and special district created pursuant to Article XVI, Section 59, of the Texas Constitution by special act of the Texas Legislature (codified as Chapter 3816, Texas Special District Local Laws). The City and the District have entered into an agreement pursuant to which the City and the District have each agreed, subject to certain conditions, to pay one-half of the costs of such improvement projects, including debt service on obligations issued by the City to fund such projects, including bonds issued to refund such general obligation debt. The agreement provides that the District is to pay its share of such costs from ad valorem taxes and/or assessments to be levied by the District. **The payments by the District to the City pursuant to the agreement are not pledged in support of the outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on payments under the agreement and have no rights under the agreement.** No assurance can be made by the City that the City will receive all or any portion of the payments from the District.

A portion of the proceeds of the City's Series 2003A and Series 2004 Certificates of Obligation were used to fund improvements within the Panther Creek Estates Public Improvement District and Panther Creek Estates Public Improvement District No. 2, respectively (collectively, the "PIDs"), created pursuant to Chapter 372, Texas Local Government Code, as amended ("Chapter 372"). Each PID, located in the northeast portion of the City, contains approximately 300 acres and is zoned for residential use. Assessments were levied on the property in each PID to pay the costs of the public improvements funded by the respective PID. Assessment payments are scheduled to be made on a twenty year installment basis with interest at a rate equal to the rate on the Series 2003A Certificates of Obligation or Series 2004 Certificates of Obligation, as applicable, plus one-half of one percent. The unpaid balance of an assessment may be paid at any time by payment of the unpaid balance and interest thereon to the payment date. Chapter 372 and the assessment ordinances provide that assessments and expenses of collection and reasonable attorney's fees are a personal liability of the owners of the assessed property and the assessments are made a lien upon the property assessed superior to all other liens and claims, except State, county, school district or City taxes. **The assessments are not pledged in support of the Obligations, and the holders of the Obligations have no claim on the assessments.** No assurance can be made by the City that the City will receive all or any portion of the assessments.

A portion of the proceeds of certain outstanding general obligation debt issues were used to fund convention center and related parking facility improvements. The City has adopted, pursuant to Chapter 351, Texas Tax Code, as amended ("Chapter 351"), a seven percent hotel occupancy tax within the City boundaries. The tax is imposed against any person who pays for the use of a room in a hotel. For purposes of the tax, a hotel includes a hotel, motel, tourist home, tourist court, lodging house, inn, rooming house or bed and breakfast. The tax is levied against the price of a room, which does not include the cost of food served by the hotel or other personal services. Federal officials are exempt from the tax, and officers or employees of a state agency, institution, board or commission traveling on official business may request a refund of the tax. Taxes are paid by the hotel customer to the hotel. The tax is then remitted by the hotel to the City on a regular basis established by the City. The proceeds of the hotel tax may be used only for certain purposes set forth in Chapter 351 (which includes establishment and maintenance of a convention center and related parking), and one percent of the seven percent tax must be used for advertising and promotion of the City and its vicinity. A portion of the hotel tax proceeds has been used by the City to pay a portion of the outstanding general obligation debt issued to fund convention center and related parking facility improvements. **The City's hotel tax proceeds are not pledged in support of the general obligation debt issues or the Obligations, and the holders of the Obligations have no claim on the hotel tax revenues.** No assurance can be made by the City that the City will use its hotel tax revenue for such purpose.

See Table 1 - "VALUATION, EXEMPTION AND GENERAL OBLIGATION DEBT" and Table 8 - "GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS" for a description of the general obligation debt service paid from the above-described sources. It is the City's current policy to pay such self-supporting debt from the respective revenue sources; provided, however, this policy is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Collin Central Appraisal District and the Denton Central Appraisal District (jointly, 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 Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and are prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value the preceding year plus (b) the property's appraised value in the preceding year plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board within each Appraisal District, consisting of members appointed by the Board of Directors of each respective 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 appropriate Appraisal Review Board.

Reference is made to Title I of the Texas Tax Code (the "Property Tax Code") for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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

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

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

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

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.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established such freeze cannot be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, effective January 1, 2012, surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 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. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Under Section 11.253 of the Texas Tax Code, "Goods-in-Transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-Transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

The City may create one or more tax increment financing districts ("TIF") within the City pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the City created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under tax abatement agreement, a property owner typically 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. The City has active reinvestment zones for tax abatements and 2 tax increment financing zones for tax increment financing purposes. See "TAX INFORMATION - Tax Abatement Policy" and "- Tax Increment Financing" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

Municipalities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs or promote state or local economic development and to stimulate business and commercial activity in the city. In accordance with a program established pursuant to Chapter 380, a city may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the city. Any agreement into which the City has entered pursuant to Chapter 380 is hereinafter referred to as a "Chapter 380 Agreement". The City has entered into several Chapter 380 Agreements. See "TAX INFORMATION - Chapter 380 Agreements".

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of February 15. 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 15 of each year and the final installment due on August 15.

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

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

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee that exceeds 20% of the amount of delinquent tax, penalty, and interest collected, and such fee may be added to the total tax penalty and interest charged to the taxpayer. 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 grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $70,000; the disabled are also granted an exemption of $70,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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 Collin County collects taxes for the City.

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

The City does not tax freeport property.

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

The City does tax goods in transit.

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The City has granted several abatements. Currently, the City has an agreement for the development of thirty-six (36) acres into an urban mixed use community consisting of residential units, a 4-star hotel and a Class A high rise office. The developer will receive rebates of incremental City property taxes paid on the improvements. The maximum grant amount of rebates for the improvements has a principal balance of $3,000,000 bearing an interest rate of 4.75%, being repayable in three (3) annual installments of interest only and twenty-two (22) successive amortized annual installments of principal and interest. During fiscal year 2015-16, the City has rebated a total of $166,874 for the property tax increment payment for 2015. The cumulative amount rebated to date is $986,908.

TAX INCREMENT FINANCING . . . The City created Reinvestment Zone Number One, City of Frisco, Texas ("Tax Increment Reinvestment Zone One" or "Zone One"), in 1997. Beginning January 1, 1998, and subject to the requirements, if any, of previously issued obligations secured by ad valorem taxes, 100% of the ad valorem taxes levied by the City on the taxable assessed value of such property in excess of the 1997 taxable assessed value will be deposited in the Tax Increment Fund established for Zone One. The termination of Zone One is set as either December 31, 2038, or the date when all project costs are paid and all debt is retired, whichever comes first.

The City created Reinvestment Zone Number Five, City of Frisco, Texas ("Tax Increment Reinvestment Zone Five" or "Zone Five"), in 2014. Beginning January 1, 2015, and subject to the requirements, if any, of previously issued obligations secured by ad valorem taxes, 50 % of the ad valorem taxes levied by the City on the taxable assessed value of such property in excess of the 2014 taxable assessed value will be deposited in the Tax Increment Fund established for Zone Five. Also beginning January 1, 2015, 50% of the City's sales and use taxes collected within Zone Five will be deposited in the Tax Increment Fund established for Zone Five. The termination of Zone Five is set as either December 31, 2039, or the date when all project costs are paid and all debt is retired, whichever comes first, although the City is currently in the process of extending the termination date for Zone five to December 31, 2041.

The City's Reinvestment Zones Numbers Two, Three and Four have terminated or are dormant, and all ad valorem taxes or sales and uses taxes collected within such Zones are available for the City's general use (other than ad valorem taxes levied to pay bonds and other obligations).

CHAPTER 380 AGREEMENTS

Chapter 380 Retail Development Grants . . . The City has entered into multiple Chapter 380 Agreements relating to retail development projects to promote economic development within the City (the "Chapter 380 Retail Grants"). The Chapter 380 Retail Grants require the construction of a minimum square footage of retail space and obtaining certificates of occupancy for certain anchor stores or major retailers within a specified time period. All developers met all such requirements during the current fiscal year. Except as otherwise noted, each Chapter 380 Retail Grant is available for a period of 10 years beginning on the dates the certificates of occupancy were received. The installment payments on Chapter 380 Retail Grants are dependent on sales tax collections; accordingly, there are no fixed repayment amounts with the Chapter 380 Retail Grants.

A Chapter 380 Retail Grant ("380 Grant #3") was entered into in December, 2005, pursuant to which the City has agreed to pay to the developer, on a quarterly basis, one-half of 1% of the retail sales taxes collected by the City on retail sales generated by the stores located within the subject retail development project for a period of ten years. To date the City has paid $157,275 during the 2016 fiscal year pursuant to the grant.

A Chapter 380 Retail Grant ("380 Grant #4") was entered into in January, 2011, pursuant to which the City has agreed to pay to the developer, on a quarterly basis, one-half of 1% of the retail sales taxes collected by the City on retail sales generated by the store located within the subject retail development project for the lesser of a period of ten years or a total amount of $2,700,000. This retail development agreement also has a tax abatement provision for a ten year period commencing after the initial ten year period, which pays the lesser of $70,000 annually for ten years or 50% reimbursement of the annual property taxes collected by the City for the project. To date the City has paid $174,500 during the 2016 fiscal year and a cumulative total of $1,113,853 pursuant to the grant.

A Chapter 380 Retail Grant ("380 Grant #6") was approved in May, 2013, pursuant to which the City has agreed to pay to the developer, on a quarterly basis, 85% of the 1% collected by the City on retail Internet sales in the State of Texas. The sales tax grant term is for 25 years unless otherwise terminated by municipal, state or federal legislation. To date the City has paid $1,300,309 during the 2016 fiscal year pursuant to the grant.

A Chapter 380 Retail Grant ("380 Grant #21") was entered into in September, 2015, pursuant to which the City has agreed to pay to the developer, on a quarterly basis, one-half of 1% of the retail sales taxes collected by the City on retail sales generated by the store located within the subject retail development project. Payments on this grant will not begin until fiscal year 2018. Total to be paid is actual sales tax collected for 10 years or a maximum of $2,500.000.

A Chapter 380 Retail Grant ("380 Grant #22") was entered into in September, 2015, pursuant to which the City has agreed to pay to the developer, on a quarterly basis, one-half of 1% of the retail sales taxes collected by the City on retail sales generated by the store located within the subject retail development project. Payments on this grant will not begin until fiscal year 2018. Total to be paid is actual sales tax collected for 10 years or a maximum of $2,500.000.

A Chapter 380 Retail Grant ("380 Grant #23") was entered into in September, 2015, pursuant to which the City has agreed to pay to the developer, on a quarterly basis, one-half of 1% of the retail sales taxes collected by the City on retail sales generated by the store located within the subject retail development project. Payments on this grant will not begin until fiscal year 2018. Total to be paid is actual sales tax collected for 10 years or a maximum of $2,500.000.

Other Chapter 380 Development Grants . . . The City has entered into other Chapter 380 grant agreements to promote economic development within the City. The agreements set forth terms and conditions for the recipients to receive the grants and the criteria upon which the amount of grant is based.

A Chapter 380 Grant ("380 Grant #7") was approved in March, 2012, pursuant to which the City has agreed to pay to the company a rebate of City incremental City property taxes paid on improvements. The maximum amount of this rebate is $155,000 over a period of five years. To date the City paid $1,423 during the 2016 fiscal year pursuant to the grant.

A Chapter 380 Grant Agreement ("380 Grant #8") was entered into in February, 2013. This agreement is for use tax and property tax rebates beginning with the first quarter of 2014 and ending on December 31, 2025. The maximum amount of this rebate is $1,000,000. To date the City has paid $68,159 during the 2016 fiscal year pursuant to the grant. The remaining unpaid amount is $904,696.

A Chapter 380 Grant Agreement ("380 Grant #9") was approved April, 2013, with the owner of an entertainment venue. This agreement includes a 50% rebate of property taxes for 10 years and quarterly payments for one -half of one percent of City sales and use tax. The property tax provision is for 10 years starting with the 2015 taxable year. The sales and use tax provision is for 5 five years beginning January 1, 2015. To date the City has paid $0 pursuant to the grant.

A Chapter 380 Grant ("380 Grant #10") was approved in June, 2013, pursuant to which the City has agreed to pay to the company a rebate of 50% City incremental property taxes paid on improvements. The maximum amount of this rebate is $850,000 over a period of ten years. To date the City paid $16,286 during the 2016 fiscal year pursuant to the grant. The remaining unpaid amount is $833,714.

A Chapter 380 Use Tax Grant Agreement ("380 Grant #12") was approved by the City Council in June, 2014. This agreement will be for a ten-year period. Payments will be calculated based on 80% of the City's one percent of use tax levied on housing materials purchased by the recipient of the grant. The payments will be made on a monthly basis. To date the City has paid $76,365 during the 2016 fiscal year pursuant to the grant.

A Chapter 380 Use Tax Grant Agreement ("380 Grant #13") was approved August, 2014 with a residential homebuilder. This agreement is for a ten year period. Payments will be calculated based on 80% of the City's one percent of use tax levied on housing materials purchased by the recipient of the grant. The payments will be made on a monthly basis. To date the City has paid $3,440 during the 2016 fiscal year pursuant to the grant.

A Chapter 380 Grant Agreement ("380 Grant #15") was approved by City Council on March, 2015. It involves the development of up to four 100,000 square foot buildings located on 35 acres. These buildings will house computer servers and networking equipment which will be taxed as business personal property. The incentives will include a property tax rebate of 50% and 75% based on performance with a maximum of $4,000,000 per building. The first payment under this agreement is due March 2018.

A Chapter 380 Use Tax Grant Agreement ("380 Grant #16") was approved by City Council April, 2015 with a residential homebuilder. This agreement is for a ten year period. Payments will be calculated based on 80% of the City's one percent of use tax levied on housing materials purchased by the recipient of the grant. To date the City has paid $13,059 during the 2016 fiscal year pursuant to the grant.

A Chapter 380 Use Tax Grant Agreement ("380 Grant #17") was approved by City Council July, 2015 with a residential homebuilder. This agreement is for a ten year period. Payments will be calculated based on 80% of the City's one percent of use tax levied on housing materials purchased by the recipient of the grant. To date the City has paid $13,715 during the 2016 fiscal year pursuant to the grant.

A Chapter 380 Grant Agreement of Sales Taxes and Property Taxes ("380 Grant #18") was approved January, 2015, with a developer to build a master-planned mixed-use project including retail, entertainment, hotel, restaurant and residential. The City will provide an economic incentive quarterly in an amount equal to one-half of the City’s share of sales revenue generated by the retail and commercial development on the property. In addition, the City will reimburse the developer 50% of the ad valorem taxes for a period of 25 years. The maximum amount of the sales tax grant is $30,000,000 and the maximum amount of the property tax grant is $60,000,000. Payments on these grants will not begin until construction is complete which is expected by January 2017.

A Chapter 380 Grant Use Tax Agreement ("380 Grant #19") was approved October, 2015 with a residential homebuilder. This agreement is for a ten year period. Payments will be calculated based on 80% of the City’s one per of use tax levied on housing materials purchased by the recipient of the grant. To date the City has paid $366 during the 2016 fiscal year pursuant to the grant.

A Chapter 380 Sales Tax and Property Tax Grant Agreement ("380 Grant #20") was approved in November, 2015 with a developer to build a master planned mixed-use project including retail, entertainment, hotel, restaurant, office and residential. The City will provide an economic incentive quarterly in an amount equal to one-half of the City’s share of sales revenue generated by the retail and commercial development on the property. In addition, the City will reimburse the developer 50% of the ad valorem taxes for a period of 25 years. The maximum amount of the sales tax grant is $30,000,000 and the maximum amount of the property tax grant is $60,000,000. Payments on these grants will not begin until construction is complete which is expected by January 2017.

A Chapter 380 Sales Tax Agreement ("380 Grant #24") was entered into in April, 2016, pursuant to which the City has agreed to pay to the developer, on an annual basis, $1,500,000 from retail sales taxes collected from within the City by the City from the State Comptroller’s Office for a period of 10 years. Payments on this grant are expected to begin in fiscal year 2019. Total to be paid is actual construction costs of the garage or a maximum of $15,000,000.

For more detailed information concerning the City’s Chapter 380 Agreements, see APPENDIX B, "Excerpts from the City’s Comprehensive Annual Financial Report", Note 9, page 80 (also see "Table 14 - Municipal Sales Tax History" herein).

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2015/16 Market Valuation Established by Collin and Denton Appraisal District (excluding totally exempt property)		$23,225,404,713
Less Exemptions/Reductions at 100% Market Value:		
Over 65 and Disabled Homestead Exemption	$ 315,773,253	
Disabled Veterans/Person Exemption	63,144,483	
Agricultural Land Use Reductions	1,708,132,076	
Homestead Cap Adjustment	203,357,275	
Pollution Exemption	1,777,440	
Historical Exemption	998,393	
Solar	2,263,536	
Freeport	38,456,036	2,333,902,492
2015/16 Taxable Assessed Valuation		$20,891,502,221
2015/16 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number One		1,215,252,841
2015/16 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number Five		13,505,934
2015/16 Taxable Assessed Valuation available for General Fund Obligations and Debt of City		$19,662,743,446
Debt Payable from Ad Valorem Taxes (as of 5/1/16) (1)		
General Obligation Bonds	$ 370,120,000 (2)	
Combination Tax and Revenue Certificates of Obligation	223,105,000 (2)	
The 2016A Certificates	17,305,000 (3)	
The 2016B Certificates	20,265,000 (3)	
The Bonds	121,785,000 (3)	
Debt Payable from Ad Valorem Taxes		$ 752,580,000
Less Self-Supporting Debt: (4)		
Water and Sewer System Certificates of Obligation	$ 137,210,003 (5)	
Community Development Corporation Certificates of Obligation	79,070,000 (6)	
Economic Development Corporation Certificates of Obligation	14,360,000 (6)	
Tax and Revenue Certificates of Obligation (TIRZ)	177,866,842 (7)	
Public Improvement District Certificates of Obligation	2,380,000	
Hotel/Motel Tax Certificates of Obligation	23,650,000 (6)	
Management District Contribution Certificates of Obligation	3,292,021	437,828,866
Net Funded Debt Payable From Ad Valorem Taxes		$ 314,751,134
Interest and Sinking Fund as of 5/1/16		$ 15,833,057
Ratio Tax Supported Debt to Taxable Assessed Valuation		3.83%
Ratio Net Tax Supported Debt to Taxable Assessed Valuation		1.60%

2016 Estimated Population - 160,092
Per Capita Taxable Assessed Valuation - $122,822
Per Capita Funded Debt - $4,701
Per Capita Net Funded Debt - $1,966

(1) The above statement of indebtedness does not include $21,690,000 Frisco Community Development Corporation Sales Tax Revenue Bonds, Series 2016A; $15,180,000 Frisco Community Development Corporation Sales Tax Revenue Bonds, Taxable Series 2016B; $5,770,000 Frisco Community Development Corporation Sales Tax Revenue Bonds, Taxable Series 2015, $23,235,000 Frisco Community Development Corporation Sales Tax Revenue Bonds, Taxable Series 2012, $8,795,000 Frisco Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2007, $24,605,000 Frisco Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2012, $23,140,000 Frisco Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2014, the Frisco Economic Development Corporation Promissory Note of $11,745,519, dated August 2015, Frisco Economic Development Corporation Promissory Note of $7,650,000 dated May 2015, Frisco Economic Development Corporation Promissory Note of $1,696,940 dated May 2015, Frisco Economic Development Corporation Promissory Note of $7,046,355 dated September 2015, Frisco Economic Development Corporation Promissory Note of $7,650,000 dated September 2015, Frisco Economic Development Corporation Promissory Note of $6,200,000 dated September 2015, or the $13,770,000 Frisco Community Development Corporation Promissory Note dated May 2015, as these Bonds and Notes are payable solely from the receipts of a 1/2 of 1% local sales and use tax collected for the benefit of each of the Frisco Economic Development Corporation and Frisco Community Development Corporation, respectively.

(2) Excludes the Refunded Obligations. Preliminary, subject to change.

(3) Preliminary, subject to change.

(4) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems and revenue sources. Also see "THE OBLIGATIONS – Additional Sources of Revenue Anticipated to be Available to Pay Debt Service on the Obligations". It is the City's current policy to pay such self-supporting debt from the respective revenue sources; provided, however, that this policy is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service. See also "Table 10 - Computations of Self-Supporting Debt."

(5) Includes the 2016A Certificates and a portion of the Bonds. Preliminary, subject to change.

(6) Includes a portion of the Bonds. Preliminary, subject to change.

(7) Includes the 2016B Certificates. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2016		2016		2014	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$14,947,042,753	64.36%	$12,779,315,676	63.76%	$11,109,877,097	63.18%
Real, Residential, Multi Family	1,061,830,996	4.57%	912,231,775	4.55%	766,155,119	4.36%
Real, Vacant Lots/Tracts	344,379,023	1.48%	342,692,609	1.71%	235,667,426	1.34%
Real, Acreage (Land Only)	1,710,566,899	7.37%	1,485,540,625	7.41%	1,298,209,556	7.38%
Real, Farm and Ranch Improvements	409,344,975	1.76%	302,002,805	1.51%	259,963,743	1.48%
Real, Commercial and Industrial	3,396,404,723	14.62%	2,980,653,254	14.87%	2,739,187,504	15.58%
Real, Inventory	270,308,825	1.16%	254,322,323	1.27%	254,397,072	1.45%
Real and Intangible Personal, Utilities	141,022,480	0.61%	121,578,361	0.61%	108,113,414	0.61%
Tangible Personal, Business	908,332,505	3.91%	830,671,170	4.14%	785,336,014	4.47%
Tangible Personal, Other	186,309	0.00%	192,586	0.00%	162,389	0.00%
Special Inventory	35,985,225	0.15%	33,901,313	0.17%	26,057,049	0.15%
Total Appraised Value Before Exemptions	$23,225,404,713	100.00%	$20,043,102,497	100.00%	$17,583,126,383	100.00%
Less: Total Exemptions/Reductions	(2,333,902,492)		(1,950,570,058)		(1,660,724,525)	
Taxable Assessed Value	$20,891,502,221 [1]		$18,092,532,439 [2]		$15,922,401,858 [3]	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2013		2012	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$10,291,595,385	63.59%	$ 9,827,676,776	63.13%
Real, Residential, Multi Family	664,554,267	4.11%	596,009,954	3.83%
Real, Vacant Lots/Tracts	242,226,742	1.50%	250,071,109	1.61%
Real, Acreage (Land Only)	1,359,289,716	8.40%	1,415,905,570	9.10%
Real, Farm and Ranch Improvements	14,922,693	0.09%	15,460,108	0.10%
Real, Commercial	2,602,104,928	16.08%	2,459,504,934	15.80%
Real and Tangible Personal, Utilities	169,512,137	1.05%	208,074,653	1.34%
Tangible Personal, Commercial	105,132,865	0.65%	100,632,743	0.65%
Tangible Personal, Mobile Homes	711,982,938	4.40%	672,915,707	4.32%
Tangible Personal, Other	247,682	0.00%	296,748	0.00%
Special Inventory	21,895,851	0.14%	19,822,066	0.13%
Total Appraised Value Before Exemptions	$16,183,465,204	100.00%	$15,566,370,368	100.00%
Less: Total Exemptions/Reductions	(1,442,415,561)		(1,474,509,036)	
Taxable Assessed Value	$14,741,049,643 [4]		$14,091,861,332 [5]	

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(1) Includes tax incremental value of approximately $1,228,758,775 that is not available for the City's general use.
(2) Includes tax incremental value of approximately $1,128,830,510 that is not available for the City's general use.
(3) Includes tax incremental value of approximately $1,024,191,586 that is not available for the City's general use.
(4) Includes tax incremental value of approximately $948,269,733 that is not available for the City's general use.
(5) Includes tax incremental value of approximately $907,471,729 that is not available for the City's general use.

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Net Tax Supported Debt Outstanding at End of Year	Ratio of Net Tax Supported Debt to Taxable Assessed Valuation	Net Tax Supported Debt Per Capita
2012	128,281	$ 14,091,861,332 (1)	$ 109,852	$ 233,643,746	1.66%	$ 1,821
2013	135,920	14,741,049,643 (2)	108,454	272,628,514	1.85%	2,006
2014	142,990	15,922,401,858 (3)	111,353	274,899,560	1.73%	1,923
2015	151,030	18,092,532,439 (4)	119,794	284,393,320	1.57%	1,883
2016	160,092	20,891,502,221 (5)	130,497	314,751,134 (6)	1.51%	1,966

(1) Includes tax incremental value of approximately $907,471,729 that is not available for the City's general use.
(2) Includes tax incremental value of approximately $948,269,733 that is not available for the City's general use.
(3) Includes tax incremental value of approximately $1,024,191,586 that is not available for the City's general use.
(4) Includes tax incremental value of approximately $1,128,830,510 that is not available for the City's general use.
(5) Includes tax incremental value of approximately $1,228,758,775 that is not available for the City's general use.
(6) Projected, includes a portion of the Bonds. Excludes the Refunded Obligations, the 2016A Certificates, the 2016B Certificates, a portion of the Bonds expected to be self-supporting and other self-supporting obligations. See also "Table 1 – Valuation Exemption and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt." Preliminary, subject to change.

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 (1)	% Total Collections (1)
2012	$ 0.46191	$ 0.263446	$ 0.198464	$ 65,877,537	100.12%	103.85%
2013	0.46191	0.272957	0.188953	68,804,186	101.09%	102.76%
2014	0.46191	0.282626	0.179284	75,218,433	102.10%	103.43%
2015	0.46000	0.286791	0.173209	77,959,041	101.14%	103.48%
2016	0.46000	0.297064	0.162936	90,227,618	100.18% (2)	102.01% (2)

(1) Includes rollback collections.
(2) Collections through May 1, 2016.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2015/16 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Stonebriar Mall Ltd.	Mall Development	$ 276,304,342	1.41%
BPR Shopping Center Lp.	Retail Development	121,815,390	0.62%
Hall Office Portfolio DB LLC	Commercial Office	73,100,000	0.37%
Tenet Frisco Ltd.	Real Estate	67,415,680	0.34%
Frisco Station Partners LLP	Real Estate Development	64,633,218	0.33%
Specified Properties	Real Estate	63,472,889	0.32%
Sabra Texas Holdings LP	Healthcare Real Estate	61,170,486	0.31%
Eldorado Marketplace Associates LLC	Retail Development	51,507,295	0.26%
HRT Properties of Texas LTD	Real Estate Management	50,000,000	0.25%
Oncor Electric Delivery Co	Electric Utility	48,406,080	0.25%
		$ 877,825,380	4.46%

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

TABLE 6 - TAX ADEQUACY [(1)]

2016 Principal and Interest Requirements	$ 32,414,102
$0.1649 Tax Rate at 100% Collection Produces	$ 32,423,864
Average Annual Principal and Interest Requirements, 2016 - 2036	$ 21,722,412
$0.1105 Tax Rate at 100% Collection Produces	$ 21,727,332
Maximum Principal and Interest Requirements, 2017	$ 36,056,647
$0.1834 Tax Rate at 100% Collection Produces	$ 36,061,471

(1) Includes a portion of the Bonds. Excludes the Refunded Obligations and the 2016A Certificates, the 2016B Certificates, a portion of the Bonds expected to be self-supporting and other self-supporting obligations. See also "Table 1 – Valuation Exemption and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt." Preliminary, subject to change.

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

Taxing Jurisdiction	2015/16 Taxable Assessed Value	2015/16 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt As of 5-1-16	Authorized But Unissued Debt As Of 5-1-16
City of Frisco	$ 20,891,502,221	$0.460000	$ 314,751,134	100.00%	$ 314,751,134 [(1)]	$ 181,490,000 [(2)]
Frisco Independent School District	26,230,139,504	1.460000	1,803,065,843	71.66%	1,292,076,983	440,001,287
Lewisville Independent School District	27,388,498,475	1.476700	1,086,640,601	3.43%	37,271,773	-
Little Elm Independent School District	2,385,225,111	1.540000	153,274,796	13.55%	20,768,735	-
Prosper Independent School District	3,586,090,170	1.670000	343,782,630	6.24%	21,452,036	525,510,000
Collin County	96,807,570,324	0.225000	366,955,000	12.98%	47,630,759	78,882,000
Collin County Community College District	91,029,050,546	0.082000	16,910,000	12.98%	2,194,918	-
Denton County	70,803,572,875	0.262000	630,420,000	10.98%	69,220,116	118,408,296
Total Direct and Overlapping Tax Supported Debt					$ 1,805,366,454	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					8.64%	
Per Capita Overlapping Tax Supported Debt					$ 11,277.06	

(1) Includes a portion of the Bonds. Excludes the Refunded Obligations and the 2016A Certificates, the 2016B Certificates, a portion of the Bonds expected to be self-supporting and other self-supporting obligations. See also "Table 1 – Valuation Exemption and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt." Preliminary, subject to change.

(2) Reflects remaining authorization after the issuance of the Bonds.

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt (1) Principal	Outstanding Debt (1) Interest	The Bonds (2) Principal	The Bonds (2) Interest	The Certificates (3) Principal	The Certificates (3) Interest	Taxable Certificates (4) Principal	Taxable Certificates (4) Interest	Total Outstanding Debt	Economic Development Self-Supporting Requirements (6)	Water and Sewer Self-Supporting Requirements (5)(6)	Community Development Self-Supporting Requirements (6)	TIRZ Self-Supporting Requirements (5)(7)	Hotel/Motel Self-Supporting Requirements (6)	PID Self-Supporting Requirements	Management District Self-Supporting Requirements	Total Debt Less Self-Supporting Requirements	% of Total Outstanding Principal Retired
2016	$ 43,565,000	$ 28,673,816	$ -	$ -	$ -	$ -	$ -	$ -	$ 72,238,816	$ 1,318,115	$ 14,926,638	$ 6,878,461	$ 13,976,085	$ 1,857,412	$ 376,111	$ 491,893	$ 32,414,102	
2017	41,715,000	25,289,114	5,585,000	6,105,042	570,000	700,703	-	705,996	80,670,856	1,538,645	15,515,414	7,644,318	17,087,548	1,962,283	373,865	492,136	36,056,647	
2018	43,860,000	23,518,625	6,145,000	5,521,216	615,000	656,091	-	674,161	80,990,093	1,654,029	15,245,935	8,055,209	16,776,998	2,510,661	377,839	492,014	35,877,409	
2019	42,960,000	21,657,018	8,695,000	5,139,086	630,000	639,558	630,000	669,342	81,020,004	1,655,329	15,211,634	8,050,856	17,127,248	2,511,244	371,307	491,830	35,600,556	
2020	43,945,000	19,721,652	8,465,000	4,697,216	650,000	619,398	640,000	658,634	79,396,900	1,663,184	15,101,585	7,564,509	17,150,446	2,507,617	368,919	491,725	34,548,915	31.23%
2021	45,935,000	17,682,145	8,925,000	4,249,424	670,000	598,608	655,000	646,065	79,361,241	1,662,601	15,097,988	7,579,792	17,172,501	2,504,744	364,809	490,835	34,487,973	
2022	45,925,000	15,675,080	7,775,000	3,819,399	695,000	573,634	670,000	631,780	75,764,892	1,223,165	13,847,174	7,569,991	17,191,962	2,511,547	370,026	492,127	32,558,899	
2023	47,975,000	13,591,422	8,180,000	3,408,558	725,000	544,169	685,000	616,058	75,725,206	1,231,882	13,846,460	7,580,096	17,187,697	2,507,300	364,337	490,383	32,517,052	
2024	34,955,000	11,666,316	7,990,000	2,992,180	755,000	513,459	700,000	598,946	60,170,900	864,157	12,107,224	6,598,571	12,517,846	1,322,744	187,784	357,075	26,215,499	
2025	32,550,000	10,114,599	8,405,000	2,570,009	790,000	481,400	720,000	580,339	56,211,347	863,841	11,038,347	5,558,158	12,518,471	1,319,830	-	357,035	24,555,665	63.11%
2026	27,280,000	8,722,592	5,290,000	2,217,363	820,000	447,993	740,000	560,478	46,078,425	559,926	9,978,679	4,277,392	9,944,555	1,061,309	-	-	20,256,564	
2027	22,685,000	7,571,571	5,585,000	1,937,331	855,000	413,236	760,000	539,133	40,346,271	552,907	8,323,608	3,590,804	9,970,566	1,062,283	-	-	16,846,105	
2028	17,290,000	6,702,909	5,890,000	1,641,850	890,000	377,028	785,000	515,987	34,092,774	555,076	5,145,656	3,597,115	9,979,961	1,061,137	-	-	13,753,829	
2029	18,035,000	5,956,288	4,370,000	1,377,655	930,000	339,263	810,000	490,896	32,309,101	561,127	5,142,953	3,606,847	9,980,380	1,057,792	-	-	11,960,003	
2030	18,865,000	5,150,840	4,585,000	1,169,989	970,000	299,838	835,000	463,994	32,339,660	561,173	5,135,900	3,610,801	10,003,873	1,057,510	-	-	11,970,404	80.03%
2031	19,535,000	4,315,257	4,670,000	977,948	1,010,000	258,753	865,000	435,342	32,067,298	559,923	5,139,837	3,616,510	9,720,898	1,055,518	-	-	11,974,614	
2032	19,870,000	3,443,459	4,870,000	779,993	1,055,000	215,904	900,000	403,225	31,537,580	562,326	5,144,048	3,618,804	9,737,511	1,056,791	-	-	11,418,100	
2033	20,770,000	2,534,854	5,085,000	573,426	1,100,000	171,188	935,000	367,901	31,537,369	558,828	5,138,152	3,619,636	9,753,242	1,055,760	-	-	11,411,753	
2034	14,650,000	1,764,478	3,605,000	393,109	1,145,000	124,604	970,000	331,230	22,983,420	564,356	3,346,969	2,557,526	5,853,398	1,057,490	-	-	9,603,681	
2035	12,750,000	1,176,373	3,755,000	240,389	1,190,000	76,153	1,010,000	293,115	20,491,029	563,940	2,300,184	2,559,338	5,863,429	1,057,500	-	-	8,146,639	94.56%
2036	7,595,000	740,452	3,915,000	81,236	1,240,000	25,730	1,050,000	253,460	14,900,878	562,683	1,265,730	2,566,959	5,453,480	1,055,790	-	-	3,996,236	
2037	7,940,000	419,076	-	-	-	-	1,090,000	211,720	9,660,796	565,476	-	2,570,168	5,467,899	1,057,253	-	-	-	
2038	6,140,000	127,405	-	-	-	-	1,135,000	167,776	7,570,181	347,055	-	1,740,379	5,482,748	-	-	-	-	
2039	-	-	-	-	-	-	1,180,000	122,055	1,302,055	-	-	-	1,302,055	-	-	-	-	
2040	-	-	-	-	-	-	1,225,000	74,556	1,299,556	-	-	-	1,299,556	-	-	-	-	100.00%
2041	-	-	-	-	-	-	1,275,000	25,181	1,300,181	-	-	-	1,300,181	-	-	-	-	100.00%
	$ 636,790,000	$ 236,215,340	$ 121,785,000	$ 49,892,417	$ 17,305,000	$ 8,076,704	$ 20,265,000	$ 11,037,367	$ 1,101,366,829	$ 20,749,739	$ 198,000,114	$ 114,612,240	$ 269,820,531	$ 34,211,514	$ 3,154,993	$ 4,647,053	$ 456,170,645	

(1) Excludes the Refunded Obligations. Preliminary, subject to change.
(2) Average life of the issue - 8.751 years. Interest on the Bonds has been calculated at the average rate of 2.55% for purposes of illustration. Preliminary, subject to change.
(3) Average life of the issue - 11.378 years. Interest on the 2016A Certificates has been calculated at the average rate of 2.90% for purposes of illustration. Preliminary, subject to change.
(4) Average life of the issue - 15.003 years. Interest on the 2016B Certificates has been calculated at the average rate of 3.65% for purposes of illustration. Preliminary, subject to change.
(5) Includes a portion of the 2016A Certificates. Preliminary, subject to change.
(6) Includes a portion of the Bonds. Preliminary, subject to change.
(7) Includes the 2016B Certificates. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION [(1)]

Budgeted Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/16		$58,306,568 [(1)]
Budgeted Interest and Sinking Fund Balance as of 9/30/15	4,706,849	
Budgeted Interest and Sinking Fund Tax Levy	32,014,134	
Budgeted Interest Income	20,000	
Budgeted Transfers and Contributions	26,401,605	63,142,588
Budgeted Estimated Balance, 9/30/16		$ 4,836,020

(1) Source: City's Annual Budget for Fiscal Year 2015/16; includes fiscal agent charges and debt service on Refunded Obligations; does not include debt service on the Obligations or debt service supported by Waterworks and Sewer System revenues.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT [(1)]

Waterworks and Sewer System	
Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-15	$ 69,019,269
Less: Revenue Bonds Requirements, 2016 Fiscal Year	-
Balance Available for Other Purposes	$ 69,019,269
System General Obligation Bond Requirements, 2016 Fiscal Year	14,926,638
Balance	$ 54,092,631
Percentage of System General Obligation Bonds, Self-Supporting	100.00%
Tax Increment Reinvestment Zone Number One	
Budgeted Revenue Available for Debt Service from Tax Increment Reinvestment Zone Revenue (TIRZ), for Fiscal Year Ended 9-30-15	$ 33,147,946
TIRZ Tax and Revenue Certificates of Obligation Requirements, 2016 Fiscal Year	13,976,085
Balance	$ 19,171,861
Percentage of TIRZ General Obligation Bonds, Self-Supporting	100.00%
Economic Development Corporation	
Available for Debt Service from Economic Development Corporation, Fiscal Year Ended 9-30-15	$ 23,565,080
Less: Revenue Bonds Requirements, 2016 Fiscal Year	4,647,451
Balance Available for Other Purposes	$ 18,917,629
Economic Development Corporation General Obligation Bond Requirements, 2016 Fiscal Year	1,318,115
Balance	$ 17,599,514
Percentage of System General Obligation Bonds, Self-Supporting	100.00%
Community Development Corporation	
Available for Debt Service from Community Development Corporation, Fiscal Year Ended 9-30-15	$ 24,416,558
Less: Revenue Bonds Requirements, 2016 Fiscal Year	2,751,772
Balance Available for Other Purposes	$ 21,664,786
Community Development Corporation General Obligation Bond Requirements, 2016 Fiscal Year	6,878,461
Balance	$ 14,786,325
Percentage of System General Obligation Bonds, Self-Supporting	100.00%

(1) It is the City's current policy to pay such self-supporting debt from the respective revenue sources; provided, however, that this policy is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Amount Being Issued	Unissued Balance
Library	5/13/2006	$ 8,000,000	$ -	$ -	$ 8,000,000 (1)
Senior Citizen Center	5/13/2006	2,500,000	-	-	2,500,000 (1)
Municipal Court Facility	5/13/2006	1,000,000			1,000,000 (1)
Cultural Arts Facilities	5/13/2006	5,000,000	1,000,000	2,000,000	2,000,000
Grand Park	5/13/2006	22,500,000	12,000,000	-	10,500,000
Police and Fire	5/9/2015	41,500,000	9,510,000	8,500,000	23,490,000
Streets and Roads	5/9/2015	125,000,000	25,000,000	30,000,000	70,000,000
Municipal Building	5/9/2015	37,000,000	5,000,000	-	32,000,000
Parks and Recreation	5/9/2015	32,000,000	-	20,000,000	12,000,000
Park	5/9/2015	10,000,000	-	-	10,000,000
Performing Arts	5/9/2015	10,000,000	-	-	10,000,000
		$ 294,500,000	$ 52,510,000	$ 60,500,000	$ 181,490,000

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(1) The City will not issue these authorizations.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional general obligation debt in the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

The City has no unfunded debt outstanding as of September 30, 2015.

PENSION FUND . . . Texas Municipal Retirement System ("TMRS") provides retirement, disability and death benefits for City employees. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. See APPENDIX B – Excerpts from the City's Comprehensive Annual Report", Note 11, page 82 for a detailed description of the Pension Fund.

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 100% of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her 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.

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

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

Employee Deposit Rate	7%
Matching Ratio (City to Employee)	2:1
Years Required for Vesting	5 years
Service Retirement Eligibility	60/5, 0/20
Updated Service Credit	100%
Annuity Increase to Retirees	70% of CPI Repeating

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 5 years of service and age 60 or 20 years of service and any age.

As of the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	109
Inactive Employees Entitled to But Not Yet Receiving Benefits	297
Active Employees	924
	1,330

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 14.41% in 2015. The City's contributions to TMRS for fiscal year 2015, were $9,034,646, and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

The TPL in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Discount Rate . . . The discount rate used to measure the Total Pension Liability was 7.0%. The projections of cash flows used to determine the discount rate was assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the Total Pension Liability.

The following table presents the sensitivity of the NPL to changes in the discount rate when calculated at 1-percentage-point-lower (6%) and 1-percentage-point-higher (8%).

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	$62,232,710	$30,645,518	$5,388,565

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2015, the City recognized pension expense of $8,391,402.

At September 30, 2015, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,355,206
Changes in actuarial assumptions used	-	-
Difference between projected and actual investments earnings	1,235,816	-
Contributions subsequent to the measurement date	7,125,574	-
Total	$ 8,361,390	$(1,355,206)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $7,125,574 will be recognized as a reduction of the net pension liability for measurement year ending December 31, 2015 (i.e. recognized in the city's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year	At December 31
2015	$ 106,455
2016	106,455
2017	106,455
2018	106,455
2019	(202,499)
Thereafter	(342,711)
Total	$ (119,390)

Subsequent Event . . . Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long-term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of the expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change. Accordingly, the city has included in its approved fiscal year 2016 budget to continue to fund pension contributions above the required ADC which will help smooth impacts of any increases in the required ADC for fiscal year 2017.

FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
Revenues:	2015	2014	2013	2012	2011
Program Revenues					
Charges for Services	$ 28,725,444	$ 26,396,837	$ 25,316,561	$ 20,467,138	$ 19,782,107
Operating Grants and Contributions	3,236,153	4,666,348	2,549,183	3,615,317	3,297,331
Capital Grants and Contributions	122,651,198	49,626,979	58,872,983	11,607,188	22,940,561
General Revenues					
Ad Valorem Tax	85,412,246	75,849,283	69,014,412	67,161,904	64,673,844
Sales Tax	36,003,036	34,196,948	29,158,661	24,489,084	21,852,287
Franchise Tax	9,338,941	9,041,655	7,909,763	7,796,833	8,367,733
Other Taxes	5,019,906	4,565,581	3,998,236	3,450,258	3,519,660
Intergovernmental	37,600,247	26,077,693	18,540,374	21,709,424	20,389,441
Investment Earnings	859,102	222,548	495,129	501,365	512,756
Total Revenues	$328,846,273	$230,643,872	$215,855,302	$160,798,511	$165,335,720
Expenses:					
General Government	$ 53,318,813	$ 50,945,132	$ 42,629,757	$ 38,034,476	$ 39,620,057
Public Safety	57,906,328	52,340,573	48,074,351	44,347,310	40,962,287
Public Works	39,730,064	32,827,619	30,648,669	29,228,885	27,636,526
Culture and Recreation	29,483,819	28,062,191	26,110,474	26,640,104	25,458,162
Interest on Long-Term Debt	18,443,803	18,631,848	17,005,242	19,338,791	22,215,090
Total Expenses	$198,882,827	$182,807,363	$164,468,493	$157,589,566	$155,892,122
Increase (Decrease) in Net Position before Transfers	$129,963,446	$ 47,836,509	$ 51,386,809	$ 3,208,945	$ 9,443,598
Transfers	306,393	573,076	1,117,421	571,537	517,878
Increase (Decrease) in Net Position	$130,269,839	$ 48,409,585	$ 52,504,230	$ 3,780,482	$ 9,961,476
Net Position - October 1	861,245,040	812,835,455 [(1)]	764,273,482	760,493,000	750,531,524
Prior Period Adjustments	(20,342,092)	-	-	-	-
Net Position - September 30	$971,172,787	$861,245,040	$816,777,712	$764,273,482	$760,493,000

(1) Restated.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues	2015	2014	2013	2012	2011
Taxes	$ 96,147,368	$ 86,736,103	$ 75,467,315	$ 68,863,859	$ 64,693,595
Fees and Services	20,665,946	20,080,578	17,645,854	14,606,902	14,301,128
Fines and Warrants	2,204,495	2,172,664	2,376,846	2,386,708	2,091,936
Contributions and Donations	103,285	255,460	143,452	194,263	122,443
Interest and Penalties	277,759	78,094	92,730	133,098	113,462
Miscellaneous	1,933,514	1,854,487	2,255,177	243,497	201,309
Total Revenues	$ 121,332,367	$ 111,177,386	$ 97,981,374	$ 86,428,327	$ 81,523,873
Expenditures					
General Government	$ 33,748,034	$ 32,047,031	$ 25,215,566	$ 21,229,301	$ 20,900,494
Public Safety	51,644,445	45,276,993	42,027,753	39,018,640	36,330,406
Public Works	8,694,316	8,156,935	7,078,839	6,477,940	6,209,736
Culture and Rereation	14,838,311	13,777,432	12,917,182	12,808,617	12,682,723
Capital Outlay	3,314,955	2,505,659	2,692,240	1,803,334	1,791,451
Debt Service	-	-	-	-	718,456
Total Expenditures	$ 112,240,061	$ 101,764,050	$ 89,931,580	$ 81,337,832	$ 78,633,266
Excess (Deficiency) of Revenues Over Expenditures	$ 9,092,306	$ 9,413,336	$ 8,049,794	$ 5,090,495	$ 2,890,607
Other Financing Sources (Uses):					
Budgeted Transfers In	$ 5,751,010	$ 1,332,781	$ 729,498	$ 722,080	$ 728,583
Budgeted Transfers Out	(717,281)	(1,612,981)	(6,043,503)	(1,182,294)	(1,544,607)
Sale of Assets	115,537	1,203,437	76,962	98,334	38,675
Total Other Financing Sources (Uses)	$ 5,149,266	$ 923,237	$ (5,237,043)	$ (361,880)	$ (777,349)
Excess (Deficiency) of Revenues and Other Financing Sources	$ 14,241,572	$ 10,336,573	$ 2,812,751	$ 4,728,615	$ 2,113,258
Beginning Fund Balance	45,747,788	35,411,215	32,598,464	27,869,849	22,849,131
Prior Period Adjustment	-	-	-	-	2,907,460 (1)
Ending Fund Balance	$ 59,989,360	$ 45,747,788	$ 35,411,215	$ 32,598,464	$ 27,869,849

(1) The October 1, 2010, Special Revenue Funds fund balance has been restated in the amount of $2,907,460 to properly reflect funds that were reclassified to the General Fund.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The City has entered into various agreements to pay sales tax grants to certain developers based on sales tax collections.

Fiscal Year Ended 9/30	1% City Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2012	$ 24,489,084	38.06%	$ 0.1738	$ 190.90
2013	29,158,661	44.26%	0.1978	214.53
2014	34,196,948	49.70%	0.2148	239.16
2015	36,003,036	47.86%	0.1990	238.38
2016 (1)	21,606,916	27.72%	0.1034	134.97

On May 4, 1991, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development ("4A Sales Tax") and an additional one-half of one percent (½ of 1%) for community development ("4B Sales Tax"). The sales tax is collected solely for the benefit of Frisco Economic Development Corporation and Frisco Community Development Corporation (the "Corporations"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporations. The Corporations have entered into various agreements to pay sales tax grants to certain developers based on sales tax collections. For more detailed information concerning the sales tax grants, see "APPENDIX B – Excerpts from the City's Comprehensive Annual Financial Report" (also see "TAX INFORMATION - Chapter 380 Agreements" herein).

Fiscal Year Ended 9/30	4A Sales Tax Collected	4B Sales Tax Collected
2012	$ 12,244,542	$ 12,244,542
2013	14,579,331	14,579,331
2014	17,098,474	17,098,474
2015	18,001,518	18,001,518
2016 (1)	10,803,458	10,803,458

(1) Collections through May 1, 2016.

The sales tax breakdown for the City is as follows:

Community Development	0.50%
Economic Development	0.50%
City Sales and Use Tax	1.00%
State Sales and Use Tax	6.25%
Total	8.25%

FINANCIAL POLICIES

Basis of Accounting . . . The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

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

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

All government funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued and (2) principal and interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

Temporary Investments . . . Temporary investments are stated at cost. For purposes of the statement of cash flows, the enterprise fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Budgetary Procedures . . . Prior to August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. At least 10 days prior to October 1, the budget is legally adopted by a favorable majority vote of the City Council. Under extreme emergency conditions which may arise and which could not reasonably have been foreseen in the normal process of planning the budget, the Council may, by a majority vote of the full membership, amend or change the budget to provide for any additional expense in which the general welfare of the citizenry is involved. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. The City strives to maintain an unreserved general fund balance of 25% of budgeted expenditures.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. 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, including letters of credit, 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 and interest of 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 , including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office 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 clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the Public Funds Investment Act; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State; (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, 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 registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the 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, and (13) public funds investment pools that have an advisory board which includes participants in the pool 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. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

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

The City 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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

TABLE 15 - CURRENT INVESTMENTS

As of May 1, 2016, the City's investable funds were invested in the following categories:

Description	Percent	Amount
TexPool	9.87%	$ 56,088,450
TexSTAR	20.10%	114,180,369
Wells Fargo Choice IV Account	0.00%	7,692
Wells Fargo Analyzed Business	16.76%	95,227,486
Investments	51.69%	293,625,000
Certificates of Deposit	0.88%	5,023,927
Bank Accounts	0.68%	3,865,607
	100.00%	$ 568,018,531

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., a Hilltop Holdings Company, provides customer service and marketing for the pool. In addition, Ms. Nell Lange, Assistant City Manager, also serves as a member of the Board of TexSTAR. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

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

TAX MATTERS

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

General

The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Obligations and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Obligations and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Obligations as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Obligations as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of an Obligation who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of an Obligation that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF OBLIGATIONS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE OBLIGATIONS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE OBLIGATIONS, INCLUDING UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

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

Bonds and 2016A Certificates

Opinion . . . On the date of initial delivery of the Bonds and 2016A Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) for federal income tax purposes, interest on the Bonds and 2016A Certificates will be excludable from the "gross income" of the holders thereof and (2) the Bonds and 2016A Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of a Bond or 2016A Certificate. See Appendix C - Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate related to the Bonds and the 2016A Certificates, (b) covenants of the City contained in the Bond and the 2016A Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the 2016A Certificates and the property financed or refinanced therewith and (c) the verification report of Grant Thornton LLP. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds and the 2016A Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds and 2016A Certificates in order for interest on the Bonds and 2016A Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds and 2016A Certificates to be included in gross income retroactively to the date of issuance of the Bonds and 2016A Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds and 2016A Certificates.

Bond Counsel's opinions regarding the Bonds and 2016A Certificates represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants and are not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds and 2016A Certificates.

A ruling was not sought from the IRS by the City with respect to the Bonds or the 2016A Certificates or the facilities financed with the proceeds of the Bonds and 2016A Certificates. No assurances can be given as to whether or not the IRS will commence an audit of the Bonds or the 2016A Certificates, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the City as the taxpayer and the holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount . . . The initial public offering price to be paid for one or more maturities of the Bonds or the 2016A Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds and 2016A Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Obligations"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds or 2016A Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any U.S. Holder who has purchased a Bonds or 2016A Certificate as an Original Issue Discount Obligation in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such U.S. Holder in excess of the basis of such Original Issue Discount Obligation in the hands of such U.S. Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Obligation is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Obligation.

All U.S. Holders of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

Collateral Federal Income Tax Consequences . . . Interest on the Bonds and 2016A Certificates will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Bonds and 2016A Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds and 2016A Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Information Reporting and Backup Withholding . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds and the 2016A Certificates will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds and 2016A Certificates under Federal or state law and could affect the market price or marketability of the Bonds and 2016A Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds and 2016A Certificates should consult their own tax advisors regarding the foregoing matters.

2016B Certificates

Certain U.S. Federal Income Tax Consequences to U.S. Holders . . .

Periodic Interest Payments and Original Issue Discount. The 2016B Certificates are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the 2016B Certificates or original issue discount, if any, accruing on the 2016B Certificates will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of 2016B Certificates. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a 2016B Certificate equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the 2016B Certificates. Generally, a U.S. Holder's tax basis in the 2016B Certificates will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the 2016B Certificates has been held for more than one year.

Defeasance of the 2016B Certificates. Defeasance of any 2016B Certificate may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the 2016B Certificates under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the 2016B Certificates. PROSPECTIVE PURCHASERS OF THE 2016B CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders . . . A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a 2016B Certificate, will not be subject to U.S. federal income or withholding tax in respect of such Series 2016B Certificates, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a 2016B Certificate.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement while it remains obligated to advance funds to pay such Obligations. Under the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the EMMA. 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 15 and in APPENDIX B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2016. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2016. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified above or filed with the United States Securities and Exchange Commission (the "SEC'), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Tables 1 through 6 and 8 through 15 by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

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

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . In connection with the City's outstanding debt, the City entered into continuing disclosure undertakings to provide certain updated financial information and operating data within six-months of the end of the City's fiscal year along with notices of specified disclosure events. In addition, the City agreed to provide audited financial statements within six-months of the end of the City's fiscal year if audited financial statements are available by such time. If audited financial statements were not available by the required time, the City agreed to provide certain unaudited financial information.

During the previous five years, the City filed notices of certain events and certain updated financial information and operating data of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 (excluding numbered Table 12A) and the annual financial report (the "Annual Filing") for each of its outstanding bonds within six-months (no later than March 31) after the end of each fiscal year.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "Aa1" by Moody's and "AA+" by 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 Obligations.

LITIGATION

The City is a defendant in two lawsuits. Although the outcome of these cases has not presently been determined, it is the opinion of the City Attorney and City Management that these matters will not have a material adverse effect on the financial condition of the City.

At the time of the initial delivery of the Obligations, the City will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Obligations or that affects the payment and security of the Obligations or in any other manner questioning the issuance, sale or delivery of the Obligations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish to the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of each series of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial 2016A Certificate, Initial 2016B Certificate and the Initial Bond and to the effect that such Obligations are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, including the alternative minimum tax on corporations. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions or subcaptions "PLAN OF FINANCING" (exclusive of the subcaption "Sources and Uses of Proceeds"), "THE OBLIGATIONS" (excluding the last sentence of the subcaption "Tax Rate Limitations" and exclusive of the subcaptions "Book-Entry-Only System," "Remedies" and "Additional Sources of Revenue Anticipated to be Available to Pay Debt Service on Outstanding Obligations"), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Obligations for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER INFORMATION - Legal Opinions" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Dallas, Texas, Counsel for the Underwriters, whose legal fees are contingent upon the sale and delivery of the Obligations.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest") is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. FirstSouthwest, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by FirstSouthwest on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by FirstSouthwest on behalf of the City and has not evaluated or examined the assumptions or information used in the computations.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the tax-exemption of interest on the Obligations and with respect to the defeasance of the Refunded Obligations.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of $_____________. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the 2016A Certificates from the City, at an underwriting discount of $_____________. The Underwriters will be obligated to purchase all of the 2016A Certificates if any 2016A Certificates are purchased. The 2016A Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2016A Certificates into investment trusts) at prices lower than the public offering prices of such 2016A Certificates and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the 2016B Certificates from the City, at an underwriting discount of $_____________. The Underwriters will be obligated to purchase all of the 2016B Certificates if any 2016B Certificates are purchased. The 2016B Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2016B Certificates into investment trusts) at prices lower than the public offering prices of such 2016B Certificates and such public offering prices may be changed, from time to time, by the Underwriters.

RBC Capital Markets, LLC ("RBC"), an underwriter of the Obligation, has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the City. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Obligations, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Obligations from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Obligations that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of Obligations, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Obligations. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Obligations with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Obligations. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

The Ordinances authorizing the issuance of the Obligations will 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 Obligations by the Underwriters.

Pricing Officer
City of Frisco, Texas

Schedule I

SCHEDULE OF REFUNDED OBLIGATIONS*

General Obligation Refunding Bonds, Series 2007

Original Dated Date	Maturity Date	Interest Rate	Amount Outstanding	Amount Refunded
12/1/2006	2/15/2017	5.000%	$ 5,055,000	$ 5,055,000
	2/15/2018	4.000%	5,260,000	5,260,000
	2/15/2019	4.250%	5,465,000	5,465,000
	2/15/2020	4.150%	4,935,000	4,935,000
	2/15/2021	4.750%	5,170,000	5,170,000
	2/15/2022	4.750%	3,715,000	3,715,000
	2/15/2023	4.750%	3,880,000	3,880,000
	2/15/2024	4.500%	3,430,000	3,430,000
	2/15/2025	4.250%	3,575,000	3,575,000
			$40,485,000	$40,485,000

The 2017 - 2025 maturities will be redeemed prior to original maturity on August 31, 2016, at par.

Combination Tax and Revenue Certificates of Obligation, Series 2008A

Original Dated Date	Maturity Date	Interest Rate	Amount Outstanding	Amount Refunded
2/15/2008	2/15/2019	4.000%	$ 995,000	$ 995,000
	2/15/2020	4.000%	1,035,000	1,035,000
	2/15/2021	4.200%	1,075,000	1,075,000
	2/15/2022	4.300%	1,125,000	1,125,000
	2/15/2023	5.500%	1,180,000	1,180,000
	2/15/2024	5.500%	1,245,000	1,245,000
	2/15/2025	5.500%	1,315,000	1,315,000
	2/15/2026	5.500%	1,390,000	1,390,000
	2/15/2027	5.500%	1,470,000	1,470,000
	2/15/2028	5.500%	1,555,000	1,555,000
	2/15/2029	5.500%	1,640,000	1,640,000
	2/15/2030 (1)	4.750%	1,730,000	1,730,000
	2/15/2031 (1)	4.750%	1,810,000	1,810,000
	2/15/2032 (1)	4.750%	1,900,000	1,900,000
	2/15/2033 (1)	4.750%	1,995,000	1,995,000
			$21,460,000	$21,460,000

The 2019 - 2033 maturities will be redeemed prior to original maturity on February 15, 2018, at par.

(1) Represents a mandatory sinking fund redemption of a term certificate maturing February 15, 2033.

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* Preliminary, subject to change.

General Obligation Bonds, Series 2008

Original Dated Date	Maturity Date	Interest Rate	Amount Outstanding	Amount Refunded
7/15/2008	2/15/2019	4.000%	$ 1,235,000	$ 1,235,000
	2/15/2020	4.000%	1,300,000	1,300,000
	2/15/2021	4.125%	1,365,000	1,365,000
	2/15/2022	4.250%	1,430,000	1,430,000
	2/15/2023	4.250%	1,500,000	1,500,000
	2/15/2024	4.375%	1,575,000	1,575,000
	2/15/2025	4.375%	1,655,000	1,655,000
	2/15/2026	4.500%	1,735,000	1,735,000
	2/15/2027	4.500%	1,825,000	1,825,000
	2/15/2028	4.500%	1,915,000	1,915,000
			$15,535,000	$ 15,535,000

The 2019 - 2027 maturities will be redeemed prior to original maturity on February 15, 2018, at par.

Combination Tax and Revenue Certificates of Obligation, Series 2009

Original Dated Date	Maturity Date	Interest Rate	Amount Outstanding	Amount Refunded
11/15/2009	2/15/2020	4.000%	$ 185,000	$ 60,000
	2/15/2021	4.000%	195,000	65,000
	2/15/2022	4.000%	200,000	65,000
	2/15/2023	4.000%	210,000	70,000
	2/15/2024	4.250%	220,000	75,000
	2/15/2025	4.250%	230,000	75,000
	2/15/2026	4.250%	235,000	80,000
	2/15/2027	4.500%	250,000	85,000
	2/15/2028	4.500%	260,000	85,000
	2/15/2029	4.650%	270,000	90,000
	2/15/2030	4.750%	285,000	95,000
			$ 2,540,000	$ 845,000

The 2020 - 2030 maturities will be redeemed prior to original maturity on February 15, 2019, at par.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION . . . The City of Frisco is located in west central Collin County, approximately 25 miles north of downtown Dallas and borders the City of Plano on the north. The City of Frisco's corporate boundary encompasses 70 square miles.

The City is located in the Dallas-Fort Worth Consolidated Metropolitan Statistical Area, an area which has been labeled by planners, economists and industrialists as one of the nation's brightest spots for future industrial development. The City and Collin County are located in the Dallas/Fort Worth Commercial Zone which also includes Dallas, Denton, Ellis, Grayson, Kaufman, Parker, Rockwall and Tarrant Counties.

ECONOMY . . . Located just north of the Dallas area, Frisco, is experiencing growth with large tracts of land having been sold for commercial and residential development. The US Census named the City of Frisco as the fastest growing city in the United States. While the population growth has been explosive, resident growth is not the only thing booming; our business community is thriving and expanding as well.

The Frisco Economic Development Corporation (FEDC) continues implementing concepts identified in the comprehensive economic development strategy adopted in 2010. For FY 2015, the FEDC facilitated 25 new projects, potentially filling or adding 9 million square feet, with a potential capital investment exceeding $1.9 billion and potentially creating/retaining over 28,000 jobs.

The City added three new corporate headquarters during 2015 including: Gearbox Software and Nexius Solutions which CIGNEX Datamatics Corporation announced a regional corporate headquarters.

Several existing companies also announced expansions of Frisco office space. Among those expanding are Transplace, Code Authority, Conifer Health Solutions, Corepoint Health, and Cobb Fendley & Associates.

FEDC also facilitated new development during 2015. Frisco Bridges Place, a spec six-story, Class A office building offering 170,000 square feet of new office space is expected to open in spring 2016, and under construction is 2015 with an expected opening in summer 2016 is Verona Villa, a 16,000 square-foot, high-end event center.

Progress continues in Frisco’s $5 Billion Dollar Mile. Within the one mile stretch of the Dallas North Tollway, between Warren Parkway and Lebanon Road, four mixed-use, destination development projects represent more than $5 Billion in capital investment. All four projects have either ongoing construction or plans under review by the City. These include The Star in Frisco, at 91 acres, Frisco Station at 292 acres, The Gate at 41 acres, and Wade Park at 175 acres.

In September 2013, the FEDC announced the creation of the Frisco Texas International Development Center (FTIDC) and federal approval for the FTIDC to operate as an EB-5 Regional Center, a foreign direct investment program.

Atlas Magazine listed the FEDC as the "Highest Performing Economic Development Organization (EDO)" among cities with populations 100,001 – 250,000. The ranking was based on data submitted by EDO’s from across the globe participating in Atlas’ annual Benchmarking Survey. The *Dallas Business Journal* listed the FEDC as the No. 1 Economic Development Organization in North Texas, based on the value of deals done in 2012.

Growth continues in the City with housing development expected to continue to be robust in 2016. More than 2,300 new single-family permits were issued in 2015, with the city experiencing a 12-month growth rate of 5.8%. There are several large subdivisions, including Phillips Creek Ranch, Prairie View, the Canals @ Grand Park, Richwood and Frisco Lakes anticipating more development during 2016. The multi-family and mixed used projects in the City’s pipeline number 11,425 units being released for occupancy, under construction or permit issued in December 2015.

The City continues to be a destination location with venues and attractions that generate significant economic benefits to City retailers, restaurants and hotels. On January 9, 2016, the City welcomed back the NCAA Division I Football Championship Game (FCS) hosted by the Southland Conference, Hunt Sports Group and the City. Other partners include: Frisco Chamber of Commerce, Frisco CVB and FEDC. Nationally, viewers of the title game got a glimpse of Toyota Stadium across from Frisco Square as the game was broadcast live on ESPN2. This was the sixth year Team Frisco hosted this event. The NCAA has awarded an extension of the Division I football championship to be hosted in Frisco through 2019.

MAJOR BUSINESSES AND INDUSTRIES LOCATED IN FRISCO

Name	Product	Number of Employees
Frisco ISD	Independent School District	6,000
City of Frisco	Municipal government	1,275
Amerisource Bergen Specialty Group	Pharmaceutical Product Distribution	1,200
Wingspan	Mortgage Services	1,100
Conifer	Healthcare Management	728
Baylor Medical Center	Hospital	642
Mario Sinacola & Sons	Excavation	603
Collin County College	Community College	510
Centennial Hospital	Hospital	490
Oracle USA	Information Technology	409

Large shopping areas are available within 30 minutes or less driving time in the cities of McKinney, Denton, Plano and North Dallas. Medical and dental services are available locally. The City is served by two hospitals and several other hospitals are within a short driving time.

EDUCATIONAL FACILITIES . . . The Frisco Independent School District is a progressive, growing system that consists of 37 Elementary Schools, 13 Middle Schools and 8 High Schools. The District is fully accredited by the Texas Education Agency. The District endeavors to help every student achieve their highest potential. SAT scores are above the State average and approximate the national average. The Board of Trustees and Staff is continuously evaluating the curriculum, developing improved programs and maintaining the best possible educational opportunities for the students of Frisco.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT . . . Collin County Community College District was created by a vote of the citizens of Collin County on April 6, 1985. The initial site was a three-story 130,000 square-foot building located on 115 acres of land located in the City of McKinney.

Located north of highway 121 and east of State Highway 289 (Preston Road), the Preston Ridge Campus, in the City is set on a 100+ acre campus that offers a rich and varied environment featuring a grand Library, a National Science Foundation Center, Regional Center for Convergence Technology, and exceptional Culinary and Fine Arts programs.

The entire District includes the original McKinney Campus, Spring Creek Campus in east Plano, Preston Ridge Campus in Frisco and the Courtyard Center in southwest Plano.

OTHER INSTITUTIONS OF HIGHER LEARNING . . . In addition, the following major colleges are located within a 60-mile radius of Frisco.

Austin College	Sherman, Texas
Dallas County Community College System	Dallas County, Texas
East Texas State University	Commerce, Texas
Grayson County Community College	Sherman, Texas
Southern Methodist University	Dallas, Texas
Texas Christian University	Fort Worth, Texas
Texas Woman's University	Denton, Texas
University of Dallas	Dallas, Texas
University of North Texas	Denton, Texas
University of Texas at Arlington	Arlington, Texas
University of Texas at Dallas	Dallas, Texas

TRANSPORTATION . . . Dallas/Fort Worth International Airport and Dallas Love Field are approximately 25 miles from Frisco. Burlington Northern Railroad and four motor freight lines serve the City.

The Dallas North Tollway has been completed to State Highway 380. Sam Rayburn Tollway (State Highway 121) has also opened through the City.

RECREATION . . . Nearby lakes such as Lake Lewisville, Grapevine Lake, Lake Ray Roberts (30 minutes away), and Lake Texoma (45 minutes away) provide all types of water sports, fishing, hunting and camping. Eight parks, a swimming pool, two golf courses (1 public, 1 private), recreation center, natatorium, six tennis courts and four lighted baseball fields give the community a well-rounded recreational program.

APPENDIX B

EXCERPTS FROM THE

CITY OF FRISCO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2015

The information contained in this Appendix consists of excerpts from the City of Frisco, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2015, 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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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
The City Council
City of Frisco, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Frisco (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Frisco, as of September 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the TIRZ#1 Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, in June 2012 the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in note 1, GASB Statements 68 and 71 were effective for the City's fiscal year ended September 30, 2015. These Statements replace the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures." Statements 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 17 through 28 and the Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Contributions, on pages 95 and 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 29, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
February 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRISCO

PROGRESS IN MOTION

CITY OF FRISCO, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2015

As management of the City of Frisco, (the City), we offer this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2015. In the broadest context, the financial well being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so the City's tax base, service levels, City assets and the City's desirability will be maintained; not just for the current year, but well into the future.

Financial reporting is limited in its ability to provide this "big picture", but rather focuses on financial position and changes in said financial position. In other words, are revenues and or expenses/expenditures higher or lower than the previous year? Has net position (containing both short and long term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages 1 - 8 of this report) and the statistical section (pages 132-160), as well as information on the City Council's Strategic Goals, the Annual Budget and other community information found on the City's website at www.friscotexas.gov.

It should be noted that the Independent Auditor's Report describes the auditor's association with the various sections of this report and that all the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Frisco exceeded its liabilities at the close of the most recent fiscal year by $1,264,143,495 (net position). The majority of the City's assets are invested in capital assets or restricted for specific purposes. The remaining $74,214,890 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's net position for governmental activities increased by $130,269,839 as a result of this year's operations. Net position of the City's business-type activities increased as a result of this year's operations by $36,554,010.
- As of the close of the current fiscal year, the City of Frisco's governmental funds reported a combined ending fund balance of $246,415,584. Approximately 18 percent of this total is available for spending at the City's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $44,957,984 or 40 percent of total general fund expenditures.
- The City of Frisco's total debt increased by $61,666,049, 9 percent during the current fiscal year. The key factors in this change were the new bond issues during the year.

- The ad valorem rate for the City was $.46 for fiscal year 2015. This tax rate supports debt service, operations and maintenance, and bond programs to construct infrastructure and city facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The *statement of net position* presents information on all of the City of Frisco's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Frisco is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

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

In the statement of net position and the statement of activities, the City is divided into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including police, fire, library, planning and development, traffic engineering, parks and recreation, public works, information technology services, finance, human resources and general administration. Property taxes, sales taxes, franchise taxes, charges for services and intergovernmental revenue finance most of these activities.
- Business-type activities – Includes services for which the City charges a fee to customers to cover all or most of the cost of providing such services. The City's water and sewer system operations, stormwater operations and environmental services are reported here.
- Component units – The City includes three separate legal entities in its report – the Frisco Economic Development Corporation, the Frisco Community Development Corporation and

the City of Frisco Charitable Foundation. Although legally separate, these "component units" are included because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund financial statements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is detailed in a reconciliation following each of the governmental fund financial statements.

  The City of Frisco maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, tax increment refinancing zone fund (TIRZ), capital projects fund, and the debt service fund all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements starting on page 97 of this report.

- Proprietary funds – The City charges customers directly for certain services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements, but enterprise fund financial statements provide more detail and additional information, such as cash flows.

  The City of Frisco maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer, storm drainage and environmental services activities. Only the water and sewer fund is considered to be a major fund of the City.

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

Other information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees.

THE CITY AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and assets by category may serve over time as a useful indicator of the government's financial position. In the case of the City of Frisco, assets exceeded liabilities by $1,264,143,495 as of September 30, 2015.

By far the largest portion of the City's net position (88 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, the assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Frisco Net Position
September 30, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 464,668,805	$ 339,131,590	$ 123,909,062	$ 105,904,781	$ 588,577,867	$ 445,036,371
Capital assets	1,313,090,983	1,142,119,642	315,560,610	293,229,270	1,628,651,593	1,435,348,912
Total assets	1,777,759,788	1,481,251,232	439,469,672	399,134,051	2,217,229,460	1,880,385,283
Deferred outflow of resources	20,781,754	18,717,727	6,145,241	4,546,796	26,926,995	23,264,523
Long term liabilities	607,728,398	555,809,450	133,723,628	127,963,920	741,452,026	683,773,370
Other liabilities	218,501,984	103,256,561	18,730,846	19,300,229	237,232,830	122,556,790
Total liabilities	826,230,382	659,066,011	152,454,474	147,264,149	978,684,856	806,330,160
Deferred inflow of resources	1,138,373	-	189,731	-	1,328,104	-
Net investment in capital assets	886,959,457	767,966,048	222,392,769	198,917,232	1,109,352,226	966,883,280
Restricted	54,319,922	37,254,468	26,256,457	21,881,788	80,576,379	59,136,256
Unrestricted	29,893,408	35,682,432	44,321,482	35,617,678	74,214,890	71,300,110
Total net position	$ 971,172,787	$ 840,902,948	$ 292,970,708	$ 256,416,698	$ 1,264,143,495	$ 1,097,319,646

An additional portion of the City's net position (6 percent) represents resources that are subject to external restrictions on how they may be used, including bond covenants. The remaining balance of unrestricted net position $74,214,890 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

As of September 30, 2015, the City is able to report positive balances in all three categories, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal years.

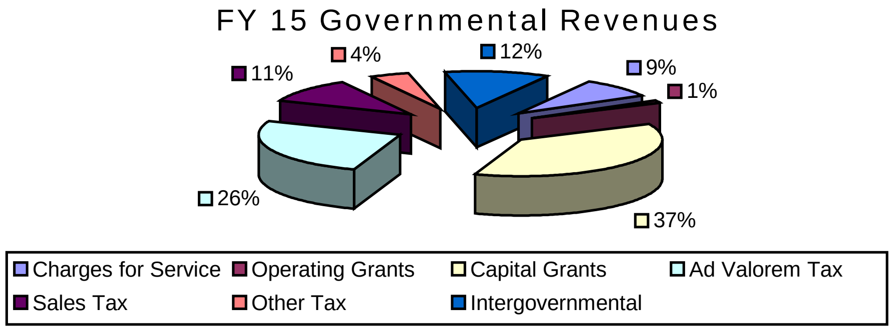
Analysis of the City's Operations – Overall the City had an increase in net position of $166,823,849.

Governmental activities: Governmental activities increased the total net position by $130,269,839 or 78% of the total growth. Net investment in capital assets increased by $118,993,409 due to increases in capital investment, net of increases in debt service. Unrestricted decreased by $5,789,024, due to an increase in expenses and the recognition of the pension liability. Restricted increased by $17,065,454, primarily due to increases in capital projects and restricted fees to fund the projects.

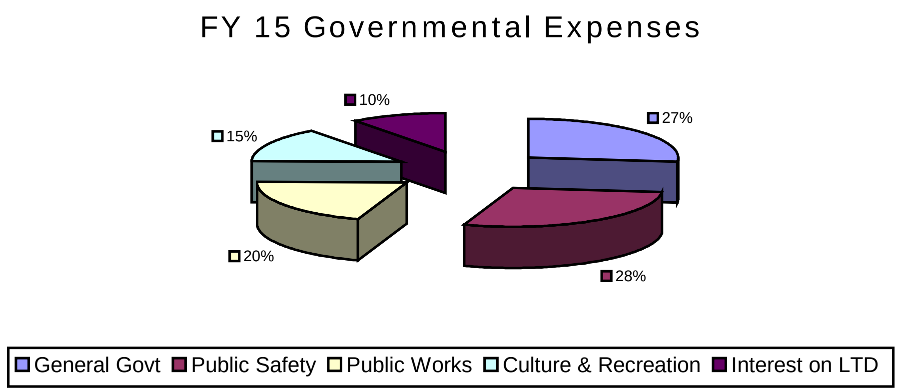
Total revenues for governmental activities increased when compared to the prior year by $98,202,401. General revenue had a net increase of $24,279,770, while program revenues had an increase of $73,922,631. These were primarily due to the following factors:

> General revenues: Property tax revenue includes an increase of $9.6 million and is due to a combination of the increased value in existing property and the value generated by new improvements and annexations. Sales taxes increased $1.8 million due to an increase in retail sales for the entire year. Franchise and other taxes show increases over the prior year collections. Intergovernmental revenues increased $11.5 million due to increases in TIRZ tax collections and contributions from the component units for projects within the City.

> Program revenues: Charges for services increased during the year due to higher collections for various fees including recreational fees and building permits. Operating grants and contributions decreased this fiscal year while significant increases were seen in capital grants and contributions due in part to the increase in intergovernmental revenues and developer contributions recognized for capital projects, including the Agreement for the Sports and Events Center.



Total expenses for governmental activities increased $16 million or 9 percent. This increase is attributed to increases to provide services to the growing population base. General government expenses include a payment of $13.1 million to Frisco Independent School District as part of the agreement with the TIRZ to provide property tax revenue generated in the TIRZ for school district construction expenses. Incurred expenses of $57,906,328 were to provide public safety to the citizens of Frisco. These expenses were somewhat offset by the collection of revenues from various sources, including grant income and charges for services. Public works is a significant expense and provides roadway repairs and traffic control/signals for the citizens. Expenses include depreciation for City infrastructure. Total salaries and benefits for the governmental activities totaled approximately $80 million or 40% of the total expenses, while depreciation expense totaled $48.9 million or 24.5%.



Business-type activities: Net position from business-type activities increased by $36,554,010 accounting for the remaining total growth. Program revenues of the City's business-type activities were $115,013,995 for the fiscal year. Operating expenses for the City's business-type activities totaled $78,526,445. The increase is affected by several factors, including the following:

> The City's water and sewer system recorded charges for services of $69,190,052 and impact fees and contributions of $29,793,281. Revenues showed an increase during the year primarily due to capital contributions and drought conditions over the summer which increased water sales. Growth of the customer base is also a contributing factor to the

increases in revenues. Total operating expenses were $66,188,799. The most significant expenses of the water and sewer fund were $19,405,423 to purchase water, $14,059,805 for the cost of sewage treatment, $12,141,682 for depreciation and $10,949,204 for salaries and benefits.

City of Frisco's Changes in Net Position
For the year ended
September 30, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Revenues						
Program revenues						
Charges for services	$ 28,725,444	$ 26,396,837	$ 85,179,348	$ 69,647,774	$ 113,904,792	$ 96,044,611
Operating grants and contributions	3,236,153	4,666,348	41,366	17,466	3,277,519	4,683,814
Capital grants and contributions	122,651,198	49,626,979	29,793,281	25,480,432	152,444,479	75,107,411
Total program revenues	154,612,795	80,690,164	115,013,995	95,145,672	269,626,790	175,835,836
General revenues						
Ad valorem tax	85,412,246	75,849,283	-	-	85,412,246	75,849,283
Sales tax	36,003,036	34,196,948	-	-	36,003,036	34,196,948
Franchise tax	9,338,941	9,041,655	-	-	9,338,941	9,041,655
Other tax	5,019,906	4,565,581	-	-	5,019,906	4,565,581
Intergovernmental	37,600,247	26,077,693	105,040	104,000	37,705,287	26,181,693
Investment earnings	859,102	222,548	267,813	116,631	1,126,915	339,179
Total general revenues	174,233,478	149,953,708	372,853	220,631	174,606,331	150,174,339
Total revenues	328,846,273	230,643,872	115,386,848	95,366,303	444,233,121	326,010,175
Expenses						
General government	53,318,813	50,945,132	-	-	53,318,813	50,945,132
Public safety	57,906,328	52,340,573	-	-	57,906,328	52,340,573
Public works	39,730,064	32,827,619	-	-	39,730,064	32,827,619
Culture and recreation	29,483,819	28,062,191	-	-	29,483,819	28,062,191
Interest	18,443,803	18,631,848	-	-	18,443,803	18,631,848
Water and sewer	-	-	66,188,799	61,177,648	66,188,799	61,177,648
Other enterprise funds	-	-	12,337,646	11,674,055	12,337,646	11,674,055
Total expenses	198,882,827	182,807,363	78,526,445	72,851,703	277,409,272	255,659,066
Increase in net position before transfers	129,963,446	47,836,509	36,860,403	22,514,600	166,823,849	70,351,109
Transfers	306,393	573,076	(306,393)	(573,076)	-	-
Increase in net position	130,269,839	48,409,585	36,554,010	21,941,524	166,823,849	70,351,109
Net position, October 1, as restated	840,902,948	792,493,363	256,416,698	234,475,174	1,097,319,646	1,026,968,537
Net position, September 30	$ 971,172,787	$ 840,902,948	$292,970,708	$256,416,698	$1,264,143,495	$1,097,319,646

THE CITY'S FUNDS

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

At the close of the City's fiscal year on September 30, 2015, the governmental funds of the City reported a combined fund balance of $246,415,584, an increase of $18,164,159 in comparison with the prior year. Unassigned fund balance, which is available for spending at the government's discretion, constitutes $44,957,984 of this balance. The remainder of fund balance is non-spendable, restricted, committed or assigned. 1) Non-spendable fund balances ($1,062,671) includes prepaids and inventories held by the government, 2) Restricted balances includes bond proceeds restricted for capital projects ($134,517,635), reserves to pay debt service ($5,278,799), impact fee revenues restricted for capital project funding ($38,088,397), TIRZ #1 balances for other purposes ($3,369,614), and other special revenues restricted for a specific purpose ($4,725,674), 3) Committed funds included commitments made by resolution by the governing body for insurance reserves ($3,084,857), workforce housing programs ($490,093) and the capital reserve fund ($10,839,860),

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $44,957,984, while total fund balance reached $59,989,360. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40% of total general fund expenditures, while total fund balance represents 53% of that same amount. The fund balance of the City's general fund increased $14,241,572 during the current fiscal year attributed mainly to increases in actual revenues collected for sales tax, property tax, permits and recreation fees, while expenditures for most functional areas were less than originally budgeted. The capital reserve was also transferred back to the general fund from the capital projects fund.

The TIRZ fund has a total fund balance of $3,369,614. This amount is restricted for future projects within the zone.

The capital projects fund has a total fund balance of $134,933,349, ($415,714) non-spendable for prepaid expenses and inventories. The fund balance represents unspent bond proceeds and intergovernmental revenue for roads, facilities and parks that has been received but not yet spent or recognized on specific capital projects. The increase in fund balance is due to debt issued during the fiscal year. The only revenue recognized is for interest earnings on bond proceeds and intergovernmental/developer agreements for shared costs projects.

The debt service fund has a total fund balance of $5,278,799, all restricted for retirement of City debt. During the year, the City refinanced a portion of the city debt, resulting in a savings over time for this fund.

Proprietary Funds – The City of Frisco's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net position of the enterprise funds at September 30, 2015 totaled $44,321,482. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

For FY 2015, the City Council approved a final appropriation in September 2015 with the total amount of the appropriation equaling $115.8 million including transfers out to other city funds**.** Amendments were made to reallocate funds appropriated to more accurately account for estimated revenues and expenditures.

With the budget amendments made during the fiscal year, the actual expenditures on a budgetary basis were $112.4 million compared to the re-estimated budget amount of $115.2 million. The $2.8 million variance in total expenditures (excluding transfers out) is attributed to savings in the general fund for operational dollars budgeted but not required or expended by September 30.

The actual (on a budgetary basis excluding transfers in) revenues were $121.3 million as compared to the re-estimated budget amount of $119.3 million excluding transfers. The $2 million variance in total revenues is attributed to increases over projections in taxes, permits fees and charges for services collections, with decreases under projections in sales tax collections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At the end of the year, the City had $2,235,618,270 invested in a broad range of capital assets, including land, buildings, park facilities, roads, bridges, water & sewer lines, police and fire equipment, and public works operating equipment and machinery. This amount represents a net increase (including additions and deductions) of $250,998,340 over the prior fiscal year. Total accumulated depreciation for September 30, 2015, was $606,966,677 for net capital assets of $1,628,651,593.

Capital Assets for the Year Ended September 30, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	$ 239,083,442	$ 230,806,653	$ 10,146,356	$ 10,136,606	$ 249,229,798	$ 240,943,259
Buildings & improvements	344,886,045	347,202,981	10,123,598	10,102,640	355,009,643	357,305,621
Machinery & equipment	55,365,570	52,748,782	7,790,498	7,196,446	63,156,068	59,945,228
Construction in progress	253,890,155	100,443,380	43,528,547	39,314,176	297,418,702	139,757,556
Improvements other than buildings	895,902,846	841,146,617	374,901,213	345,521,649	1,270,804,059	1,186,668,266
Total capital assets	1,789,128,058	1,572,348,413	446,490,212	412,271,517	2,235,618,270	1,984,619,930
Less accumulated depreciation	(476,037,075)	(430,228,771)	(130,929,602)	(119,042,247)	(606,966,677)	(549,271,018)
Total	$1,313,090,983	$1,142,119,642	$ 315,560,610	$ 293,229,270	$1,628,651,593	$1,435,348,912

This year's major additions included:

Land purchased included park land along with various right-of-ways for roads and utilities. Improvements other than buildings include park construction projects and the developer contributions for road construction throughout the City, as well as traffic signals and lighting projects. Vehicles, machinery and some equipment were added during the year based on our equipment replacement schedule.

The City's 2016 Capital Project Multi-Year Budget calls for a continuation of the Capital Project Plan. Funding for several major roadway projects, Grand Park and other community parks, fire equipment, facility expansions and new construction and utility system infrastructure are included in the 2016 Plan.

Authorized bonds remain unissued from the 2006 Election and the 2015 Election.

Election May 13, 2006	Voted Bonds	Issued Prior Years	Issued FY 2015	Unissued Balance
Police Facilities (Prop 2)	$ 3,500,000	$ 2,000,000	$ 1,500,000	$ -
Community Cultural Arts (Prop 8)	5,000,000	1,000,000	-	4,000,000
Parks, Trails and Rec Facilities (Prop 11)	21,500,000	15,000,000	6,500,000	-
Grand Park (Prop.12)	22,500,000	12,000,000	-	10,500,000
Remaining 2006	**52,500,000**	**30,000,000**	**8,000,000**	**14,500,000**
Election May 9, 2015				
Public Safety (Prop. 1)	41,500,000	-	9,510,000	31,990,000
Street Improvements (Prop.2)	125,000,000	-	25,000,000	100,000,000
Fleet Center Expansion (Prop. 3)	3,325,000	-	3,325,000	-
City Hall Expansion (Prop. 4)	37,000,000	-	5,000,000	32,000,000
Senior Center (Prop. 5)	9,000,000	-	9,000,000	-
Parks, Trails and Rec Facilities (Prop. 6)	32,000,000	-	-	32,000,000
Grand Park (Prop. 7)	10,000,000	-	-	10,000,000
Community Cultural Arts (Prop 8)	10,000,000	-	-	10,000,000
Remaining 2015	**267,825,000**	**-**	**51,835,000**	**215,990,000**
Total Authorized/Unissued Bonds	**$320,325,000**	**$30,000,000**	**$ 59,835,000**	**$230,490,000**

Additional information regarding capital assets can be found in Note 6 beginning on page 72 of the CAFR.

Debt administration. At year-end, the City had $758,884,352 in debt outstanding as compared to $697,218,303 at the end of the prior fiscal year, an increase of 9 percent – as shown below.

Outstanding Debt, September 30, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
General obligation bonds	$419,158,041	$383,943,103	$ 82,020,832	$ 55,967,190	$501,178,873	$439,910,293
Certificates of obligation bonds	199,484,507	179,938,265	58,220,972	77,369,745	257,705,479	257,308,010
Totals	$618,642,548	$563,881,368	$140,241,804	$133,336,935	$758,884,352	$697,218,303

During April, 2015, the City issued General Obligation Refunding Bonds, Taxable Series 2015, in the amount of $6,040,000. Proceeds from the sale of the bonds were used to advance refund $5,875,000 of Combination Tax and Revenue Certificates of Obligation, Series 2001B which were called in June 2015. The Frisco Community Development Corporation issued Sales Tax Revenue Bonds, Taxable Series 2015, in the amount of $6,000,000. Proceeds from the sales of the bonds together with certain funds of the corporation were used to make improvements to a City-owned baseball stadium.

In July 2015, the City issued General Obligation Refunding and Improvement Bonds, Series 2015A, in the amount of $107,710,000 with a net premium of $16,614,929. Proceeds of $54,945,000 were used to advance refund a portion of the City's outstanding debt. Additional proceeds of $52,765,000 will be used for constructing and improving streets, roads, bridges and intersections; fire department facilities; police facilities; Library and City office space expansion, including the municipal courts; a Senior Center; and parks, hike and bike trail expansions. The City issued Combination Tax and Surplus Revenue Certificates of Obligation Series 2015, in the amount of $14,965,000, with a net premium of $212,214. Proceeds from the sale of the certificates will be used for extensions and improvements to the City's waterworks and sewer system.

In September 2015, the City issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015A, in the amount of $9,015,000 with a net premium of $168,534. Proceeds will be used for construction of Northeast Community Park. The City also issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015B, in the amount of $20,740,000. Proceeds will be used for the purpose of constructing and equipping a public conference meeting and exhibit center.

Additional information regarding the City's outstanding debt can be found in Note 8 beginning on page 76 of the CAFR.

The City's assigned ratings for general obligation bonds and certificates of obligation bonds were as follows:

	Standard & Poor's Corporation	Moody's Investor Services
General Obligation Bonds	AA+	Aa1
Certificates of Obligation Bonds	AA+	Aa2

This rating has been assigned to the City's tax-supported debt. The City is permitted by state law and provisions to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of general obligation debt to assessed value of all taxable property is 2.75%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget appropriation, tax rates, and fees that will be charged for the business-type activities.

Current economic indicators were taken into account when adopting the general fund budget. The FY 2015-16 combined budget appropriation totaled $129 million. This represents an increase of $8 million from the FY 2014-15 revised budgets, attributed to operating expenses increasing across all City departments.

The general fund's largest revenue source is property tax receipts. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Central Appraisal District of Collin County and Central Appraisal District of Denton County and the tax rate established by the Frisco City Council. For the new fiscal year, we saw an increase in valuations of 15.23%. We saw gains in new improvements of 5.59%, and a gain on existing property of 9.64%. According to final figures received from the CAD's, the total certified assessed property value for FY 2016 is $20.7 billion. Council approved a tax rate of $0.46 per $100 of valuation the same as the FY 2015 tax rate.

As for the City's business-type activities, City projections indicate that the water and sewer fund unassigned net position will be approximately $33.6 million. A fee increase for water sales and sewer services was approved and effective in January 2016. Appropriations are to be used for capital projects in the utility construction projects fund, operating expenses, and bond interest and fiscal charges.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at 6101 Frisco Square Blvd., 4th Floor Finance Office, Frisco, Texas 75034.

BASIC FINANCIAL STATEMENTS

PROGRESS IN MOTION

Statement of Net Position
September 30, 2015

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 299,514,035	$ 25,117,661	$ 324,631,696	$ 38,561,396
Cash held for land purchase	-	-	-	42,273,596
Investments	72,866,121	6,946,553	79,812,674	11,251,437
Receivables (net of allowance for uncollectibles)	46,990,778	21,951,386	68,942,164	6,844,916
Inventories	784,877	378,603	1,163,480	-
Prepaids	277,794	55,408	333,202	181,877
Notes receivable	3,690,500	-	3,690,500	-
Restricted assets:				
Cash and cash equivalents	-	39,458,893	39,458,893	4,057,389
Investments	-	30,000,558	30,000,558	3,800,000
Notes receivable - noncurrent	40,544,700	-	40,544,700	2,307,313
Land held for resale	-	-	-	56,375,609
Capital assets:				
Land	239,083,442	10,146,356	249,229,798	69,930,454
Buildings and improvements	344,886,045	10,123,598	355,009,643	18,934,611
Improvements other than buildings	895,902,846	374,901,213	1,270,804,059	18,584,658
Machinery and equipment	55,365,570	7,790,498	63,156,068	562,367
Construction in progress	253,890,155	43,528,547	297,418,702	1,199,949
Accumulated depreciation	(476,037,075)	(130,929,602)	(606,966,677)	(23,016,829)
Total assets	1,777,759,788	439,469,672	2,217,229,460	251,848,743
DEFERRED OUTFLOW OF RESOURCES				
Pension contributions and investment experience	7,023,567	1,170,595	8,194,162	167,228
Deferred charge on bond refunding	13,758,187	4,974,646	18,732,833	1,543,383
Total deferred outflow of resources	20,781,754	6,145,241	26,926,995	1,710,611
LIABILITIES				
Accounts and retainage payable	46,392,801	2,618,681	49,011,482	8,199,008
Accrued liabilities	1,020,073	403,204	1,423,277	49,675
Accrued liabilities - pollution remediation	-	-	-	2,271,874
Accrued interest payable	3,256,748	729,894	3,986,642	684,841
Customer deposits	-	2,892,267	2,892,267	76,118
Unearned revenue	4,340,169	-	4,340,169	62,384
Monies held in escrow	118,251,668	39,566	118,291,234	-
Non-current liabilities:				
Due within one year:				
Compensated absences	5,052,535	811,992	5,864,527	104,058
Notes payable	-	-	-	12,255,925
Bonds payable	40,187,990	11,235,242	51,423,232	3,900,000
Due in more than one year:				
Compensated absences	3,531,605	426,694	3,958,299	46,409
Pension	25,742,235	4,290,372	30,032,607	612,911
Notes payable	-	-	-	90,506,024
Bonds payable	578,454,558	129,006,562	707,461,120	85,612,871
Total liabilities	826,230,382	152,454,474	978,684,856	204,382,098
DEFERRED INFLOW OF RESOURCES				
Pension actuarial experience	1,138,373	189,731	1,328,104	27,102
Total deferred inflow of resources	1,138,373	189,731	1,328,104	27,102
NET POSITION				
Net investment in capital assets	886,959,457	222,392,769	1,109,352,226	19,306,686
Restricted for:				
Capital projects	48,928,257	26,256,457	75,184,714	-
Tax increment reinvestment zone	3,369,614	-	3,369,614	-
Debt service	2,022,051	-	2,022,051	7,172,548
Unrestricted	29,893,408	44,321,482	74,214,890	22,670,920
Total net position	$ 971,172,787	$ 292,970,708	$ 1,264,143,495	$ 49,150,154

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

Statement of Activities
For the year ended September 30, 2015

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	$ 53,318,813	$ 19,912,210	$ 658,485	$ 54,907,878
Public safety	57,906,328	3,174,725	1,816,026	167,671
Public works	39,730,064	205,469	297,138	61,243,906
Culture and recreation	29,483,819	5,433,040	464,504	6,331,743
Interest on long-term debt	18,443,803	-	-	-
Total governmental activities	198,882,827	28,725,444	3,236,153	122,651,198
Business-type activities:				
Water and sewer	66,188,799	69,190,052	-	29,793,281
Non-major enterprise funds	12,337,646	15,989,296	41,366	-
Total business-type activities	78,526,445	85,179,348	41,366	29,793,281
Total primary government	$ 277,409,272	$ 113,904,792	$ 3,277,519	$ 152,444,479
Component units:				
Community development	$ 28,941,214	$ 729,682	$ 499,170	$ -
Economic development	36,523,290	-	35,439	997,573
Charitable foundation	5,379	-	6,006	-
Total component units	$ 65,469,883	$ 729,682	$ 540,615	$ 997,573

General revenues:
Ad valorem tax
Sales tax
Franchise tax
Other taxes
Ad valorem tax for TIRZ funds, intergovernmental revenues
Investment earnings
Transfers
Total general revenues

Change in net position

Net position, October 1
Change in accounting principle - GASB 68
Net position, beginning-restated
Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 22,159,760	$ -	$ 22,159,760	
(52,747,906)	-	(52,747,906)	
22,016,449	-	22,016,449	
(17,254,532)	-	(17,254,532)	
(18,443,803)	-	(18,443,803)	
(44,270,032)	-	(44,270,032)	
-	32,794,534	32,794,534	
-	3,693,016	3,693,016	
-	36,487,550	36,487,550	
$ (44,270,032)	$ 36,487,550	$ (7,782,482)	
			$ (27,712,362)
			(35,490,278)
			627
			$ (63,202,013)
85,412,246	-	85,412,246	-
36,003,036	-	36,003,036	36,003,036
9,338,941	-	9,338,941	-
5,019,906	-	5,019,906	-
37,600,247	105,040	37,705,287	-
859,102	267,813	1,126,915	247,432
306,393	(306,393)	-	-
174,539,871	66,460	174,606,331	36,250,468
130,269,839	36,554,010	166,823,849	(26,951,545)
861,245,040	259,807,047	1,121,052,087	76,586,035
(20,342,092)	(3,390,349)	(23,732,441)	(484,336)
840,902,948	256,416,698	1,097,319,646	76,101,699
$ 971,172,787	$ 292,970,708	$ 1,264,143,495	$ 49,150,154

FRISCO

PROGRESS IN MOTION

Balance Sheet
Governmental Funds
September 30, 2015

	General	TIRZ	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 37,451,122	$ 5,070,818	$ 236,516,629	$ 4,996,480	$ 15,478,986	$ 299,514,035
Investments	23,991,082	-	19,781,143	-	29,093,896	72,866,121
Receivables						
(net of allowances for uncollectibles):						
Property tax	754,615	-	-	525,490	-	1,280,105
Sales tax	6,801,721	-	-	-	-	6,801,721
Franchise tax	3,978,991	-	-	-	105,386	4,084,377
Occupancy tax	-	-	-	-	375,655	375,655
Grants	-	-	-	-	468,507	468,507
Assessments	-	-	-	-	1,888,034	1,888,034
Bond proceeds	-	-	29,500,000	-	-	29,500,000
Other	1,417,886	186,357	710,119	-	30,676	2,345,038
Due from other funds	450,457	-	-	-	-	450,457
Inventories	369,637	-	415,240	-	-	784,877
Prepaids	246,929	-	474	-	30,391	277,794
Notes receivable	36,700	-	373,000	-	-	409,700
Total assets	$ 75,499,140	$ 5,257,175	$ 287,296,605	$ 5,521,970	$ 47,471,531	$ 421,046,421
LIABILITIES, DEFERRED INFLOWS, FUND BALANCES						
Liabilities:						
Accounts payable	$ 10,396,426	$ -	$ 26,506,425	$ -	$ 218,947	$ 37,121,798
Retainage payable	-	-	9,271,003	-	-	9,271,003
Accrued liabilities	970,867	-	14,578	-	34,628	1,020,073
Unearned revenue	737,764	1,714,371	-	-	1,888,034	4,340,169
Monies held in escrow	385,225	173,190	115,658,250	-	2,035,003	118,251,668
Due to other funds	-	-	-	-	450,457	450,457
Total liabilities	12,490,282	1,887,561	151,450,256	-	4,627,069	170,455,168
Deferred inflow of resources:						
Unavailable revenue	3,019,498	-	913,000	243,171	-	4,175,669
Fund balances:						
Non spendable	616,566	-	415,714	-	30,391	1,062,671
Restricted for:						
Debt service	-	-	-	5,278,799	-	5,278,799
Capital projects for future construction	-	-	134,517,635	-	38,088,397	172,606,032
Other purposes	-	3,369,614	-	-	4,725,674	8,095,288
Committed to:						
Insurance	3,084,857	-	-	-	-	3,084,857
Workforce housing	490,093	-	-	-	-	490,093
Capital projects for future construction	10,839,860	-	-	-	-	10,839,860
Unassigned	44,957,984	-	-	-	-	44,957,984
Total fund balances	59,989,360	3,369,614	134,933,349	5,278,799	42,844,462	246,415,584
Total liabilities, deferred inflow of resources and fund balances	$ 75,499,140	$ 5,257,175	$ 287,296,605	$ 5,521,970	$ 47,471,531	$ 421,046,421

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

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
September 30, 2015

Amounts reported for governmental activities in the statement of position are different because:

Total fund balances per balance sheet	$ 246,415,584
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,313,090,983
Deferred outflow of resources are not financial resources and, therefore, are not reported in the funds.	20,781,754
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are unavailable in the funds.	3,765,969
Other assets are not available to pay for current-period expenditures, and, therefore, are not included in the funds.	44,482,541
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(656,225,671)
Deferred inflow of resources are not financial resources and, therefore, are not reported in the funds.	(1,138,373)
Net position of governmental activities	$ 971,172,787

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2015

	General	TIRZ	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes:						
Property	$ 50,391,928	$ 5,100,966	$ -	$ 30,208,079	$ -	$ 85,700,973
Sales	36,003,036	-	-	-	-	36,003,036
Franchise	8,922,736	-	-	-	416,205	9,338,941
Hotel/motel	-	-	-	-	4,190,238	4,190,238
Other	829,668	-	-	-	-	829,668
Licenses and permits	11,016,411	-	-	-	-	11,016,411
Intergovernmental	1,461,079	19,156,957	23,523,912	-	-	44,141,948
Charges for services	8,188,456	-	-	-	8,540	8,196,996
Fines	2,204,495	-	-	-	563,143	2,767,638
Special assessments	-	-	-	-	12,964,474	12,964,474
Rents	1,466,116	4,987,767	-	-	-	6,453,883
Investment earnings	277,759	3,030	260,811	5,500	327,483	874,583
Contributions, donations and grants	103,285	-	51,654,575	-	1,867,739	53,625,599
Payments from component units	51,000	2,627,797	15,764,492	-	-	18,443,289
Miscellaneous	416,398	-	-	-	7,129	423,527
Total revenues	121,332,367	31,876,517	91,203,790	30,213,579	20,344,951	294,971,204
EXPENDITURES:						
Current:						
General government	33,748,034	13,575,625	-	-	482,759	47,806,418
Public safety	51,644,445	-	-	-	743,165	52,387,610
Public works	8,694,316	-	-	-	293,123	8,987,439
Culture and recreation	14,838,311	-	-	-	2,968,879	17,807,190
Capital outlay (includes $1,483,022 not capitalized)	3,314,955	-	186,499,181	-	380,589	190,194,725
Debt service:						
Principal retirement	-	-	-	28,275,060	-	28,275,060
Interest and fiscal charges	-	-	878,149	21,336,792	-	22,214,941
Total expenditures	112,240,061	13,575,625	187,377,330	49,611,852	4,868,515	367,673,383
Excess (deficiency) of revenues over (under) expenditures	9,092,306	18,300,892	(96,173,540)	(19,398,273)	15,476,436	(72,702,179)
OTHER FINANCING SOURCES (USES):						
Issuance of debt	-	-	82,520,000	34,610,000		117,130,000
Premium on bonds issued	-	-	7,675,208	4,697,403	-	12,372,611
Payment to refunded debt escrow agent	-	-	-	(39,059,203)	-	(39,059,203)
Proceeds from sale of assets	115,537	-	1,000	-	-	116,537
Transfers in	5,751,010	1,478,626	8,214,703	20,014,289	117,573	35,576,201
Transfers out	(717,281)	(20,066,326)	(877,274)	-	(13,608,927)	(35,269,808)
Total other financing sources and uses	5,149,266	(18,587,700)	97,533,637	20,262,489	(13,491,354)	90,866,338
Net change in fund balances	14,241,572	(286,808)	1,360,097	864,216	1,985,082	18,164,159
Fund balances, beginning	45,747,788	3,656,422	133,573,252	4,414,583	40,859,380	228,251,425
Fund balances, ending	$ 59,989,360	$ 3,369,614	$ 134,933,349	$ 5,278,799	$ 42,844,462	$ 246,415,584

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

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended September 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	$	18,164,159
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and developer's contributions exceeded depreciation in the current period.		170,971,340
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(295,402)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(58,158,162)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(412,096)
Change in net position of governmental activities	$	130,269,839

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

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on a GAAP Basis	Adjustments-Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:						
Taxes:						
Property	$ 49,434,071	$ 49,434,071	$ 50,391,928	$ -	$ 50,391,928	$ 957,857
Sales	35,932,812	36,232,812	36,003,036	-	36,003,036	(229,776)
Franchise	8,722,886	8,722,886	8,922,736	-	8,922,736	199,850
Other	605,392	605,392	829,668	-	829,668	224,276
Licenses and permits	7,769,019	11,024,019	11,016,411	-	11,016,411	(7,608)
Intergovernmental	1,157,600	1,207,600	1,461,079	-	1,461,079	253,479
Charges for services	7,291,223	7,311,223	8,188,456	-	8,188,456	877,233
Fines	2,453,640	2,453,640	2,204,495	-	2,204,495	(249,145)
Rents	1,176,700	1,461,700	1,466,116	-	1,466,116	4,416
Investment earnings	88,400	88,400	277,759	-	277,759	189,359
Contributions, donations and grants	124,000	126,000	103,285	-	103,285	(22,715)
Payments from component units	50,000	51,000	51,000	-	51,000	-
Miscellaneous	736,880	551,880	416,398	-	416,398	(135,482)
Total revenues	115,542,623	119,270,623	121,332,367	-	121,332,367	2,061,744
EXPENDITURES:						
Current:						
General government	33,075,815	33,894,453	33,748,034	(414,759)	33,333,275	561,178
Public safety	51,978,160	52,092,159	51,644,445	27,894	51,672,339	419,820
Public works	9,110,639	9,219,704	8,694,316	90,284	8,784,600	435,104
Culture and recreation	16,699,774	16,167,027	14,838,311	91,728	14,930,039	1,236,988
Capital outlay	3,325,527	3,783,820	3,314,955	347,901	3,662,856	120,964
Total expenditures	114,189,915	115,157,163	112,240,061	143,048	112,383,109	2,774,054
Excess (deficiency) of revenues over (under) expenditures	1,352,708	4,113,460	9,092,306	(143,048)	8,949,258	4,835,798
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of assets	-	-	115,537	-	115,537	115,537
Transfers in	3,583,200	1,654,900	5,751,010	-	5,751,010	4,096,110
Transfers out	(2,803,290)	(623,290)	(717,281)	-	(717,281)	(93,991)
Total other financing sources (uses)	779,910	1,031,610	5,149,266	-	5,149,266	4,117,656
Net change in fund balances	2,132,618	5,145,070	14,241,572	(143,048)	14,098,524	8,953,454
Fund balances, October 1	42,032,301	49,893,187	45,747,788	(1,456,032)	44,291,756	(5,601,431)
Fund balances, September 30	$ 44,164,919	$ 55,038,257	$ 59,989,360	$ (1,599,080)	$ 58,390,280	$ 3,352,023

CITY OF FRISCO
Adjustments to Revenues, Expenditures and Other Financing Sources and Uses from GAAP Basis to Budgetary Basis
For the Fiscal Year Ended September 30, 2015

	Net Change in Fund Balances
GAAP basis	$ 14,241,572
Expenditures:	
Increase due to encumbrances from prior year	1,456,032
Decrease due to encumbrances for current year	(1,599,080)
Budgetary basis	$ 14,098,524

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

TIRZ Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on a GAAP Basis	Adjustments- Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:						
Taxes:						
Property	$ 5,118,440	$ 5,100,966	$ 5,100,966	$ -	$ 5,100,966	$ -
Sales	-	42,857	-	-	-	(42,857)
Intergovernmental	19,290,321	18,956,957	19,156,957	-	19,156,957	200,000
Rents	4,220,254	5,026,513	4,987,767	-	4,987,767	(38,746)
Investment earnings	2,000	2,000	3,030	-	3,030	1,030
Payments from component units	2,627,797	2,582,884	2,627,797	-	2,627,797	44,913
Total revenues	31,258,812	31,712,177	31,876,517	-	31,876,517	164,340
EXPENDITURES:						
Current:						
General government	13,582,446	13,575,625	13,575,625	-	13,575,625	-
Total expenditures	13,582,446	13,575,625	13,575,625	-	13,575,625	-
Excess of revenues over expenditures	17,676,366	18,136,552	18,300,892	-	18,300,892	164,340
OTHER FINANCING SOURCES (USES):						
Transfers in	1,478,626	1,478,626	1,478,626	-	1,478,626	-
Transfers out	(19,986,138)	(20,152,914)	(20,066,326)	-	(20,066,326)	86,588
Total other financing sources (uses)	(18,507,512)	(18,674,288)	(18,587,700)	-	(18,587,700)	86,588
Net change in fund balances	(831,146)	(537,736)	(286,808)	-	(286,808)	250,928
Fund balances, October 1	3,321,964	3,656,422	3,656,422	-	3,656,422	-
Fund balances, September 30	$ 2,490,818	$ 3,118,686	$ 3,369,614	$ -	$ 3,369,614	$ 250,928

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

PROGRESS IN MOTION

Statement of Net Position
Proprietary Funds
September 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 18,062,966	$ 7,054,695	$ 25,117,661
Investments	4,647,206	2,299,347	6,946,553
Receivables -			
(net of allowance for uncollectibles):			
Utility bills	13,816,946	-	13,816,946
Other	8,013,512	120,928	8,134,440
Inventories	378,603	-	378,603
Prepaids	54,208	1,200	55,408
Restricted cash and cash equivalents	39,458,893	-	39,458,893
Restricted investments	30,000,558	-	30,000,558
Total current assets	114,432,892	9,476,170	123,909,062
Noncurrent assets:			
Capital assets:			
Land	10,146,356	-	10,146,356
Buildings and improvements	9,986,356	137,242	10,123,598
Improvements other than buildings	374,809,023	92,190	374,901,213
Machinery and equipment	6,918,369	872,129	7,790,498
Construction in progress	43,528,547	-	43,528,547
Accumulated depreciation	(130,340,976)	(588,626)	(130,929,602)
Total capital assets (net of accumulated depreciation)	315,047,675	512,935	315,560,610
Total noncurrent assets	315,047,675	512,935	315,560,610
Total assets	429,480,567	9,989,105	439,469,672
DEFERRED OUTFLOW OF RESOURCES			
Pension contributions and investment experience	1,003,367	167,228	1,170,595
Deferred charge on bond refunding	4,974,646	-	4,974,646
Total deferred outflow of resources	$ 5,978,013	$ 167,228	$ 6,145,241

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 2,043,197	$ 575,484	$ 2,618,681
Accrued liabilities	351,619	51,585	403,204
Accrued interest payable	729,894	-	729,894
Customer deposits payable	2,892,267	-	2,892,267
Monies held in escrow	-	39,566	39,566
Liability for compensated absences	701,561	110,431	811,992
Bonds payable	11,235,242	-	11,235,242
Current liabilities	17,953,780	777,066	18,730,846
Noncurrent liabilities:			
Liability for compensated absences	369,451	57,243	426,694
Pension	3,677,462	612,910	4,290,372
Bonds payable	129,006,562	-	129,006,562
Total noncurrent liabilities	133,053,475	670,153	133,723,628
Total liabilities	151,007,255	1,447,219	152,454,474
DEFERRED INFLOW OF RESOURCES			
Pension actuarial experience	162,625	27,106	189,731
Total deferred inflow of resources	162,625	27,106	189,731
NET POSITION			
Net investment in capital assets	221,879,834	512,935	222,392,769
Restricted for:			
Capital projects	26,256,457	-	26,256,457
Unrestricted	36,152,409	8,169,073	44,321,482
Total	284,288,700	8,682,008	292,970,708
Total net position	$ 284,288,700	$ 8,682,008	$ 292,970,708

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

FRISCO

PROGRESS IN MOTION

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
OPERATING REVENUES:			
Charges for sales and services:			
Water sales	$ 39,421,200	$ -	$ 39,421,200
Sewer charges	24,673,940	-	24,673,940
Service charges	671,953	-	671,953
Sanitation charges	-	12,746,988	12,746,988
Water and sewer connections	1,346,352	-	1,346,352
Inspection fees	2,559,421	-	2,559,421
Stormwater drainage fees	-	2,502,288	2,502,288
Miscellaneous	346,403	740,020	1,086,423
Total operating revenues	69,019,269	15,989,296	85,008,565
OPERATING EXPENSES:			
Cost of sales and services	33,465,229	9,670,826	43,136,055
Administration	17,351,124	2,521,244	19,872,368
Depreciation	12,141,682	145,576	12,287,258
Amortization	393,387	-	393,387
Total operating expenses	63,351,422	12,337,646	75,689,068
Operating income	5,667,847	3,651,650	9,319,497
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	247,827	19,986	267,813
Intergovernmental contribution	105,040	-	105,040
Contributions, grants	-	41,366	41,366
Gain on sale of equipment	170,783	-	170,783
Interest expense	(2,837,377)	-	(2,837,377)
Total nonoperating revenues (expenses)	(2,313,727)	61,352	(2,252,375)
Income (loss) before capital contributions	3,354,120	3,713,002	7,067,122
CAPITAL CONTRIBUTIONS:			
Capital contributions	29,793,281	-	29,793,281
Income before transfers	33,147,401	3,713,002	36,860,403
TRANSFERS:			
Transfers in	1,089,642	-	1,089,642
Transfers out	-	(1,396,035)	(1,396,035)
Total transfers	1,089,642	(1,396,035)	(306,393)
Change in net position	34,237,043	2,316,967	36,554,010
Total net position, beginning	252,957,670	6,849,377	259,807,047
Change in accounting principle - GASB 68	(2,906,013)	(484,336)	(3,390,349)
Total net position, beginning-restated	250,051,657	6,365,041	256,416,698
Total net position, ending	$ 284,288,700	$ 8,682,008	$ 292,970,708

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 64,791,313	$ 15,573,670	$ 80,364,983
Cash payments to suppliers for goods and services	(46,194,415)	(11,608,222)	(57,802,637)
Cash payments to employees for services	(10,798,379)	(1,581,882)	(12,380,261)
Other receipts	346,403	740,020	1,086,423
Net cash provided by operating activities	8,144,922	3,123,586	11,268,508
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers received from other funds	257,038	-	257,038
Transfers made to other funds	-	(1,396,035)	(1,396,035)
Contributions	105,040	41,366	146,406
Net cash provided/(used) by noncapital financing activities	362,078	(1,354,669)	(992,591)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(13,529,229)	(43,348)	(13,572,577)
Proceeds/(loss) from sale or transfer of equipment	28,138	-	28,138
Principal paid on long-term debt	(8,635,440)	-	(8,635,440)
Interest and fees paid on long-term debt	(5,431,521)	-	(5,431,521)
Bond proceeds net of issuance costs	15,000,000	-	15,000,000
Intergovernmental receipts for capital construction	832,604	-	832,604
Developers contributions	8,355,405	-	8,355,405
Net cash (used) by capital and related financing activities	(3,380,043)	(43,348)	(3,423,391)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(34,647,765)	(2,299,347)	(36,947,112)
Proceeds from sale and maturities of investment securities	35,586,681	2,294,870	37,881,551
Interest on investments	262,928	20,284	283,212
Net cash provided by investing activities	1,201,844	15,807	1,217,651
Net increase in cash and cash equivalents	6,328,801	1,741,376	8,070,177
Cash and cash equivalents, October 1	51,193,058	5,313,319	56,506,377
Cash and cash equivalents, September 30	$ 57,521,859	$ 7,054,695	$ 64,576,554
Classified as:			
Current assets	$ 18,062,966	$ 7,054,695	$ 25,117,661
Restricted assets	39,458,893	-	39,458,893
Total	$ 57,521,859	$ 7,054,695	$ 64,576,554

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

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 5,667,847	$ 3,651,650	$ 9,319,497
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	12,141,682	145,576	12,287,258
Amortization	393,387	-	393,387
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - utility bills	(4,492,742)	-	(4,492,742)
Receivables - other	(6,193,350)	354,972	(5,838,378)
Prepaid expenses and other assets	5,807	(666)	5,141
Inventories	(151,338)	-	(151,338)
Increase (decrease) in-			
Accounts payable	80,907	(1,020,253)	(939,346)
Accrued liabilities	65,937	12,747	78,684
Due to other funds	-	(35,764)	(35,764)
Liability for compensated absences	84,888	57,450	142,338
Net pension liability	(69,293)	(11,548)	(80,841)
Deposits and escrows	611,190	(30,578)	580,612
Total adjustments	2,477,075	(528,064)	1,949,011
Net cash provided by operating activities	$ 8,144,922	$ 3,123,586	$ 11,268,508

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year, various developers made non-cash contributions of water and sewer infrastructure to the City valued at $21,031,252.

During the year, the City refinanced certificates of obligation and the proceeds of $30,588,845 were used to defease the prior debt.

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

FRISCO

PROGRESS IN MOTION

Combining Statement of Net Position
Component Units
September 30, 2015

	Community Development	Economic Development	Charitable Foundation	Total
ASSETS				
Current:				
Cash and cash equivalents	$ 15,325,548	$ 23,218,652	$ 17,196	$ 38,561,396
Cash escrow held for land purchase	16,909,440	25,364,156	-	42,273,596
Investments	7,001,405	4,250,032	-	11,251,437
Receivables -				
Sales tax	3,400,860	3,400,860	-	6,801,720
Other	21,493	21,703	-	43,196
Prepaid expenses	-	181,877	-	181,877
Notes receivable	-	-	-	-
Total current assets	42,658,746	56,437,280	17,196	99,113,222
Non-current:				
Notes receivable	580,000	1,727,313	-	2,307,313
Land held for resale	16,292,514	40,083,095	-	56,375,609
Capital assets:				
Land	52,650,138	17,280,316	-	69,930,454
Buildings and improvements	8,947,524	9,987,087	-	18,934,611
Improvements other than buildings	18,584,658	-	-	18,584,658
Machinery and equipment	34,658	527,709	-	562,367
Construction in progress	1,199,949	-	-	1,199,949
Accumulated depreciation	(20,442,397)	(2,574,432)	-	(23,016,829)
Restricted assets:				-
Cash and cash equivalents	1,045,293	3,012,096	-	4,057,389
Investments	1,900,000	1,900,000	-	3,800,000
Total non-current assets	80,792,337	71,943,184	-	152,735,521
Total assets	123,451,083	128,380,464	17,196	251,848,743
DEFERRED OUTFLOW OF RESOURCES				
Pension contributions and investment experience	-	167,228	-	167,228
Deferred charge on bond refunding	1,469,517	73,866	-	1,543,383
Total deferred outflow of resources	1,469,517	241,094	-	1,710,611
LIABILITIES				
Current:				
Accounts payable	2,109,448	6,089,560	-	8,199,008
Accrued liabilities	4,132	45,543	-	49,675
Accrued liabilities - pollution remediation	908,750	1,363,124	-	2,271,874
Liability for compensated absences		104,058	-	104,058
Accrued interest payable	356,880	327,961	-	684,841
Deposits	76,118	-	-	76,118
Unearned revenue	60,884	1,500	-	62,384
Notes payable	3,994,046	8,261,879	-	12,255,925
Bonds payable	1,372,758	2,527,242	-	3,900,000
Total current liabilities	8,883,016	18,720,867	-	27,603,883
Non-current:				
Liability for compensated absences	-	46,409	-	46,409
Pension	-	612,911	-	612,911
Notes payable	54,618,751	35,887,273	-	90,506,024
Bonds payable	29,042,804	56,570,067	-	85,612,871
Total non-current liabilities	83,661,555	93,116,660	-	176,778,215
Total liabilities	92,544,571	111,837,527	-	204,382,098
DEFERRED INFLOW OF RESOURCES				
Pension actuarial experience	-	27,102	-	27,102
Total deferred inflow of resources	-	27,102	-	27,102
NET POSITION				
Net investment in capital assets	7,736,350	11,570,336	-	19,306,686
Restricted for debt service reserve	2,588,413	4,584,135	-	7,172,548
Unrestricted	22,051,266	602,458	17,196	22,670,920
Total net position	$ 32,376,029	$ 16,756,929	$ 17,196	$ 49,150,154

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

Combining Statement of Activities
Component Units
For the fiscal year ended September 30, 2015

			Program Revenues	
	Expenses	**Charges for Service**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Functions/Programs:				
Component units:				
Community Development	$ 28,941,214	$ 729,682	$ 499,170	$ -
Economic Development	36,523,290	-	35,439	997,573
Charitable Foundation	5,379	-	6,006	-
Total component units	$ 65,469,883	$ 729,682	$ 540,615	$ 997,573

General revenues:
Sales taxes
Miscellaneous
Investment income
Total general revenues

Change in net position

Net position, October 1
Change in accounting principle - GASB 68
Net position, beginning-restated
Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Component Units			
Community Development	Economic Development	Charitable Foundation	Total
$ (27,712,362)	$ -	$ -	$ (27,712,362)
-	(35,490,278)	-	(35,490,278)
-	-	627	627
$ (27,712,362)	$ (35,490,278)	$ 627	$ (63,202,013)
18,001,518	18,001,518	-	36,003,036
-	-	-	-
106,783	140,649	-	247,432
18,108,301	18,142,167	-	36,250,468
(9,604,061)	(17,348,111)	627	(26,951,545)
41,980,090	34,589,376	16,569	76,586,035
-	(484,336)	-	(484,336)
41,980,090	34,105,040	16,569	76,101,699
$ 32,376,029	$ 16,756,929	$ 17,196	$ 49,150,154

FRISCO

PROGRESS IN MOTION

CITY OF FRISCO, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Frisco, Texas ("City") was originally incorporated in 1908 and chartered on April 4, 1987, and is a municipal corporation incorporated under provisions of H.B. 901 of the Texas Legislature. The City operates under a Council-Manager form of government and provides such services as authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its residents.

The financial statements of the City have been prepared to conform with accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement 34, which requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both non-current assets and non-current liabilities of the City. The government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. The proprietary fund type financial statements are prepared using the accrual basis of accounting. Statement No. 34 requires supplementary information in Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. Also, a budgetary comparison statement is presented that compares the adopted and revised budgets for the general fund and its major special revenue fund (TIRZ1) with actual results.

B. Reporting Entity

The City is governed by an elected mayor and a six-member council. As required by GAAP, these financial statements present the City (the primary government) and the entities for which the City is considered to be financially accountable (component units). Discretely presented component units are reported in a separate column in the basic financial statements in order to emphasize that they are legally separate from the City.

The Frisco Economic Development Corporation (FEDC) serves all citizens of the City. Although legally separate from the City, the City Council appoints all of the members of its governing board. The FEDC provides marketing and economic development services to the City, and the City provides for custody and investment of FEDC assets, various administrative/personnel/legal services, and the majority of funding for the FEDC budget. The FEDC is presented as a discretely presented component unit.

The Frisco Community Development Corporation (FCDC) serves all citizens of the City. Although legally separate from the City, the City Council appoints all of the members of its governing board. The FCDC benefits the City and its citizens by developing resources to address recreational, cultural arts, senior citizen, and other related community development needs and the City provides for custody and investment of FCDC assets, various administrative services, and the majority of funding for the FCDC budget. The FCDC is presented as a discretely presented component unit.

The City of Frisco Charitable Foundation (CFCF) serves all citizens of the City. Although legally separate from the City, the City Council appoints all of the members of its governing board. The CFCF benefits the City and its citizens by developing resources to address recreational, cultural arts, senior citizen, and other related community development needs. The Foundation was established during fiscal year 2006 and is presented as a discretely presented component unit.

The FEDC, FCDC, and CFCF do not prepare separate financial statements. The financial statements of the City are formatted to allow the user to clearly distinguish between the primary government and it's discretely presented component units.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (General Government, Public Safety, Public Works, and Culture/Recreation) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise taxes, intergovernmental revenues, and interest income).

Separate funds-based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of applicable fund category and for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the applicable fund financial statements.

Certain reclassifications have been made to the beginning balance data to conform to the current year presentation.

D. <u>Measurement Focus and Basis of Accounting</u>

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

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

GASB Interpretation 6 clarifies the application of modified accrual recognition of certain liabilities and expenditures in the governmental fund financial statements. Specifically, GASB Interpretation 6 indicates that liabilities for debt, compensated absences, claims and judgments, and special termination benefits are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities and expenditures only to the extent that they mature each period. The most significant accounting and reporting policies of the City are described in the following notes to the financial statements.

Ad valorem, franchise, sales tax revenues and fines and forfeitures recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund and Tax Increment Reinvestment Zone #1 are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable and available until cash is received. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met and amounts are considered measurable and available. Funds received in advance for which all eligibility requirements have not been met are considered *unearned revenue*. Funds received for which amounts are not considered measurable and available are considered *deferred inflows of resources*.

Proprietary fund statements of revenues, expenses, and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer, Environmental Services and Stormwater funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City of Frisco does not utilize internal service funds, which traditionally provide service primarily to other funds of the government. Nor does the City of Frisco have fiduciary funds.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

The following funds are used by the City of Frisco:

1. Governmental Funds:
   The focus of Governmental Fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major Governmental Funds of the City:
   a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Culture & Recreation, General Government) and is the primary operating fund unit of the City.
   b. Tax Increment Reinvestment Zone Fund accounts for revenue sources that are legally held for special purposes within the zone. The revenue sources consist of property tax collections within the zone and lease payments for facilities.
   c. Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.
   d. Debt Service Fund accounts for the accumulation of resources and payment of general obligation and certificate of obligation bond principal and interest from governmental resources.
   e. Other Governmental Funds is a summarization of all of the non-major governmental funds.

2. Proprietary Funds:
   The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, and cash flows, which is similar to private-sector businesses. The following is a description of the major Proprietary Funds of the City:
   a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the Fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for contractual obligation bonds when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.
   b. Other Proprietary Funds is a summarization of the non-major proprietary funds including the stormwater drainage program and the environmental services fund.

E. <u>Cash, Cash Equivalents and Investments</u>

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Cash in all funds, excluding the City's payroll account, lockbox operations, and police seizure accounts, is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash. All investments are recorded at fair value based on market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Inventories and Prepaid Items

Inventories of supplies are maintained at the City. These inventories are valued at cost using the first in/first out (FIFO) inventory method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items are payments made by the City in the current fiscal year to provide services occurring in the subsequent fiscal year. Inventories and prepaid items are recognized as non-spendable in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Interfund Transactions and Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the changes in fund balance/net position of both governmental and proprietary funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in proprietary fund financial statements.

All purchased capital assets are valued at cost where historical records are available or at an estimated cost where no historical records exist. In the case of the initial capitalization of infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical costs of these assets through back trending (i.e., estimating the current replacement costs of the infrastructure to be capitalized and using an appropriate price-level index to deflate the costs to the acquisition year or estimated acquisition year). Contributed assets are recorded at estimated fair value at the time received. The City considers the asset as received when all requirements have been met by the developer including providing the City with affidavits of value. Public domain (infrastructure) assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been recorded at estimated historical cost. The government defines capital assets as assets with an initial individual cost of $5,000 or more and an estimated useful life greater than one year. Outlays for capital assets and improvements are capitalized as the projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-25 years
Improvements other than Buildings	15-30 years
Vehicles	3-15 years
Machinery & Equipment	3-20 years

The costs of normal maintenance and repairs that do not materially add to the value of the asset or significantly extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

I. Compensated Absences

The City allows employees to accumulate earned but unused vacation benefits to a maximum of 240 hours. Fire Department personnel have a maximum of 360 hours. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights. Upon termination, the City pays to employees with over one year of service, up to a maximum of 240 hours of vacation, and up to 240 hours of sick leave. Fire Department personnel are paid up to a maximum of 360 hours for vacation and 360 hours for sick leave. Vacation and sick leave in excess of the 240 (360 for Fire Department personnel) hour maximum is not paid upon termination. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured and typically, in prior years the general fund has liquidated the liability.

J. Federal and State Grants

Grants and shared revenues are generally accounted for within the Grants Fund or Community Development Block Grants Funds if funding is for a governmental fund type. Federal grants include several police, fire and transportation related grants which are accounted for within the Grants Fund. Community Development Block Grants are accounted for within that fund. Various state grants are also included in the Grants Fund. Proprietary fund grants are accounted for within the applicable fund.

K. Long-term Debt

General Obligation Bonds and Certificate of Obligation Bonds issued for general government capital projects that are to be repaid from tax revenues of the City are recorded in the government-wide statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method in the proprietary fund and the government-wide financial statements. Bond issuance costs are expensed. Bonds payable are reported net of the applicable bond premium or discount. In the governmental fund financial statements, issuance costs, as well as bond premiums and discounts, are recognized when incurred.

Certificate of Obligation Bonds have been issued to fund capital projects of the Proprietary Funds. Such bonds are to be repaid from the net revenues of the applicable Proprietary Fund. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed.

L. Deferred Inflow and Deferred Outflow of Resources

Deferred inflows of resources are an acquisition of net assets by the City that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities. The City of Frisco reports deferred inflows of resources as the offset account to assets received, but not yet available or earned. Outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt that results in a refunding loss, is reported as a deferred outflow of resources. The deferred outflows of resources are recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. For pensions, deferred outflow of resources are recognized for pension contributions made after the plan year reporting date and for investment experience amortization. Deferred inflows of resources for the pensions are the difference between actuarial experience and actual experience. The City of Frisco deferred outflows of resources and deferred inflows of resources changes for the year are detailed below:

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
Deferred outflows				
Governmental activities	$18,717,727	$ 8,500,285	$ 6,436,258	$20,781,754
Business-type activities	4,546,796	2,852,428	1,253,983	6,145,241
Component units	1,848,517	167,228	305,134	1,710,611
Total	$25,113,040	$11,519,941	$ 7,995,375	$28,637,606
Deferred inflows				
Governmental activities	$ -	$(1,297,607)	$ 159,234	$(1,138,373)
Business-type activities	-	(216,268)	26,537	(189,731)
Component units	-	(30,893)	3,791	(27,102)
Total	$ -	$(1,544,768)	$ 189,562	$(1,355,206)

M. Retirement Plans

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

N. <u>Fund Equity</u>

In order to comply with the Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, the fund balance section of the balance sheets of the governmental funds include the following items:

- Nonspendable fund balance include the:
    - Portion of net resources that cannot be spent because of their form, and
    - Portion of net resources that cannot be spent because they must be maintained intact.
- Restricted fund balance (externally enforceable limitations on use) include amounts subject to:
    - Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments
    - Limitations imposed by law through constitutional provision or enabling legislation.
- Committed fund balance (self imposed limitations set in place prior to the end of the period):
    - Limitation imposed at the highest level of decision making (an approved resolution) that requires formal action at the same level to remove. For the City, the City Council is the highest level of decision making and approves any commitments by resolution of the Council, which is considered the most binding constraint for fund balance classification purposes.
- Assigned fund balance consists of amounts where the:
    - Intended use is established by the body designated for that purpose (City Council),
    - Intended use is established by official designated for that purpose. For the City, the City Manager, Assistant City Manager and Director of Financial Services are the designated officials set by ordinance.
- Unassigned fund balance (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned.

For the classification of governmental fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available. Net position restricted for impact fee collections in the Water and Sewer fund is a reserve required by the fee ordinance.

O. Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those statements.

P. Restricted Resources
When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as required.

Q. Encumbrances
Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting—under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

R. New Accounting Pronouncements
In the current year the City implemented the following GASB pronouncements:

Statement No. 68, *"Accounting and Financial Reporting for Pensions-amendment of GASB Statement No. 27."* – This statement changed the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted in a restatement of beginning net position for the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and applied simultaneously with the provisions of GASB No. 68. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The requirements of this Statement eliminates the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

Applying these changes results in the adjustments below:

	Government-wide Governmental Activities	Government-wide Business-type Activities	Component Units
Beginning net position, previously reported	$861,245,040	$259,807,047	$76,586,035
Recording of net pension liability	(25,499,150)	(4,249,860)	(607,123)
Deferral for pension contributions made after the measurement date	5,157,058	859,511	122,787
Beginning net position, restated	$840,902,948	$256,416,698	$76,101,699

	Water & Sewer Fund	Non-Major Enterprise Funds
Beginning net position, previously reported	$252,957,670	$6,849,377
Recording of net pension liability	(3,642,736)	(607,124)
Deferral for pension contributions made after the measurement date	736,723	122,788
Beginning net position, restated	$250,051,657	$6,365,041

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. There was no impact of implementation of this statement on the financial statements.

The GASB has issued the following statements which will be effective in future years as described below. The impact on the City's financial statements of implementation has not yet been determined for the following:

GASB Statement No. 72, *Fair Value Measurement and Application,* which is effective for financial statements for reporting periods beginning after June 15, 2015, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* which is effective for fiscal years beginning after June 15, 2015 is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* is effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* is effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles.

GASB Statement No. 77, *Tax Abatement Disclosures* is effective for reporting periods beginning after December 15, 2015. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14*, is effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains the "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $656,225,671 difference are as follows:

Bonds and certificates of obligation payable	$585,785,500
Bond discount (to be amortized as interest expense)	(531,832)
Bond premiums (to be amortized over the life of the bonds)	33,388,880
Accrued interest payable	3,256,748
Compensated absences	8,584,140
Net pension liability	25,742,235
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net position – governmental activities*	$656,225,671

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the $170,971,340 difference are as follows:

Capital outlay	$ 188,711,703
Developers' contributions	34,312,287
Book value of capital assets disposed/retired	(3,143,107)
Depreciation expense	(48,909,543)
Net adjustment to increase *net changes in fund balance – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 170,971,340

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $58,158,162 difference are as follows:

Debt issued or incurred:	
Premium amortization	$ 5,278,982
Discount amortization	(31,948)
Amortization on loss of refunding of debt	(1,236,848)
Bonds issued and refunded	(78,070,797)
Bond premium issued	(12,437,651)
Bond discount issued	65,040
Principal repayments:	
Bonds	28,275,060
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 58,158,162

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $412,096 difference are as follows:

Increase in accrued interest on bonds	$ 239,048
Increase in compensated absences	658,099
Decrease in pension expense	(485,051)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 412,096

NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgetary Information

Annual appropriated budgets are legally adopted for the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds. The legal level of authority is at the fund level. The annual budget is adopted using the budgetary basis of accounting. The budgetary basis of accounting differs from accounting principals generally accepted in the United States in that encumbrances are recorded as expenditures in the period encumbered and not when incurred. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for certain Capital Projects Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through the passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary review is employed as a management control device during the year for the General Fund, Debt Service Fund, and Capital Projects Funds. Supplemental appropriations were made during the fiscal year, during the revised budget process.
6. The budget approved for the discretely presented component units follow similar approval procedures.
7. The budget approved for the Utility Fund follows similar approval procedures, but departs from generally accepted accounting principles by not including depreciation or compensated absence expenses in the approved budget.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to $250,000 or collateralized as required by State statutes at September 30, 2015. At year-end, the carrying amount of the City's demand deposits was a balance of $0 - bank balance, $5,325,530. The cash on hand carrying amount totaled $12,971. The carrying amount of the component unit's demand deposits was $1,054,364 - bank balance, $1,054,364. Additionally, cash held in escrow for land purchase was $42,273,596 and is being held by an independent title company. The bank balance for the primary government and the component unit's deposits and certificates of deposits was covered by collateral with a fair value of $125,116,753. The collateral is held in the City's name by the Bank of New York Mellon and the Texas Independent Banker, agents of the City's financial institution.

Investments – State statutes, city policies, and city resolutions authorize the City's investments. The Director of Financial Services and the Assistant Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than "A" or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act. As of September 30, 2015, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity Days
Primary Government		
General Fund		
Federal Agency Notes	$ 28,991,081	320
TexPool	27,431,460	40
TexStar	67,065,715	39
CIP Funds		
Federal Agency Notes	37,783,618	254
TexPool	3,672,695	40
TexStar	123,832,893	39
Wells Fargo Business	88,078,497	1
Other Funds		
Federal Agency Notes	48,038,533	394
TexPool	36,360,340	40
TexStar	5,616,129	39
Wells Fargo Business	7,019,889	1
Total Primary Government	$473,890,850	102
Component Units		
Community Development		
Federal Agency Notes	$ 8,901,405	503
TexPool	11,522,060	40
TexStar	3,849,087	39
Economic Development		
Federal Agency Notes	6,150,032	166
Certificates of Deposit	5,016,343	230
TexPool	6,733,007	40
TexStar	14,443,924	39
Total Component Units	$ 56,615,858	143
Total Government	$530,506,708	106

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, the City's Investment Policy states investment maturities will not exceed the anticipated cash flow requirement of the funds as follows:

- Operating Funds – The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security and the maximum allowable maturity shall be two years.
- Bond Proceeds – The maximum maturity for all bond proceeds shall be three years.
- Bond Reserve Funds – Maturity limitation shall generally not exceed the call provision of the Bond Ordinance and shall not exceed the final maturity of the bond issue.
- Other Funds – Maximum maturity shall not exceed five years and each fund's weighted average life shall not exceed three years.

Credit Risk – In compliance with the City's Investment Policy, and in conjunction with state law, as of September 30, 2015, the City minimized credit risk losses by limiting investment to the safest types of securities, pre-qualifying investments through our asset management company, and diversifying the investment portfolio so that potential losses on individual securities were minimized. The City also invested in certificates of deposits at local banks as applicable. The City's investments in U.S. Agency securities (FHLB, FNMA, FHLMC, and FFCB) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Services. The City's investments in local government investment pools (TexPool and TexStar) are in compliance with the Public Funds Investment Act and rated AAAm by Standard & Poors. More than five percent of the City's investments are in Federal Farm Credit Bank (FFCB) and Federal Home Loan Bank (FHLB). These investments are 12.78% and 6.71%, respectively, of the total investments.

Concentration of Credit Risk – The City's formal investment policy does not address limitations to one particular issuer.

NOTE 5. RECEIVABLES

Receivables at September 30, 2015, for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are all considered to be collected within one year and consist of the following:

Governmental	General	TIRZ #1	Capital Projects	Debt Service Fund	Other Funds	Total
Property tax	$ 794,332	$ -	$ -	$ 553,147	$ -	$ 1,347,479
Sales tax	6,801,721	-	-	-	-	6,801,721
Franchise tax	3,978,991	-	-	-	105,386	4,084,377
Occupancy tax	-	-	-	-	375,655	375,655
Mixed beverage	202,574	-	-	-	-	202,574
Accrued interest	44,715	-	24,035	-	29,003	97,753
Grants	-	-	-	-	468,507	468,507
Assessments	-	-	-	-	1,888,034	1,888,034
Bonds	-	-	29,500,000	-	-	29,500,000
Other	2,442,147	406,357	686,084	-	1,673	3,536,261
Gross receivables	14,264,480	406,357	30,210,119	553,147	2,868,258	48,302,361
Less: allowance	(1,063,926)	(220,000)	-	(27,657)	-	(1,311,583)
Net receivables	$13,200,554	$ 186,357	$30,210,119	$ 525,490	$2,868,258	$46,990,778

Business-type Activities	Water and Sewer	Other Funds	Total
Utility Bills	$15,414,116	$ -	$15,414,116
Accrued interest	35,316	122	35,438
Other	7,988,737	120,806	8,109,543
Gross receivables	23,438,169	120,928	23,559,097
Less: allowance	(1,607,711)	-	(1,607,711)
Net receivables	$21,830,458	$120,928	$21,951,386

Component Units	Community Development Corporation	Economic Development Corporation	Total
Sales taxes	$ 3,400,860	$ 3,400,860	$ 6,801,720
Accrued interest	6,305	10,325	16,630
Other	15,188	11,378	26,566
Net receivables	$ 3,422,353	$ 3,422,563	$ 6,844,916

The Proprietary Fund accounts receivable includes unbilled charges for services rendered at September 30, 2015.

Property taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty and interest are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased by 1% per month up to a total of 12%. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of 20 years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write off uncollectible personal property taxes after four years.

Notes Receivable City

The City periodically issues bonds on behalf of the Frisco Community Development Corporation and Frisco Economic Development Corporation to fund various projects of these entities. Each component unit has an agreement with the City to fund the principal and interest payments of the bonds; therefore, a note receivable is reported in the government wide financial statements of the City from each component unit equal to the face amount of the bonds outstanding. At September 30, 2015, the balance of the note receivable from the Frisco Community Development Corporation was $41,685,500 and the balance of the note receivable from the Frisco Economic Development Corporation was $2,140,000 for a total of $43,825,500.

Notes Receivable Component Units

In March 2006, the Frisco Community Development Corporation entered into an agreement to loan a developer $300,000 to purchase land. The interest rate on the note is 5.00%. Annual payments of $1 are due for a period of ten years, and an eleventh and final installment of all accrued and unpaid interest, together with principal is due on the tenth anniversary date. If the developer completes certain performance requirements, the entire balance of principal plus accrued interest will be forgiven on the due date of the eleventh installment or March 28, 2017 and it will only be recognized at the government-wide level. As of September 30, 2015, the note had a balance of $300,000 and accrued interest of $177,257.

In June, 2011, the Frisco Community Development Corporation executed a Performance Agreement and Promissory Note with a developer for $400,000 for building improvements to a public facility being leased by the developer. The loan interest rate is 0.00%, and if the developer satisfies annual performance criteria, the loan will be forgiven over a period of ten years, ending in July, 2022. This note is only recognized at the government-wide level. The loan balance as of September 30, 2015 was $280,000.

In March, 2007, the Frisco Economic Development Corporation entered into a promissory note agreement with a developer in order to provide a construction loan in the amount of $243,000 for improvements. Upon satisfactory completion of certain performance requirements, annual credits will be provided in the form of loan forgiveness for a maximum of $243,000 over a period of approximately five years. A revised agreement in 2011 extended the loan forgiveness period to 2015. Another amended agreement in 2014 extended the loan forgiveness period to December 31, 2015. The balance of the loan at September 30, 2015 was $52,000.

On July 31, 2009, the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note for up to a maximum of $525,000 for a sanitary sewer infrastructure improvement. Performance credits are to be applied as loan forgiveness, when proper documentation is provided to the City. On September 21, 2011, the Note maturity date was extended to August 1, 2016. The loan balance as of September 30, 2015 was $145,000

In December 2009, the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note for $570,803 with 5% interest due annually. The loan was paid as an advance with quarterly payments beginning March 31, 2011 and ending December 2014. In September 2011, the Agreement and Note were modified for quarterly payments to begin March 31, 2013 ending in December 2016. The balance of the loan at September 30, 2015 was $155,313.

In April 2010, the Frisco Economic Development Corporation entered into an Agreement and Promissory Note for $500,000 with 5% interest due by April 26, 2011. The note was extended and modified in April 2011, for an additional year. In April 2012, the Note was amended and the due date was extended to April 2013. On April 26, 2013, the Note was extended to October 26, 2014 and the Performance Agreement was modified to forgive the loan if certain requirements are met by October 26, 2014. On October 15, 2014 the note was extended to October 26, 2016. The balance of the loan at September 30, 2015 was $500,000.

On October 2, 2012, a Performance Agreement and Promissory Note were executed by the Frisco Economic Development Corporation. Those documents were amended and restated on January 15, 2013. The $750,000 loan consists of 2 installments of $375,000 each payable over two years, beginning with the Fiscal Year 2013. The loan is eligible for forgiveness credits, based upon the company's performance through December 31, 2022. The loan balance was $475,000 at September 30, 2015.

On October 15, 2012, the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note to provide $200,000 in infrastructure improvements to a developer. The interest rate of the loan is 5% and the maturity date is September 30, 2016. The loan is eligible for forgiveness credits upon completion of performance requirements. The balance of the loan was $200,000 at September 30, 2015.

On August 28, 2014 the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note loan to provide $300,000 in advanced economic incentives. The $300,000 was issued on December 4, 2014 at 0% interest with a maturity date of March 15, 2018. The loan is eligible for forgiveness credits upon completion of performance requirements. The balance of the loan on September 30, 2015 was $200,000.

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

Governmental	Balance 9/30/2014	Additions	Retirements/ Transfers/Other Deductions	Balance 9/30/2015
Capital assets, not being depreciated:				
Land	$ 230,806,653	$ 8,535,142	$ (258,353)	$ 239,083,442
Construction-in-progress	100,443,380	177,156,284	(23,709,509)	253,890,155
Total capital assets, not being depreciated	331,250,033	185,691,426	(23,967,862)	492,973,597
Capital assets, being depreciated:				
Machinery and equipment	52,748,782	2,982,443	(365,655)	55,365,570
Buildings and improvements	347,202,981	418,648	(2,735,584)	344,886,045
Improvements other than buildings	841,146,617	54,756,229	-	895,902,846
Total capital assets being depreciated	1,241,098,380	58,157,320	(3,101,239)	1,296,154,461
Less accumulated depreciated:				
Machinery and equipment	(33,511,370)	(4,613,580)	3,101,239	(35,023,711)
Buildings and improvements	(115,945,055)	(13,926,681)	-	(129,871,736)
Improvements other than buildings	(280,772,346)	(30,369,282)	-	(311,141,628)
Total accumulated depreciation	(430,228,771)	(48,909,543)	3,101,239	(476,037,075)
Total capital assets, being depreciated, net	810,869,609	9,247,777	-	820,117,386
Governmental activities capital assets, net	$1,142,119,642	$194,939,203	$ (23,967,862)	$1,313,090,983

Business-type Activities	Balance 9/30/2014	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2015
Capital assets, not being depreciated:				
Land	$ 10,136,606	$ 9,750	$ -	$ 10,146,356
Construction-in-progress	39,314,176	16,599,659	(12,385,288)	43,528,547
Total capital assets, not being depreciated	49,450,782	16,609,409	(12,385,288)	53,674,903
Capital assets, being depreciated:				
Machinery and equipment	7,196,446	851,309	(257,257)	7,790,498
Buildings and improvements	10,102,640	20,958	-	10,123,598
Improvements other than buildings	345,521,649	33,416,540	(4,036,976)	374,901,213
Total capital assets being depreciated	362,820,735	34,288,807	(4,294,233)	392,815,309
Less accumulated depreciated:				
Machinery and equipment	(4,465,151)	(739,912)	257,257	(4,947,806)
Buildings and improvements	(4,758,325)	(446,482)	-	(5,204,807)
Improvements other than buildings	(109,818,771)	(11,100,864)	142,646	(120,776,989)
Total accumulated depreciation	(119,042,247)	(12,287,258)	399,903	(130,929,602)
Total capital assets, being depreciated, net	243,778,488	22,001,549	(3,894,330)	261,885,707
Business-type activities capital assets, net	$293,229,270	$38,610,958	$(16,279,618)	$315,560,610

For the Business-type Activities, interest costs for the period charged to expense totaled $5,805,743. Capitalized interest costs recorded during the period totaled $1,476,614.

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

Governmental activities	
General government	$ 6,360,020
Public safety	5,378,902
Public works	26,250,552
Culture and recreation	10,920,069
Total depreciation expense governmental activities	$48,909,543
Business-type activities	
Water & sewer	$12,141,682
Stormwater drainage	71,403
Environmental services	74,173
Total depreciation expense business-type activities	$12,287,258

Frisco Community Development Corporation	Balance 9/30/2014	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2015
Capital assets, not being depreciated:				
Land	$72,661,809	$ -	$(20,011,671)	$52,650,138
Construction-in-progress	34,743	1,165,206	-	1,199,949
Total capital assets not being depreciated	72,696,552	1,165,206	(20,011,671)	53,850,087
Capital assets, being depreciated:				
Machinery and equipment	26,465	8,193	-	34,658
Buildings and improvements	8,932,674	14,850	-	8,947,524
Improvements other than buildings	18,584,658	-	-	18,584,658
Total capital assets being depreciated	27,543,797	23,043	-	27,566,840
Less: accumulated depreciation	(18,726,590)	(1,715,807)	-	(20,442,397)
Total capital assets being depreciated, net	8,817,207	(1,692,764)	-	7,124,443
FCDC capital assets, net	$81,513,759	$ (527,558)	$(20,011,671)	$60,974,530

Frisco Economic Development Corporation	Balance 9/30/2014	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2015
Capital assets, not being depreciated:				
Land	$17,280,316	$ -	$ -	$17,280,316
Total capital assets not being depreciated	17,280,316	-	-	17,280,316
Capital assets being depreciated:				
Machinery and equipment	527,709	-	-	527,709
Buildings and improvements	9,987,087	-	-	9,987,087
Total capital assets being depreciated	10,514,796	-	-	10,514,796
Less: accumulated depreciation	(2,076,570)	(497,862)	-	(2,574,432)
Total capital assets, being depreciated, net	8,438,226	(497,862)	-	7,940,364
FEDC capital assets, net	$25,718,542	$ (497,862)	$ -	$25,220,680

In addition to construction in progress, the City had commitments or binding contracts as of September 30, 2015. The construction commitments or binding contracts totaled $122,648,980 for the governmental capital projects fund; and $8,257,766 for the business-type activities capital projects fund. Major funds also had outstanding encumbrances totaling $2,428,372.

Governmental activities	
General fund	$ 1,599,080
Capital projects fund	122,648,980
Total outstanding commitments	$124,248,060
Business-type activities	
Utility fund	$ 829,292
Utility fund construction	8,257,766
Total outstanding commitments	$ 9,087,058

NOTE 7. NOTES PAYABLE

The following schedule summarizes notes payable as of September 30, 2015:

Frisco Community Development Corporation	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
Note payable to City	$44,985,000	$	$ 3,299,500	$41,685,500
Note payable to bank	13,500,000	13,770,000	13,500,000	13,770,000
Premium	3,918,645		680,439	3,238,206
Discount	(86,841)	-	(5,932)	(80,909)
Total	$62,316,804	$13,770,000	$17,474,007	$58,612,797

Frisco Economic Development Corporation	Balance 9/30/2014	Additions	Deletions	Balance 9/30/15
Note payable to City	$ 2,435,000	$ -	$ 295,000	$ 2,140,000
Note payable to bank	11,745,518	41,988,813	11,745,518	41,988,813
Premium	31,242	-	10,903	20,339
Total	$14,211,760	$41,988,813	$12,051,421	$44,149,152

The City periodically issues bonds on behalf of the Community Development Corporation and Economic Development Corporation to fund various projects of these entities. These entities are component units of the City. Each component unit has an agreement with the City to fund the principal and interest payments of the bonds; therefore, a note payable is reported in the government wide financial statements of the component units to the City equal to the face amount of the bonds outstanding plus any bond premiums, discounts, and deferred loss from advance refunding of debt. The City is in compliance with related bond covenants.

At September 30, 2015, the balance of the note payable to the City from the Community Development Corporation was $44,842,797. This includes $41,685,500 in the note balance, $3,238,206 of premium and $80,909 of discount. The balance of the note payable to the City from the Economic Development Corporation was $2,160,339. This includes $2,140,000 in the note balance and $20,339 of net premium. At September 30, 2015, the total notes payable to the City from the component units was $47,003,136.

NOTE 8. LONG-TERM DEBT

General obligation bonds and certificates of obligation mature annually in varying amounts through 2038. The interest for these bonds are payable semi-annually with interest rates ranging from .60% - 7.375%. The City is in compliance with related bond covenants.

In April 2015, the City issued General Obligation Refunding Bonds, Taxable Series 2015, in the amount of $6,040,000. Proceeds from the sale of the bonds were used to advance refund $5,875,000 of Combination Tax and Revenue Certificates of Obligation, Series 2001B which were called in June 2015. While the advance refunding resulted in increasing total debt service by $411,309 an economic gain of $772,374 was realized. An accounting loss of $132,006, which will be deferred and amortized was recognized on this advanced refunding. The refunded bonds are considered to legally defeased and the liability for the refunded bonds has been removed from long-term debt. As September 30, 2015, the amount of the defeased debt outstanding, but removed from long-term debt was $5,875,000.

In April 2015, the Frisco Community Development Corporation issued Sales Tax Revenue Bonds, Taxable Series 2015, in the amount of $6,000,000. Proceeds from the sale of the bonds together with certain funds of the corporation will be used to (i) make improvements to a City-owned baseball stadium, (ii) deposit to the Debt Service Reserve Fund the amount required to be accumulated in the Reserve Fund as a result of the issuance of the bonds, and (iii) pay the cost of professional services including the cost of issuance of the bonds.

In July 2015, the City issued General Obligation Refunding and Improvement Bonds, Series 2015A, in the amount of $107,710,000 with a net premium of $16,614,929. Proceeds from the sale of the bonds of $54,945,000 were used to advance refund a portion of the City's outstanding debt, including $1,075,000 in combination Tax and Revenue Certificates of Obligation, Series 2005; $4,180,000 in General Obligation Refunding and Improvement Bonds, Series 2005; $27,185,000 in General Obligation Bond Series 2007; and $27,740,000 in Combination Tax and Revenue Certificates of Obligation, Series 2007.

The net proceeds from the issuance of the bonds were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service until the term bonds are called in February 2016 through February 2027. The advance refunding was undertaken to reduce total debt service payments by $6,509,674 and resulted in an economic gain of $5,593,012. An accounting loss of $3,026,545 which will be deferred and amortized was recognized on this advanced refunding. The refunded bonds are considered to legally defeased and the liability for the refunded bonds has been removed from long –term debt. As September 30, 2015, the amount of the defeased debt outstanding, but removed from long-term debt was $60,180,000.

Proceeds from the sale of the Improvement Bonds of $52,765,000 are expected to be used for: (i) constructing and improving streets, roads, bridges, and intersections; (ii) constructing, improving and equipping fire departments facilities and acquisition of firefighting equipment; (iii) constructing, improving and equipping police facilities; (iv) improving, expanding and equipping the municipal center to improve and expand facilities for the library and City offices and to provide facilities for municipal courts; (v) improving, expanding and equipping the fleet center facility; (vi) constructing and equipping a Senior Center; (vii) constructing, improving and equipping municipal parks, hike and bike trails; (viii) the acquisition of land and interests in land for such projects; and (ix) paying the costs associated with the issuance of the Bonds.

In July 2015, the City issued Combination Tax and Surplus Revenue Certificates of Obligation Series 2015, in the amount of $14,965,000 with a net premium of $212,214. Proceeds from the sale of the certificates will be used for (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's waterworks and sewer system, and acquisition of land and interests in land for such projects, and (ii) paying the costs associated with the issuance.

In September 2015, the City issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015A, in the amount of $9,015, 000 with a net premium of $168,534. Proceeds from the sale of the certificates will be used for the purpose of (i) constructing, improving and equipping municipal parks and recreational facilities, and the acquisition of land and interest in land therefore; and (ii) legal, fiscal and engineering fees in connection with such projects.

In September 2015, the City issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015B, in the amount of $20,740,000. Proceeds from the sale of the certificates will be used for the purpose of (i) acquiring, constructing and equipping a public conference, meeting and exhibit center, and (ii) legal, fiscal and engineering fees in connection with such projects.

During the year, the following changes occurred in the long-term liabilities:

Governmental Activities	Balance 9/30/2014	Increases	Decreases	Balance 9/30/2015	Amounts due within one year
Compensated absences	$ 7,926,041	$ 6,389,061	$ 5,730,962	$ 8,584,140	$ 5,052,535
General obligation bonds	358,667,815	87,375,000	58,847,815	387,195,000	30,120,000
Certificates of obligation	179,070,000	29,755,000	10,234,500	198,590,500	4,135,500
Premiums	26,642,292	12,437,651	5,691,063	33,388,880	5,964,934
Discounts	(498,739)	(65,040)	(31,947)	(531,832)	(32,444)
Total governmental activities	$ 571,807,409	$ 135,891,672	$ 80,472,393	$627,226,688	$45,240,525

Business-type Activities	Balance 9/30/2014	Increases	Decreases	Balance 9/30/2015	Amounts due within one year
Compensated absences	$ 1,132,112	$ 855,660	$ 749,086	$ 1,238,686	$ 811,992
General obligation bonds	50,512,185	26,375,000	3,597,185	73,290,000	4,275,000
Certificates of obligation	74,955,000	14,965,000	33,880,500	56,039,500	5,034,500
Premiums	8,103,936	4,760,842	1,596,795	11,267,983	1,948,715
Discounts	(234,186)	(137,776)	(16,283)	(355,679)	(22,973)
Total business-type activities	134,469,047	46,818,726	39,807,283	141,480,490	12,047,234
Total primary government	$ 706,276,456	$ 182,710,398	$120,279,676	$768,707,178	$57,287,759

Component Units	Balance 9/30/2014	Increases	Decreases	Balance 9/30/2015	Amounts due within one year
Compensated absences	$ 105,225	$ 116,942	$ 71,700	$ 150,467	$ 104,058
Sales tax revenue bonds	86,960,000	6,000,000	3,560,000	89,400,000	3,855,000
Notes payable – bank	25,245,518	55,758,813	25,245,518	55,758,813	7,943,630
Notes payable – City	47,420,000	-	3,594,500	43,825,500	3,690,500
Premiums	4,141,850	-	758,579	3,383,271	674,577
Discounts	(100,717)	-	(7,953)	(92,764)	(7,782)
Total component units	$163,771,876	$ 61,875,755	$ 33,222,344	$192,425,287	$16,259,983

Debt service requirements of the general obligation bonds and certificates of obligation for the governmental activities for the years subsequent to September 30, 2015, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2016	$ 34,255,500	$ 24,943,830	$ 59,199,330
2017	37,775,000	23,612,208	61,387,208
2018	40,010,000	21,997,520	62,007,520
2019	41,175,000	20,273,989	61,448,989
2020	41,460,000	18,464,567	59,924,567
2021-2025	194,560,000	64,474,846	259,034,846
2026-2030	95,130,000	32,455,782	127,585,782
2031-2035	79,745,000	12,600,189	92,345,189
2036-2039	21,675,000	1,286,933	22,961,933
Total	585,785,500	220,109,864	805,895,364
Plus: Unamortized bond premium	33,388,880	-	33,388,880
Less: Unamortized bond discount	(531,832)	-	(531,832)
Net debt service requirements	$ 618,642,548	$ 220,109,864	$838,752,412

Debt service requirements of the general obligation bonds and certificates of obligation for the business-type activities for the years subsequent to September 30, 2015, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2016	$ 9,309,500	$ 5,522,933	$ 14,832,433
2017	8,995,000	5,136,424	14,131,424
2018	9,110,000	4,749,049	13,859,049
2019	9,480,000	4,345,042	13,825,042
2020	9,815,000	3,908,065	13,723,065
2021-2025	46,365,000	12,794,344	59,159,344
2026-2030	22,720,000	4,491,772	27,211,772
2031-2035	13,535,000	1,049,501	14,584,501
Total	129,329,500	41,997,130	171,326,630
Plus: Unamortized bond premium	11,267,983	-	11,267,983
Less: Unamortized bond discount	(355,679)	-	(355,679)
Net debt service requirements	$140,241,804	$ 41,997,130	$182,238,934

Debt service requirements of the revenue bonds and notes payable for the Community Development Corporation component unit for the years subsequent to September 30, 2015, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2016	$ 10,758,630	$ 3,164,982	$ 13,923,612
2017	3,747,412	3,182,049	6,929,461
2018	5,499,485	3,069,725	8,569,210
2019	5,389,026	2,912,030	8,301,056
2020	19,193,491	2,747,363	21,940,854
2021-2025	28,520,769	8,432,412	36,953,181
2026-2030	19,425,000	4,372,077	23,797,077
2031-2035	10,640,000	733,966	11,373,966
Total	103,173,813	28,614,604	131,788,417
Plus: Unamortized bond premium	84,503	-	84,503
Less: Unamortized bond discount	(11,855)	-	(11,855)
Net debt service requirements	$ 103,246,461	$ 28,614,604	$ 131,861,065

Debt service requirements of the revenue bonds and notes payable for the Economic Development Corporation component unit for the years subsequent to September 30, 2015, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2016	$ 4,730,500	$ 2,994,413	$ 7,724,913
2017	4,780,000	2,926,640	7,706,640
2018	6,282,000	2,758,247	9,040,247
2019	6,304,300	2,547,349	8,851,649
2020	5,880,370	2,332,507	8,212,877
2021-2025	34,573,330	7,586,691	42,160,021
2026-2030	14,560,000	3,227,003	17,787,003
2031-2035	8,700,000	559,916	9,259,916
Total	85,810,500	24,932,766	110,743,266
Plus: Unamortized bond premium	3,298,768	-	3,298,768
Less: Unamortized bond discount	(80,909)	-	(80,909)
Net debt service requirements	$ 89,028,359	$ 24,932,766	$ 113,961,125

NOTE 9. GRANTS PAYABLE

Retail Development Agreements

In order to promote economic development and diversity, increase employment, reduce unemployment and underemployment, expand commerce, and stimulate business and commercial activity in the State of Texas, Collin County, and the City of Frisco, Texas, the City, agreed to pay sales tax grants to certain developers. These grants require the construction of a minimum square feet of retail space and obtaining certificates of occupancy for certain major retailers within a specified time period, all of which have been met during the 2015 fiscal year.

A sales tax grant agreement was executed with a retail developer for a period of ten years which began on August 3, 2005. The City pays one-half of one percent (0.5%) of the retail sales taxes collected by the City on retail sales generated by the store on a quarterly basis. Therefore, the installment payments are dependent on sales tax collections, and there is no fixed repayment amount with this grant. The City paid $509,089 during the current year for this sales tax grant.

A new retail development agreement was executed in December, 2005 for approximately 200,000 square feet of retail space, which opened for business during April, 2007. The developer was awarded an economic development grant in accordance with the agreement in the amount of one-half of one percent (0.5%) of retail sales generated for a period of ten years. The City paid $205,208 during the current year for this grant.

A new retail agreement was executed in January, 2011 for approximately 140,000 square feet of retail space which opened October, 2011. The City pays one half of one percent of retail sales generated for a period of ten years. The City paid $280,683 during the current year of this grant.

A new agreement was executed in May, 2012 for a retail sales center. The City pays eighty-five percent of one percent (.0085) of all retail sales generated for a period of twenty-five years. The City paid $953,150 during the current year of this grant.

A second agreement was executed in May, 2013 for a retail sales center. The City pays eighty-five percent of one percent (.0085) of all retail sales generated for a period of twenty-five years. The City paid $2,856,589 during the current year of this grant.

An agreement was executed in May, 2012 in which the City pays a rebate of incremental property taxes on improvements. This agreement is for five years. The City paid $1,639 during the current year of this grant.

An agreement was executed in February, 2013 for use and property tax rebates. This agreement is for eleven years. No payments were made during the current year of this grant.

An agreement was executed in May, 2014 for infrastructure improvements. This agreement is for three years. The City paid $91,668 during the current year of this grant.

An agreement was executed in June 2014 with a residential builder for a ten year period. Payments will be calculated based on 80% of the City's one percent of use tax levied on housing materials purchased. The City paid $101,049 during the current year of this grant.

An agreement was executed in August 2014 with a residential builder for a ten year period. Payments will be calculated based on 80% of the City's one percent of use tax levied on housing materials purchased. The City paid $5,059 during the current year of this grant.

An agreement was executed in April 2015 with a residential builder for a ten year period. Payments will be calculated based on 80% of the City's one percent of use tax levied on housing materials purchased. The City paid $3,186 during the current year of this grant.

An agreement was executed in August 2015 with a residential builder for a ten year period. Payments will be calculated based on 80% of the City's one percent of use tax levied on housing materials purchased. The City has made no payments during the current year of this grant.

<u>Planned Development Mixed Use Agreement</u>
The City has an agreement for the development of thirty-six (36) acres into an urban mixed use community consisting of residential units, a 4-star hotel and a Class A high rise office building. The developer will receive rebates of incremental City property taxes paid on the improvements. The maximum grant amount of rebates for the improvements has a principal balance of $3,000,000 bearing an interest rate of 4.75%, being repayable in three (3) annual installments of interest only and twenty-two (22) successive amortized annual installments of principal and interest.

During the year ended September 30, 2015, the City rebated a total of $165,483 for the property tax increment payment for 2013. The cumulative amount rebated through September 30, 2015 was $820,034.

NOTE 10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Management Association Retirement Corporation (ICMARC). All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, and the City has no fiduciary responsibilities over the plan; therefore, it is not reported in the financial statements of the City.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description-
The City of Frisco participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

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

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

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five 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.

A summary of plan provisions for the City are as follows:

Employee deposit rate: 7%
Matching ratio (City to employee): 2 to 1
Years required for vesting: 5
Service retirement eligibility: 60/5, 0/20
Updated Service Credit: 100%
Annuity Increase to retirees: 70% of CPI Repeating

Employees covered by benefits terms-
At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	109
Inactive employees entitled to but not yet receiving benefits	297
Active employees	924
Total	1,330

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

Employees for the City of Frisco were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.50% and 14.41% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were $9,034,646 and were equal to the required contributions.

Net Pension Liability-
The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions-
The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3% per year
Overall payroll growth	3% per year
Investment rate of return	7%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional charges were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
	100%	100%

Discount Rate-

The discount rate used to measure the Total Pension Liability was 7.0%. The projections of cash flows used to determine the discount rate was assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the Total Pension Liability.

Changes in Net Pension Liability

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2013	$151,337,748	$120,981,617	$30,356,131
Changes for the year:			
Service cost	9,985,109	-	9,985,109
Interest	10,863,498	-	10,863,498
Change in benefit terms	-	-	-
Difference between expected and actual experience	(1,557,705)	-	(1,557,705)
Change in assumptions	-	-	-
Contributions-employer	-	7,982,625	(7,982,625)
Contributions-employee	-	4,173,145	(4,173,145)
Net investment income	-	6,923,943	(6,923,943)
Benefit payments, including refunds of employee contributions	(2,274,946)	(2,274,946)	-
Administrative expense	-	(72,257)	72,257
Other changes	-	(5,941)	5,941
Net changes	17,015,956	16,726,569	289,387
Balance as of 12/31/2014	$168,353,704	$137,708,186	$30,645,518

Sensitivity of the net pension liability to changes in the discount rate-
The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase Discount Rate
City's net pension liability	$62,232,710	$30,645,518	$5,388,565

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

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

For the year ended September 30, 2015, the City recognized pension expense of $8,391,402.

At September 30, 2015, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	$ -	$ 1,355,206
Changes in actuarial assumptions used	-	-
Difference between projected and actual investments earnings	1,235,816	-
Contributions subsequent to the measurement date	7,125,574	-
Total	$ 8,361,390	$ (1,355,206)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $7,125,574 will be recognized as a reduction of the net pension liability for measurement year ending December 31, 2015 (i.e. recognized in the city's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year	At December 31
2015	$ 106,455
2016	106,455
2017	106,455
2018	106,455
2019	(202,499)
Thereafter	(342,711)
Total	$(119,390)

Subsequent event-

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long-term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of the expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change. Accordingly, the city has included in its approved fiscal year 2016 budget to continue to fund pension contributions above the required ADC which will help smooth impacts of any increases in the required ADC for fiscal year 2017.

NOTE 12. RISK MANAGEMENT

The City is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide overage for its members for up to $1,000,000 per event, and $2,000,000 in aggregate. There were no significant reductions in insurance coverage from the previous year. Settled claims for risk have not exceeded insurance coverage for the past three years.

During FY 2015, the City participated in a modified self-insurance program for Employee Benefits. Group medical benefits were administered by a third party insurance provider. The City offer two PPO plans with payroll deductions set aside to cover the monthly claims. The annually negotiated stop loss provision for 2015 was $150,000 per occurrence.

The liabilities for insurance claims reported are based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims. The estimated claims incurred but not reported as of September 30, 2015 totaled $1,570,745. Changes in the liability amount:

Claim Year	Liability Beginning of Year	Current Year Claims and Changes In Estimates	Claim Payments	Liability End of Year
2005 – Health Insurance	$ -	$ 960,342	$ 673,462	$ 286,880
2006 – Health Insurance	286,880	1,206,931	1,174,391	319,420
2007 – Health Insurance	319,420	2,074,276	1,793,010	600,686
2008 – Health Insurance	600,686	2,551,929	2,689,872	462,743
2009 – Health Insurance	462,743	2,056,175	2,062,869	456,049
2010 – Health Insurance	456,049	7,141,067	5,735,799	1,861,317
2011 – Health Insurance	1,861,317	7,847,795	7,929,126	1,779,986
2012 – Health Insurance	1,779,986	8,240,646	7,702,913	2,317,719
2013 – Health Insurance	2,317,719	7,567,760	8,543,115	1,342,364
2014 – Health Insurance	1,342,364	11,153,236	11,107,200	1,388,400
2015 – Health Insurance	1,388,400	11,592,196	11,409,851	1,570,745

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payable are considered short-term and, at September 30,2015 consisted of the following:

Due From

Due to	Non-major Governmental	Total
General Fund	$450,457	$450,457
Total	$450,457	$450,457

All balances resulted from the time lag between the dates that transactions are recorded in the accounting system and that payments between funds are made.

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

Transfers From

Transfers to	General Fund	TIRZ	Capital Projects	Non-major Governmental	Non-major Proprietary	Total
General Fund	$ -	$ 822,416	$ 44,670	$ 4,289,394	$ 594,530	$ 5,751,010
TIRZ	-	-	-	1,478,626	-	1,478,626
Capital projects	611,588	-	-	7,058,648	544,467	8,214.703
Debt Service	-	19,243,910	-	770,379	-	20,014,289
Non-major governmental	105,693	-	-	11,880	-	117,573
Utility Fund	-	-	832,604	-	257,038	1,089,642
Total	$717,281	$20,066,326	$877,274	$13,608,927	$1,396,035	$36,665,843

Transfer from fund	**Transfer to fund**	**Amount**
General Fund:		
Grant matching funds	Non-major Governmental Funds - Grants	$ 105,693
Capital outlay	Capital Projects Fund	611,588
TIRZ Fund:		
Operating lease funding - garages	General Fund	822,416
Debt service funding requirements	Debt Service	19,243,910
Capital Project Fund:		
Operating capital for SAFER	General Fund	44,670
Capital outlay	Utility Fund	832,604
Non-Major Governmental Funds:		
Debt service funding requirements	TIRZ	1,478,626
Debt service funding requirements	Debt Service	770,379
Court warrant officer funding	General Fund	144,000
Capital outlay funding	Capital Projects	7,058,648
Capital reserve funding transfer	General Fund	4,145,394
Grant matching funds	Non-Major Governmental Funds - Grants	11,880
Proprietary Funds:		
G&A for Environmental Services	General Fund	494,530
G&A for Stormwater Drainage	Utility Fund	29,681
Special Projects Manager	Capital Projects	224,967
G&A Stormwater Drainage	General Fund	100,000
G&A Environmental Services	Utility Fund	227,357
Capital outlay funding	Capital Projects	319,500
Total		$36,665,843

NOTE 14 OPERATING LEASE COMMITMENTS

The City entered into rental agreements in excess of one year during prior fiscal years. During fiscal year 2015, the City entered into additional agreement in excess of one year. The following commitments remain:

FY	At September 30
2016	$ 160,197
2017	152,052
2018	52,129

Rent paid under operating leases was approximately $154,141 for the year ended September 30, 2015.

NOTE 15. CONTINGENT LIABILITIES

The City has participated in a number of state and federally assisted grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

In June 2006, the North Texas Municipal Water District issued $35,235,000 in revenue bonds, series 2006. This bond issue is for the purpose of constructing the Panther Creek Wastewater System benefiting the City of Frisco. In March 2009, an additional $20,210,000 in revenue bonds, series 2009 was issued for expansion of the system. In 2014, an additional bond issue refunded a portion of the 2006 revenue bonds. The outstanding principal of the revenue bonds at September 30, 2015 is $37,355,000. The City's contractual minimum payment is required to cover the full cost of the service including the principal and interest payments incurred related to this debt. The City of Frisco is in compliance with this agreement at September 30, 2015.

NOTE 16. LITIGATION

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

The City does not provide postretirement health or dental care benefits to retirees. We do provide a plan that retirees can purchase, but they are responsible for 100% of the premium costs and this plan is not part of the City's active employee plan. The City incurs no cost for providing these benefits, as retirees are included in a separate risk pool, there is no direct or implicit rate subsidy and the City has no measurable OPEB liability.

NOTE 18. COMPONENT UNIT REMEDIATION OBLIGATIONS

During FY 2012, the FEDC and FCDC entered into agreements with a local manufacturing company to purchase land surrounding a plant that is being closed. Revenue bonds were sold and have been placed in escrow with the third party. Remediation funds have also been placed in escrow with the third party to cover the costs of clean up for the land surrounding the plant that the City component units are planning to purchase. Consultants were hired to estimate the remediation costs, which have been accrued based on cash flow estimates.

FRISCO

PROGRESS IN MOTION

REQUIRED SUPPLEMENTARY INFORMATION

FRISCO

PROGRESS IN MOTION

CITY OF FRISCO
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Required Supplementary Information
Last 10 Years

		Measurement Year 2014
Total pension liability:		
Service cost	$	9,985,109
Interest		10,863,498
Changes of benefit terms		-
Difference between expected and actual experience		(1,557,705)
Change in assumptions		-
Benefit payments, including refunds of employee contributions		(2,274,946)
Net change in total pension liability		17,015,956
Total pension liability - beginning		151,337,748
Total pension liability - ending (a)	$	168,353,704
Plan fiduciary net position:		
Contributions - employer	$	7,982,625
Contributions - employee		4,173,145
Net investment income		6,923,943
Benefit payments, including refunds of employee contributions		(2,274,946)
Administrative expenses		(72,257)
Other		(5,941)
Net change in plan fiduciary net position		16,726,569
Plan fiduciary net position - beginning		120,981,617
Plan fiduciary net position - ending (b)	$	137,708,186
Net pension liability - ending (a) - (b)	$	30,645,518
Plan fiduciary net position as a percentage of total pension liability		81.80%
Covered employee payroll	$	59,616,360
Net pension liability as a percentage of covered employee payroll		51.40%

Notes to Schedule: Historical data not available - GASB 68 implemented in FY 2015.

CITY OF FRISCO
Schedule of Contributions
Texas Municipal Retirement System
Required Supplementary Information
Last 10 Years

		2015
Actuarially determined contribution	$	9,034,646
Contributions in relation to the actuarially determined contribution		9,034,646
Contribution deficiency/(excess)		-
Covered employee payroll		63,590,086
Contributions as a percentage of covered employee payroll		14.21%

Notes to Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	3%
Salary increases	3.50% to 12% including inflation
Investment rate of return	7%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	Removed statutory max.

Notes to Schedule: Historical data not available - GASB 68 implemented in FY 2015.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

CITY OF FRISCO, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2016

IN THE AGGREGATE PRINCIPAL AMOUNT OF $121,785,000

AS BOND COUNSEL FOR THE CITY OF FRISCO, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Refunding and Improvement Bonds, Series 2016, described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds and in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

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

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

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, and the report of Grant Thornton LLP verifying the sufficiency of the amounts deposited to the escrow fund to pay the principal of and interest on the refunded obligations on their respective due dates. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

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

Respectfully,

LAW OFFICES

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Proposed Form of Opinion of Bond Counsel

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

CITY OF FRISCO, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION SERIES 2016A

IN THE AGGREGATE PRINCIPAL AMOUNT OF $17,305,000

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

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge (not to exceed $1,000) of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

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

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

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

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

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

Respectfully,

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Proposed Form of Opinion of Bond Counsel

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

CITY OF FRISCO, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION
TAXABLE SERIES 2016B

IN THE AGGREGATE PRINCIPAL AMOUNT OF $20,265,000

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

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge (not to exceed $1,000) of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

WE EXPRESS NO OPINION as to any federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates.

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

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Respectfully,

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Financial Advisory Services
Provided By

FirstSouthwest
A Division of Hilltop Securities