FSC Continuing Disclosure Services
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated August __, 2016

Ratings:
Fitch: "___"
S&P: "___"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

CITY OF DENTON

$38,195,000*
CITY OF DENTON, TEXAS
(Denton County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

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

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the $38,195,000* City of Denton, Texas General Obligation Refunding 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 Bonds - 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 Bonds - Paying Agent/Registrar").

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

PURPOSE . . . Proceeds from the sale of the Bonds, together with fund contributed by the City, are expected to be used to (i) refund all outstanding obligations of the City's Utility System described on Schedule I attached hereto (the "Refunded Bonds") for debt service savings; and (ii) to pay the costs associated with the issuance of the Bonds (see "Plan of Financing - Purpose" hereto and "Schedule of Refunded Bonds – Schedule I" attached hereto).

MATURITY SCHEDULE*

CUSIP Prefix: 248866 (1)

Principal Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix (1)	Principal Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix (1)
$ 2,965,000	2017				$ 3,130,000	2024			
2,765,000	2018				3,310,000	2025			
2,920,000	2019				3,495,000	2026			
3,075,000	2020				3,675,000	2027			
3,265,000	2021				2,725,000	2028			
1,615,000	2022				1,725,000	2029			
1,710,000	2023				1,820,000	2030			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Initial Purchaser or the Financial Advisor 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 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 Bonds – Optional Redemption").

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on September 29, 2016.

SEALED BIDS DUE ____________, AUGUST __, 2016, AT 10:30 AM, CDT**

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" herein.
** Place and Time of Bid Opening . . . The City will accept bids for the sale of the Bonds on a day during the period beginning August __, 2016 and initially ending September __, 2016. At least 12 hours prior to the sale of the Bonds, FirstSouthwest, a Division of Hilltop Securities Inc., as Financial Advisor to the City, will communicate, through Parity and Bloomberg, the date and time for submission of bids. The Financial Advisor, acting on behalf of the City, shall accept bids up to the time specified in the notice as hereinbefore described.

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

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.

For purposes of compliance with Rule 15c 2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Bonds 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.

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

Neither the City nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

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

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

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Denton (the "City") is a political subdivision and municipal corporation of the State, located in Denton County, Texas. The City covers approximately 97.411 square miles (see "Introduction - Description of the City").

THE BONDS .... The $38,195,000* City of Denton, Texas General Obligation Refunding Bonds, Series 2016 are to mature on February 15 in the years 2017 through 2030 (see "The Bonds - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds 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 Bonds - Description of the Bonds" and "The Bonds – Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended, and an ordinance (the "Authorizing Bond Ordinance") of the City 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 (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance") (see "The Bonds - Authority for Issuance").

SECURITY FOR 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 City (see "The Bonds - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem the Bonds having stated maturities on 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 Bonds - Optional Redemption").

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

USE OF PROCEEDS .... Proceeds from the sale of the Bonds, together with fund contributed by the City, are expected to be used to (i) refund all outstanding obligations of the City's Utility System described on Schedule I attached hereto (the "Refunded Bonds") for debt service savings; and (ii) to pay the costs associated with the issuance of the Bonds (see "Plan of Financing - Purpose" hereto and "Schedule of Refunded Bonds – Schedule I" attached hereto).

RATINGS .... The Bonds and the presently outstanding general obligation debt of the City are rated "___" by Fitch Ratings ("Fitch") and "___" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"). See "Other Information – Ratings" herein.

BOOK-ENTRY-ONLY SYSTEM ...... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof 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 Bonds - Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted on the payment of its tax-supported indebtedness.

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* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Fiscal Year [8]	Per Capita Net Funded Tax Debt	Ratio Net Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2012	115,662	$ 6,412,375,004 [3]	$ 55,441	$ 113,939,700	$ 985	1.78%	99.77%
2013	117,397	6,716,711,368 [4]	57,214	120,375,588	1,025	1.79%	99.72%
2014	119,158	6,979,224,274 [5]	58,571	123,827,115	1,039	1.77%	99.64%
2015	120,945	7,797,177,608 [6]	64,469	135,879,058	1,123	1.74%	99.39%
2016	122,759	8,463,146,760 [7]	68,941	144,036,173 [9]	1,173	1.71%	98.99% [10]

(1) Source: City Officials.
(2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of July 19, 2015.
(3) Includes tax incremental value of approximately $2,300,954 that is not available for the City's general obligations and debt of City.
(4) Includes tax incremental value of approximately $10,248,781 that is not available for the City's general obligations and debt of City.
(5) Includes tax incremental value of approximately $16,931,096 that is not available for the City's general obligations and debt of City.
(6) Includes tax incremental value of approximately $35,975,197 that is not available for the City's general obligations and debt of City.
(7) Includes tax incremental value of approximately $39,084,154 that is not available for the City's general obligations and debt of City.
(8) Excludes self-supported general obligation debt.
(9) Excludes the Bonds. Preliminary, subject to change.
(10) Collections for part year only, through July 1, 2016.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
Chris Watts Mayor	May, 2018
Kevin Roden Councilmember, District 1	May, 2017
Keely Briggs Councilmember, District 2	May, 2017
Kathleen Wazny Councilmember, District 3	May, 2017
Joey Hawkins Councilmember, District 4	May, 2017
Dalton Gregory Councilmember, At Large Place 5	May, 2018
Sara Bagheri Councilmember, At Large Place 6	May, 2018

SELECTED ADMINISTRATIVE STAFF

Name	Position
Howard Martin	Interim City Manager
Jon Fortune	Assistant City Manager
John Cabrales	Assistant City Manager
Bryan Langley	Assistant City Manager/CFO
Chuck Springer	Director of Finance
Jennifer K. Walters	City Secretary
Anita Burgess	City Attorney

CONSULTANTS AND ADVISORS

Auditors .... Weaver, 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

For additional information regarding the City, please contact:

Bryan Langley Assistant City Manager/CFO City of Denton 215 E. McKinney Street Denton, Texas 76201 (940) 349-8224	or	Laura Alexander David Medanich FirstSouthwest, a Division of Hilltop Securities 777 Main Street, Suite 1200 Fort Worth, Texas 76102 (817) 332-9710

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OFFICIAL STATEMENT

RELATING TO

$38,195,000*
CITY OF DENTON, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $38,195,000* City of Denton, Texas General Obligation Refunding Bonds, Series 2016 (the "Bonds"). The City Council adopted an ordinance on July 19, 2016 authorizing the issuance of the Bonds (the "Authorizing Bond Ordinance"). In the Authorizing Bond Ordinance, as permitted by the provisions of Chapter 1207, Texas Government Code, as amended, the City Council delegated the authority to each of the City Manager and an Assistant City Manager to establish the terms and details of the Bonds and to effect the sale of the Bonds pursuant to a "Pricing Certificate" (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance, except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City of Denton, Texas (the "City") is a political subdivision located in Denton County operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1959. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 97.411 square miles in area.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds, together with fund contributed by the City, are expected to be used to (i) refund all outstanding obligations of the City's Utility System described on Schedule I attached hereto (the "Refunded Bonds") for debt service savings; and (ii) to pay the costs associated with the issuance of the Bonds (see "Plan of Financing - Purpose" hereto and "Schedule of Refunded Bonds – Schedule I" attached hereto).

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

Grant Thornton LLP ("Grant Thornton"), 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 Initial Purchaser thereof the mathematical accuracy of the schedules that demonstrate the Refunded Bonds Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Refunded Bonds Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on such Refunded Bonds Escrowed Securities will not be available to pay the Bonds (see "Other Information – Verification of Arithmetical and Mathematical Computations").

* Preliminary, subject to change.

By deposit of the Refunded Bonds Escrowed Securities and cash with the Refunded Bonds Escrow Agent pursuant to the Refunded Bonds Escrow Agreement, the City will have effected the defeasance of all the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Refunded Bonds Escrowed Securities on deposit in the Refunded Bonds Escrow Fund and any cash held for such purpose by the Refunded Bonds Escrow Agent and such Refunded Bonds 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 Refunded Bonds Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure of to receive payment when due on the Refunded Bonds Escrowed Securities.

SOURCES AND USES OF FUNDS . . . The proceeds from the sale of the Bonds, together with other City funds will be applied as follows:

Sources of Funds		
Par Amount	$	-
Cash Premium Bid		-
Transfer from Revenue Bond Debt Service Fund		-
Transfer from Revenue Bond Debt Service Reserve Fund		-
Total Sources of Funds	$	-
Uses of Funds		
Deposit to Refunded Bonds Escrow Fund	$	-
Cost of Issuance		-
Total Uses of Funds	$	-

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 15, 2016, and mature on February 15 in each of the years and in the amounts shown on the cover page 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 February 15 and August 15 of each year, commencing February 15, 2017, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein.

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

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct obligations of the City and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, as provided in the Bond 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 Bonds, 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, as calculated at the time of issuance and based on 90% tax collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on 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 the Bonds of a maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds 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 Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF A BOND (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.

DEFEASANCE . . . The Bond Ordinance provides that any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of such Bond Ordinance when payment of the principal of such Bond, 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 Bonds 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 bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Obligations. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in the Bond 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 Bonds 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 Bond Ordinance provides that "Government Obligations" means (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, (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 and (d) any other then authorized securities or obligations under applicable Texas state law that may be used to defease obligations such as the Bonds. 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 Bonds. Because the Bond Ordinance does 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 Bonds 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 Bond Ordinance, 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 Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds 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 Bonds for redemption; and (ii) gives notice of the reservation of that right to the owners of the Bonds 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.

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

The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), 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 Bonds. The Bonds 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 the Bonds 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds 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 Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds 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 Bonds 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, Bond 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, Bonds 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 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Ordinance will be given only to DTC.

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

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 Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Ordinance and summarized under "The Bonds - Transfer, Exchange and Registration" below.

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

In the event the use of the Book-Entry-Only system is discontinued, principal of the Bonds 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 Bonds for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "The Bonds - Book-Entry-Only System" herein. Interest on the Bonds 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 Bonds 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 Bonds will be delivered to the Registered Owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Bonds to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "The Bonds—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the 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 a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In the Bond Ordinance, the City has reserved the right to amend the Bond Ordinance without the consent of any holder of the respective Bond for the purpose of amending or supplementing the Bond 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 Bond Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Bond 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 Bond Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Bond Ordinance further provides that the holders of the Bonds aggregating in principal amount a majority of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Bond 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 Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Bond Ordinance for further provisions relating to the amendment thereof.

REMEDIES . . . The Bond Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds 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 Bond Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Bond Ordinance provides that any registered owner of a Bond 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 Bonds or Bond 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 Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Ordinance does not provide for the appointment of a trustee to represent the interest of the owners of the Bonds upon any failure of the City to perform in accordance with the terms of the Bond Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas

Supreme Court has ruled in Tooke v. City of Mexia 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Bonds may not be able to bring such a suit against the City for breach of the Bonds or Bond Ordinance covenants in the absence of City action. 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 Bonds, the City has not waived sovereign immunity. 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 Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Bonds will be Cede & Co., as DTC's nominee. See "The Bonds - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Bonds.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Denton Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under V.T.C.A., Title I, Tax Code, as amended (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining 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 that would not 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 in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

Under 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 taxes 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, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) and such freeze 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. 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, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; 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. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. 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.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. After taking such official action, the goods-in-transit remain subject to taxation by the local governmental entity until the governing body of the governmental entity rescinds or repeals its previous actions to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

The City or Denton County may create one or more tax increment financing districts ("TIF") within the City or Denton County, as applicable, and freeze the taxable values of property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and 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".

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

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . Under the current Property Tax Code a governing body of a taxing unit is required to adopt its annual tax rate per $100 taxable value 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. By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the effective tax rate or the rollback tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, the 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 incur the penalty 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 is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. 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 $50,000. Disabled taxpayers also receive a $10,000 exemption.

The City grants an additional one-half of one percent, or a minimum of $5,000 exemption of the market value of residence homesteads.

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

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

The City does not tax nonbusiness personal property.

Denton County began collecting taxes for the City during the fiscal year 2006-07.

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

The City does not tax freeport property.

The City collects the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does tax "goods-in-transit".

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

The City has adopted a tax abatement policy.

The City participates in two tax increment reinvestment zones, which were created in 2010 and 2012.

TAX INCREMENT FINANCING . . . The City created Tax Increment Reinvestment Zone Number One (known as the Downtown TIF) in 2010. The TIF will expire in 2039 and reflects only the City's participation of: 100% for years 1-5; 95% for years 6-10; 90% for years 11-20; and 85% for years 21-30. According to Denton Central Appraisal District (DCAD) supplemental figures, the 2015 total appraised valuation of taxable real property in TIRZ Number One was $127.2 million. This represents a $10.4 million increase from the 2014 supplemental value of $116.8 million. Since its inception, the value of the TIRZ has increased an estimated $47.8 million, which represents a 60.3% increase in valuation.

The City created Tax Increment Reinvestment Zone Number Two (known as the Westpark TIRZ) in 2012 to provide the public infrastructure necessary to encourage development in the largest industrially zoned area (Westpark) in the City. The 2012 certified base value of Westpark TIRZ, according to the Denton Central Appraisal District, is $119,458. The estimated revenue to be generated by the TIRZ is approximately $14.3 million over a 25 year period for infrastructure improvements. The City will contribute $10.1 million and Denton County will contribute $4.2 million into the Westpark TIRZ fund. According to DCAD supplemental figures, the 2015 total appraised valuation of taxable real property in TIRZ Number Two was $120,538. This is a $1,080 increase from the 2012 base value of 119,458.

The City created Public Improvement District Rayzor Ranch No. 1 (the “District”) in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City’s northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated cost of the proposed public improvements total $40 million, which may be paid for with special assessments levied on property within the District. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the cost of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

PUBLIC IMPROVEMENT DISTRICTS . . . The City created Rayzor Ranch Public Improvement District No. 1 (the "District") in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City’s northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated cost of the proposed public improvements total $40 million, which may be paid for with special assessments levied on property within the District. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the cost of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

TAX ABATEMENT POLICY . . . The City has adopted a tax abatement policy. In 1990, the City council adopted a resolution setting guidelines and criteria for granting abatements in reinvestment zones created within the City. These guidelines specifically note that incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The City Council approved the following tax abatement agreements:

- In 2007, a 100% tax abatement for a term of up to seven years was granted to Aldi Foods for their 500,000 square foot $52 million distribution center. The abatement amount is based on the cost incurred by Aldi to construct a road to their site. The project was completed in 2009 and the agreement will terminate in 2016. The 2016 values have not been released yet and they are paid in the Spring of 2017.

- In 2010, a 65% tax abatement agreement for a term of five years was granted to Target Corporation for its 400,000 square foot frozen and refrigerated food distribution center. Target opened in March 2013 and employs 115 to 150 area residents.
- In 2011, a 40% tax abatement agreement for a term of five years was granted to Peerless Manufacturing for its 80,000 square foot, $16 million manufacturing facility. Peerless is an existing Denton business that consolidated other manufacturing operations to Denton. They completed construction of an 80,000 square foot manufacturing facility in October 2013. CECO Environmental purchased Peerless in late 2015. CECO leases all of its global manufacturing facilities, preferring 5-7-year leases to facility ownership and keeping its equity active in the production process. Consistent with its structure, CECO completed the sale of its Denton Peerless facility in AIC in June 2016. The Tax Abatement with Peerless Manufacturing will be terminated in 2016.
- In 2013**,** a 65% tax abatement agreement for a term of four years was granted to Tetra Pak Materials LP for expanding their facility and relocating their corporate headquarter operations from Chicago to Denton. The company manufactures, processes, packages and distributes liquid foods all over the globe. The current facility comprises approximately 220,000 square feet. The increase in real and business personal property valuation of the proposed project expansion is estimated at $10.7 million. Tetra Pak Materials expects to create a total of thirty new jobs with this expansion. The company received their Certificate of Occupancy in February of 2015.
- In 2015, a 70% tax abatement for a term of eight years was granted to Peterbilt Motors for a 17,500 square foot expansion of their current facility to improve material flow from trucks into the expanded metering center. Peterbilt's growth in 2014 has resulted in a 20% increase in employment and a 32% increase in production levels. These increases have also been the driving force behind similar growth of other businesses in Denton that support Peterbilt. This project received their Certificate of Occupancy for the expansion in February of 2016. The final phase of this project includes a storage and retrieval system for painted parts to help balance the product flow from paint to cab trim. This project is scheduled for completion in October 2016.

  In 2016, the Agreement was amended to add the construction and equipping of a 102,000 square-foot stand-alone building north of the existing plant. This $30 million dollar investment will provide space in the current building for a new cab product and would improve operational efficiencies.

CHAPTER 380 AGREEMENTS . . . The City has also entered into several Chapter 380 agreements. Each agreement is based on the project's contribution in either sales or property tax revenue. The City Council has approved the following Chapter 380 agreements:

- In 2001, an agreement was approved for the 450,000 square foot, $50 million Denton Crossing retail center. The grantee receives one-third of the City sales tax generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project. The project was completed and the Chapter 380 Grant was initiated in 2005. The agreement will terminate in the spring of 2020.
- In 2004, an agreement was approved for Teasley Partners for an urban style mixed-use development. The grantee may receive one-third of the City sales tax generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project. The project has not been completed. Although a new hotel and some residential units have been completed, no qualifying retail has been constructed.
- In 2004, an agreement was approved for Unicorn Lake, an urban style mixed-use development. The grantee receive one-third of the City sales tax generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project. BJs Restaurant, Blue Ginger Japanese Bistro, Rising Sun Café and Bone Daddy's represent some of the businesses that have recently located in the development. Urban Square Apartments completed construction last fall and features 205 units. The agreement will terminate in 2024.
- In 2007, an agreement was approved for Allegiance Hillview for the Rayzor Ranch mixed-use development. The 410 acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of 50% of the City sales taxes generated by the project for public improvement costs, which include the widening of a state highway that bisects the project. The grantee will receive a maximum of $20 million over a 15 year term for phase one and a maximum of $48 million over a term of 20 years for phase two. Rayzor Ranch Marketplace completed over 582,000 square feet of retail and commercial space. Some of the new stores in the development include: Academy Sports and Outdoors, Salons by JC, Colorful Hearing, Kohl's, Ross Dress for Less, Guitar Center and Taco Cabana.

  Construction is underway for the Rayzor Ranch Town Center located on the south side of the development. Heritage Trail Boulevard will be constructed to allow access to the next phases. Chili's and Raising Cane opened this year. WinCo. In-N-Out Burger and a Convention Center are planned for the Town Center. An additional 15% sales tax rebate on the Rayzor Ranch Town Center and Marketplace have been added to offset the planned convention center until $5 million is reached.
- In 2010, an agreement was approved for Grand Mesa, contractor for Schlumberger, equal to 50% of new property tax revenue generated for their 150,000 square foot regional maintenance facility. The agreement was assigned to Schlumberger Technology Corporation in 2012. Agreement thresholds require maintaining $5 million in real property improvements and business personal property valuation and the creation of 80 jobs with average wage of $45,000. The term of the agreement is seven years and will terminate in 2017.
- In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum $45 million must be invested into the property for the new owners to receive a 50% share of the sales tax resulting from

the renovations. The agreement allows Golden Triangle Mall until October 1, 2014 to reach their investment threshold. The term of the agreement will terminate in 20 years. Exterior entrance updates, a new food court, pylon signs and wayfinding have been constructed as part of the second phase of the redevelopment. The Golden Triangle Mall J.C. Penney was one of the sites selected to include a Sephora and the Disney Store within the department store. Two restaurant pad sites for Pollo Tropical and Corner Bakery have also recently opened at the mall. An international retailer, H and M, and Francesca's opened in 2015.

- In 2012, an agreement was approved for Mayday Manufacturing/Tailwind Technologies. The company manufactures precision bushings, sleeves, pins, and other machine parts used in the aerospace industry. Mayday subsidiary, High Tech Metal Refinishing is collocated with Mayday and provides metal finishing processes for Mayday products and for additional customers. The company purchased an 80,000 square foot facility in 2012 and completed the 15,000 square foot expansion of the facility at the close of 2013. The company received a 75%, ten-year tax rebate on increased valuation of at least $3 million over the base value.
- In 2015, an agreement was granted to Westgate Business Park (WGBP). The industrial development received a minimum of 60% with an additional 5% for a national headquarters and/or ten percent for support of major employers not to exceed 75% of City ad valorem taxes attributable to Improvements for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in Denton.
- In 2015, a grant agreement was awarded to Business Air. The grant is equal to 70% of the increase in property tax revenues on the improvements to the building and new business personal property up to a maximum of $9,500,000 in increased valuation for a period of two years. The company may extend the length of this grant by attracting additional investment in the form business aircraft based at its facilities at the airport by specified date and investment level thresholds. In addition to a grant extension, Business Air would receive five percent of the increase in taxable valuation attributable to these new business aircraft for the duration of the grant extension. Business Air is a full service FBO and certified FAR 135 Air Carrier providing fuel, hangar, charter, and aircraft management services to corporate and private clients at the Denton Enterprise Airport. The company is expanding with plans to build a new 24,000 square foot hangar with an additional 4,000 square feet of office space. The hangar space should allow the addition of 10 corporate aircraft with values ranging from $1.5 to $10 million per aircraft. In addition to the hangar, Business Air will be purchasing a corporate aircraft to be based at the airport for the exclusive use of providing air taxi service to the area.
- In 2015, an agreement was approved for Victor Technologies, a global manufacturer of gas control and specialty welding solutions. The original San Francisco manufacturing operations were relocated to their new headquarters in Denton in the mid-1960s. Victor Technologies is planning to expand their existing facility. Improvements to the existing operation will create approximately 30,000 square feet of Research and Development space. A new 185,400 square foot warehouse and remodeled parking would complete the renovations. The current operation employs 414 full time employees. Victor has a distribution center in the metroplex that employs about 100 people that will be transferred to the new facility in Denton. Over the next three years, Victor will create an additional 100 new jobs. Victor Technologies received an incentive equal to 65% of the increase in the City's ad valorem taxes for seven years while maintaining a minimum of 85 percent of new jobs created with an average wage of 28.81 per hour.
- In 2015, an incentive was awarded to WinCo for an 800,000+/- square foot distribution facility that will be situated on approximately 77 acres in the Westpark Tax Increment Reinvestment Zone (TIRZ) Number Two. The project would include approximately $130 million in capital investment and would create 165 jobs with an annual payroll of around $7.2 million. The Agreement accomplishes two objectives: (1) full reimbursement of the cost of Phase 1 improvements using a combination of funding mechanisms; and (2) after full reimbursement, an economic development incentive of 60% of the City's ad valorem tax revenue for a period of four years following full reimbursement of Phase 1 improvements.

  It is anticipated that full reimbursement will occur in approximately four years and will be an approximately $6.5 million. The first year after full reimbursement, the second term of the grant agreement shall commence, and will include the following: a 60% rebate of the City's ad valorem revenue for a period of four years, for an estimated total incentive of $1.7 million.
- In 2015, an agreement was granted to the Railyard downtown project that is located in the TIRZ Number One, Downtown Implementation Plan (DTIP) and Transit Oriented Development (TOD) area. The project involves a Commercial Lease Agreement with the Developer (Rail Yard Partners, LTD), a Chapter 380 Agreement including revenue from the Tax Increment Reinvestment Zone One (Downtown TIRZ) with the developer. A separate Agreement with the Dallas Entrepreneur Center (DEC) is also planned.

  Rail Yard Partners, LTD. is renovating an existing 28,000 square foot building as a part of a larger transit-oriented catalyst project. They will invest an initial $12 million in the co-working and mixed-use space. The City will lease 9,216 square feet for a collaborative working space. The DEC, which has similar entrepreneur resource centers in Addison and North Dallas, would offer memberships, technical assistance, mentorship and program events to help foster local business growth in Denton. The Agreement involves an annual grant in the amount of $76,000 for five years, for a total incentive of $380,000.

  The Commercial Lease Agreement is a five year lease at $9.75 per square foot for year one, with an approximate 3.7% increase in the cost annually thereafter, in addition to operating expenses including the City's pro rata share of real estate taxes, insurance, common area maintenance, and operating expenses.
- In 2016 an incentive was awarded to Buc-ee's Travel Center that will include an approximately 53,000 square foot retail store, fuel stations, car wash and peripheral development along I-35E. The incentive reimburses the developer

for public infrastructure improvements and other neighborhood/public amenities. The proposed development has resulted in the Texas Department of Transportation (TxDOT) advancing several mobility improvements to the intersections of Loop 288/Lillian Miller and I-35E, Mayhill Road and I-35E, and Brinker Road and I-35E. These improvements will enhance mobility and address traffic congestion and will be completed in the spring of 2018. In order to facilitate these improvements, TxDOT requires a local funding match of $2 million. The developer will fund the $2 million, to be reimbursed as a part of the incentive agreement. Additionally, the developer will incur approximately $5.2 million in public infrastructure costs, including water, wastewater, storm sewer, right-of-way dedication, and constructing a new city street. The City has granted an incentive of 50% sales tax rebate for 25 years, on the Buc-ee's parcel as well as the outparcels. The first phase consists of 50% for 5 years for infrastructure improvements. The second phase grants a 50% sales tax rebate for the Buc-ee's travel center, retail and sit down restaurants; and 25% on remaining fast food and service.

- In 2015 an incentive was awarded to O'Reilly Hotel Partners Denton's (OHPD) for a convention center and hotel. Development plans include the construction of a 285-318 room Embassy Suites Hotel, an approximately 70,000 square foot convention center, and a Houlihan's restaurant. The anticipated convention center meeting space is approximately 37,850 square feet and would accommodate conventions with up to 650 participants with a Grand Banquet room that will hold up to 1,750 people for banquet-style events. The hotel and convention center would be managed by O'Reilly Hospitality Management (OHM).

  The convention center and hotel will be located in the Rayzor Ranch Town Center. As a major anchor for the Town Center, the convention center and hotel can capitalize on the synergy associated with the planned shopping, entertainment, and restaurants located nearby. The plat for the development has been approved, infrastructure work has begun and the facility is scheduled to open in the November of 2017.

  The agreement includes a 100% rebate of the ad valorem tax, hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or until the combined principal amount of $28 million and interest payment of $26 million, for a total aggregate amount of $54 million, is reached, whichever comes first. The incentive also includes 100% of the construction sales and use tax up to $850,000, at which time the grant will be reduced to 50%.

ANNEXATION PLANS . . . The City has extended for four (4) years those Non-Annexation Agreements ("NAAs") associated with the City's 2010 annexation proceedings. Only two parcels representing approximately 700 acres will continue to be eligible to receive NAAs pursuant to Texas law. The City Council will again consider this matter in the spring of 2020.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2015/16 Market Valuation Established by Denton Central Appraisal District		$9,582,410,010
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	$86,502,404	
Over 65 Exemptions	309,426,822	
Disabled Persons Exemptions	2,476,992	
Disabled Veterans Exemptions	37,973,924	
Agricultural Land Use Productivity	291,684,109	
Historical/Other Exemptions	4,513,425	
Freeport Exemptions	197,874,727	
Abatement Exemptions	132,915,875	
Police Patrol Vehicle Exemptions	151,491	
Pollution Exemptions	19,439,793	
Homestead Cap Adjustment	36,303,688	1,119,263,250
2015/16 Taxable Assessed Valuation (as of 7-19-15)		$8,463,146,760
2015/16 Incremental Taxable Assessed Value of Real Property within Reinvestment Zones		(39,084,154)
2015/16 Net Taxable Assessed Valuation available for General Obligations and Debt of City (as of 7-19-15)		$8,424,062,606
Certified 2016/17 Taxable Assessed Valuation		$ 9,172,250,493
City Funded Debt Payable from Ad Valorem Taxes		
General Obligation Bonds (as of 7-1-16)	$ 266,875,000	
Certificates of Obligation (as of 7-1-16)	356,545,000	
Tax and Utility System Revenue Debt (as of 7-1-16)	40,110,000	
The Bonds	38,195,000 (1)	
Funded Debt Payable from Ad Valorem Taxes		$ 701,725,000
Less Self-Supporting General Obligation Debt (2)		
Solid Waste System General Obligation Debt	$ 46,358,357	
Airport General Obligation Debt	4,430,469	
Utility System General Obligation Debt	506,900,000 (3)	557,688,827
Net Tax Supported Debt Payable from Ad Valorem Taxes		$ 144,036,173
Interest and Sinking Fund as of 7-1-16 (estimated)		$ 13,400,917
Ratio Total Funded Debt to Net Taxable Assessed Valuation		8.33%
Ratio Net Funded Debt to Net Taxable Assessed Valuation		1.71%

2016 Estimated Population - 122,759

Per Capita Net Taxable Assessed Valuation - $68,623

Per Capita Total Funded Debt - $5,716

Per Capita Net Funded Debt - $1,173

(1) Preliminary, subject to change.

(2) As a matter of policy, the City pays debt service on its general obligation debt issued to fund improvements to its Utility System and Solid Waste System from surplus revenues of these Systems (see "Table 7 – General Obligation Debt Service Requirements" and "Table 9 – Computation of Self-Supporting Debt"). This policy is subject to change in the future.

The City’s Utility System is comprised of the City’s entire existing electric, light and power system and the waterworks and sewer system. Drainage is managed under the waterworks and sewer system. The City’s Utility System General Obligation Debt has been issued to finance or refinance Utility System improvements and contractual obligations and is paid, or is expected to be paid, from Utility System revenues. After this financing the City will have no outstanding Utility system Revenue Bonds.

The City’s Airport System General Obligation Debt has been issued to finance or refinance Airport System improvements and is paid, or is expected to be paid, from Airport System revenues. The City has no outstanding Airport System Revenue Bonds.

The City’s Solid Waste System General Obligation Debt has been issued to finance or refinance Solid Waste System improvements and is paid, or is expected to be paid, from Solid Waste System revenues. The City has no outstanding Solid Waste System Revenue Bonds.

(3) Includes the Bonds. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY [(1)]

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2016		2015		2014	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$4,455,409,227	46.50%	$4,062,947,070	45.57%	$3,720,193,268	46.72%
Real, Residential, Multi-Family	1,242,659,794	12.97%	1,089,958,543	12.23%	924,229,117	11.61%
Real, Vacant Lots/Tracts	200,531,094	2.09%	180,886,051	2.03%	150,027,306	1.88%
Real, Acreage (Land Only)	299,567,590	3.13%	299,966,303	3.36%	274,941,322	3.45%
Real, Farm and Ranch Improvements	111,308,374	1.16%	95,625,308	1.07%	80,481,975	1.01%
Real, Commercial and Industrial	1,932,405,225	20.17%	1,829,135,437	20.52%	1,621,678,792	20.37%
Real, Oil, Gas, and Other Mineral Reserves	127,737,402	1.33%	93,196,666	1.05%	78,106,929	0.98%
Real and Tangible Personal, Utilities	64,179,367	0.67%	91,139,063	1.02%	91,097,444	1.14%
Tangible Personal, Commercial and Industrial	1,075,139,088	11.22%	1,091,736,374	12.25%	943,996,533	11.86%
Tangible Personal, Other	21,987,482	0.23%	21,761,614	0.24%	15,167,604	0.19%
Real and Special Property, Inventory	51,485,367	0.54%	58,971,257	0.66%	62,732,470	0.79%
Total Appraised Value Before Exemptions	$9,582,410,010	100.00%	$8,915,323,686	100.00%	$7,962,652,760	100.00%
Less: Total Exemptions/Reductions	(1,119,263,250)		(1,118,146,078)		(983,428,486)	
Taxable Assessed Value	$8,463,146,760 [(2)]		$7,797,177,608 [(3)]		$6,979,224,274 [(4)]	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2013		2012	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$3,633,577,302	47.68%	$3,610,010,439	49.78%
Real, Residential, Multi-Family	816,319,292	10.71%	689,687,370	9.51%
Real, Vacant Lots/Tracts	125,343,528	1.64%	140,758,151	1.94%
Real, Acreage (Land Only)	338,412,791	4.44%	366,276,930	5.05%
Real, Farm and Ranch Improvements	37,671,587	0.49%	37,791,667	0.52%
Real, Commercial and Industrial	1,520,034,393	19.94%	1,449,703,794	19.99%
Real, Oil, Gas, and Other Mineral Reserves	107,460,964	1.41%	86,195,936	1.19%
Real and Tangible Personal, Utilities	90,748,500	1.19%	87,973,672	1.21%
Tangible Personal, Commercial and Industrial	884,681,448	11.61%	714,263,695	9.85%
Tangible Personal, Other	16,249,794	0.21%	14,868,334	0.21%
Real Property, Inventory	50,894,577	0.67%	54,969,631	0.76%
Total Appraised Value Before Exemptions	$7,621,394,176	100.00%	$7,252,499,619	100.00%
Less: Total Exemptions/Reductions	(904,682,808)		(840,124,615)	
Taxable Assessed Value	$6,716,711,368 [(5)]		$6,412,375,004 [(6)]	

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(1) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. For the Fiscal Year ended 2016, the values were reported on July 19, 2015 based on information as of January 1, 2015.

(2) Includes tax incremental value of approximately $39,084,154 that is not available for the City's general obligations and debt of City.

(3) Includes tax incremental values of approximately $35,975,197 that is not available for the City's general obligations and debt of City.

(4) Includes tax incremental value of approximately $16,931,096 that is not available for the City's general obligations and debt of City.

(5) Includes tax incremental value of approximately $10,248,781 that is not available for the City's general obligations and debt of City.

(6) Includes tax incremental value of approximately $2,300,954 that is not available for the City's general obligations and debt of City.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year [8]	Ratio Net Tax Debt to Net Taxable Assessed Valuation	Net Funded Tax Debt Per Capita
2012	115,662	$ 6,412,375,004 [3]	$ 55,441	$ 113,939,700	1.78%	$ 985
2013	117,397	6,716,711,368 [4]	57,214	120,375,588	1.79%	1,025
2014	119,158	6,979,224,274 [5]	58,571	123,827,115	1.77%	1,039
2015	120,945	7,797,177,608 [6]	64,469	135,879,058	1.74%	1,123
2016	122,759	8,463,146,760 [7]	68,941	144,036,173 [9]	1.71%	1,173

(1) Source: City Officials.
(2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of July 19, 2015.
(3) Includes tax incremental value of approximately $2,300,954 that is not available for the City's general obligations and debt of City.
(4) Includes tax incremental value of approximately $10,248,781 that is not available for the City's general obligations and debt of City.
(5) Includes tax incremental value of approximately $16,931,096 that is not available for the City's general obligations and debt of City.
(6) Includes tax incremental value of approximately $35,975,197 that is not available for the City's general obligations and debt of City.
(7) Includes tax incremental value of approximately $39,084,154 that is not available for the City's general obligations and debt of City.
(8) Excludes self-supported general obligation debt.
(9) Projected. Excludes the Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy [1]	% Current Collections	% Total Collections
2012	$ 0.68975	$ 0.47088	$ 0.21887	$ 44,845,997	99.14%	99.77%
2013	0.68975	0.47088	0.21887	46,963,325	99.31%	99.72%
2014	0.68975	0.47480	0.21495	48,414,673	99.32%	99.64%
2015	0.68975	0.48119	0.20856	53,829,793	99.39%	99.39%
2016	0.68975	0.47456	0.21519	58,374,555	98.99% [2]	98.99% [2]

(1) Tax levy for the year 2016 is based on the adjusted certified value. Prior years represent adjusted values that include all supplements through September 30, 2015. Includes tax incremental reinvestment zone revenues.
(2) Collections through July 1, 2016 (partial year).

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2015/16 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Paccar Inc.	Diesel Truck Manufacturing	$97,146,347	1.15%
Columbia Medical Center of Denton	Hospital/Professional Building	90,617,674	1.07%
Inland Western Denton Crossing Ltd PS	Real Estate Development	57,185,000	0.68%
Cypress Denton Station LTD	Residential Multifamily	51,401,583	0.61%
ACC OP LLC aka Denton Fry LLC	Apartments	51,300,000	0.61%
Razor Ranch Market Place LP	Shopping Center	48,684,184	0.58%
Timber Links Apts. LP	Apartment Complexes	44,500,000	0.53%
Eagleridge Operating LLC	Oil and Gas Exploration and Development	38,227,658	0.45%
HRA University Courtyard LLC	Apartments	33,660,000	0.40%
SCI Gateway at Denton Fund 25 LLC	Commercial Lots/Real, Industrial	30,718,622	0.36%
		$ 543,441,068	6.42%

Source: Denton Central Appraisal District.

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 (see "The Obligations – Tax Rate Limitation" for a description of the limitations on ad valorem tax rates).

TABLE 6 - ESTIMATED OVERLAPPING TAX 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 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 Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt As of 6-1-16	Authorized But Unissued Debt As Of 6-1-16
City of Denton	$ 8,463,146,760 (1)	$ 0.68975	$ 144,036,173 (2)	100.00%	$ 144,036,173 (2)	$ 70,945,000
Denton Independent School District	11,592,151,561	1.54000	879,287,344	65.10%	572,416,061	-
Denton County	70,803,572,875	0.26200	634,275,000	12.76%	80,933,490	118,418,296
Argyle Independent School District	1,197,201,339	1.57005	85,706,207	11.94%	10,233,321	5,000,000
Aubrey Independent School District	664,061,926	1.51000	49,374,775	0.15%	74,062	-
Krum Independent School District	700,509,620	1.54000	44,772,751	5.95%	2,663,979	-
Pilot Point Independent School District	517,999,994	1.37000	18,370,000	0.15%	27,555	-
Ponder Independent School District	683,607,121	1.38750	22,630,000	1.57%	355,291	-
Sanger Independent School District	766,845,867	1.37207	22,296,783	0.41%	91,417	50,000
Total Direct and Overlapping Funded Debt					$ 810,831,349	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation…………………………………………					9.58%	
Per Capita Overlapping Funded Debt………………………………………………………………………………					$ 5,738.76	

(1) Includes tax incremental value of approximately $39,084,154 that is not available for the City's general obligations and debt of City.

(2) Excludes the Bonds and self-supporting debt. See Tables 1 and 9 herein for more detailed information on the City’s general obligation self-supporting debt. Preliminary, subject to change.

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service [1]		The Bonds [2]		Total Outstanding Debt	Less: Self-Supporting Solid Waste Debt Service	Less: Self-Supporting Airport Debt Service	Less: Self-Supporting Utility Debt Service [3]	Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest						
2016	$ 38,350,000	$ 25,303,222	$ -	$ -	$ 63,653,222	$ 7,321,367	$ 475,790	$ 37,419,620	$ 18,436,445	
2017	46,030,000	27,858,719	2,965,000	1,663,626	78,517,346	8,076,823	465,969	50,240,965	19,733,589	
2018	46,265,000	25,322,289	2,765,000	1,743,146	76,095,435	7,091,421	460,972	50,282,021	18,261,021	
2019	47,890,000	23,120,914	2,920,000	1,596,758	75,527,671	6,547,908	458,611	51,804,751	16,716,400	
2020	48,325,000	20,873,945	3,075,000	1,442,386	73,716,331	5,999,226	436,579	51,753,693	15,526,834	32.24%
2021	43,725,000	18,732,595	3,265,000	1,279,131	67,001,726	4,521,298	434,523	47,662,775	14,383,130	
2022	42,250,000	16,713,708	1,615,000	1,153,471	61,732,179	3,322,385	393,177	45,281,821	12,734,795	
2023	37,145,000	14,876,120	1,710,000	1,067,853	54,798,973	2,998,401	353,509	40,270,809	11,176,254	
2024	33,855,000	13,304,230	3,130,000	943,223	51,232,453	2,615,019	352,297	37,785,354	10,479,783	
2025	31,315,000	11,923,606	3,310,000	777,393	47,325,998	2,464,054	290,338	35,101,649	9,469,958	59.44%
2026	24,080,000	10,795,284	3,495,000	602,164	38,972,448	2,246,338	286,663	27,782,208	8,657,240	
2027	23,640,000	9,838,806	3,675,000	417,536	37,571,342	1,867,694	248,888	27,492,021	7,962,740	
2028	23,060,000	8,894,187	2,725,000	252,736	34,931,923	1,771,853	246,875	26,418,011	6,495,184	
2029	22,890,000	7,951,787	1,725,000	138,149	32,704,936	1,721,741	245,381	25,411,474	5,326,340	
2030	23,980,000	6,974,361	1,820,000	46,865	32,821,226	1,724,006	248,381	25,512,643	5,336,195	77.15%
2031	20,435,000	6,052,484	-	-	26,487,484	1,493,444	250,713	19,776,550	4,966,778	
2032	19,180,000	5,259,988	-	-	24,439,988	1,226,931	252,431	18,201,963	4,758,662	
2033	17,095,000	4,551,734	-	-	21,646,734	1,190,606	253,850	15,674,069	4,528,209	
2034	13,580,000	3,971,606	-	-	17,551,606	1,064,831	122,250	12,577,688	3,786,838	
2035	11,845,000	3,512,381	-	-	15,357,381	720,600	-	11,513,381	3,123,400	88.25%
2036	9,525,000	3,129,931	-	-	12,654,931	471,975	-	10,858,381	1,324,575	
2037	7,345,000	2,826,131	-	-	10,171,131	-	-	10,171,131	-	
2038	7,650,000	2,548,106	-	-	10,198,106	-	-	10,198,106	-	
2039	7,960,000	2,258,431	-	-	10,218,431	-	-	10,218,431	-	
2040	8,275,000	1,956,931	-	-	10,231,931	-	-	10,231,931	-	93.76%
2041	8,595,000	1,641,938	-	-	10,236,938	-	-	10,236,938	-	
2042	8,945,000	1,289,119	-	-	10,234,119	-	-	10,234,119	-	
2043	9,335,000	897,569	-	-	10,232,569	-	-	10,232,569	-	
2044	9,715,000	515,388	-	-	10,230,388	-	-	10,230,388	-	
2045	6,650,000	212,697	-	-	6,862,697	-	-	6,862,697	-	99.60%
2046	2,950,000	46,094	-	-	2,996,094	-	-	2,996,094	-	100.00%
	$701,880,000	$283,154,299	$38,195,000	$13,124,436	$1,036,353,735	$66,457,921	$ 6,277,196	$ 760,434,248	$203,184,369	

(1) "Outstanding Debt" does not include lease/purchase obligations, however, it does include self-supporting debt.
(2) Average life of the issue - 6.690 years. Interest on the Bonds has been calculated at the rate of 2.00% for purposes of illustration. Preliminary, subject to change.
(3) Includes the Bonds. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION [(1)]

Tax Supported Debt Service Requirements and Fiscal Charges, Fiscal Year Ending 9/30/2016		$ 63,847,681
Interest and Sinking Fund Balance as of 9/30/15	$ 4,791,880	
Interest and Sinking Fund Tax Levy	18,127,740	
From Revenue Supported Sources	45,669,941	
Interest Income	50,000	68,639,561
Estimated Balance, 9/30/16		$ 4,791,880

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(1) Source: City's Annual Budget for Fiscal Year 2015/16.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from Solid Waste System, Fiscal Year Ended 9-30-15	$11,178,237 [(1)]
Less: Solid Waste System Revenue Bond Requirements, 2016 Fiscal Year	-
Balance Available for Other Purposes	$11,178,237
Solid Waste System General Obligation Bond Requirements, 2016 Fiscal Year	7,321,367
Balance	$ 3,856,870
Net Revenue from Airport System, Fiscal Year Ended 9-30-15	$ 284,613 [(2)]
Less: Airport System Revenue Bond Requirements, 2016 Fiscal Year	-
Balance Available for Other Purposes	$ 284,613
Airport System General Obligation Bond Requirements, 2016 Fiscal Year	475,790
Balance	$ (191,177) [(3)]
Net Revenue from Utility System (Electric System and Waterworks and Sewer System), Fiscal Year Ended 9-30-15	$78,804,507 [(1)]
Less: Utility System Revenue Bond Requirements, 2016 Fiscal Year	12,761,456
Balance Available for Other Purposes	$66,043,051
Utility System General Obligation Bond Requirements, 2016 Fiscal Year	37,419,620 [(4)]
Balance	$28,623,431

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(1) Does not deduct franchise fees and/or return on investment paid to the General Fund.
(2) Does not deduct franchise fees and cost of services paid to the General Fund.
(3) The shortfall for the Airport System self-supporting debt will be paid from the excess balance in the Airport Fund's unrestricted net position, which as of 9/30/2015 was $3,789,464.
(4) Includes a portion of the Bonds. Preliminary, subject to change.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Unissued Balance
Street	11/6/2012	$ 20,400,000	$16,400,000	$ 4,000,000
Street	11/4/2014	61,710,000	13,340,000	48,370,000
Public Safety	11/4/2014	16,565,000	8,355,000	8,210,000
Drainage	11/4/2014	8,545,000	5,255,000	3,290,000
Parks	11/4/2014	11,355,000	4,280,000	7,075,000
		$118,575,000	$47,630,000	$70,945,000

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . As shown in Table 10 above, the City will has $70,945,000 voted but unissued debt remaining to be issued from the November 6, 2012 and November 4, 2014 authorization. The City may also issue tax-supported debt other than voter approved general obligation bonds to fund public improvements, such as certificates of obligation or tax anticipation notes, without submitting a measure to the voters, but in certain instances, subject to voter petition rights for a referendum. Further, the City may issue tax-supported debt other than voter approved general obligation bonds to refund bonds or other obligations not currently payable from or supported by ad valorem taxes, such as the City's Utility System revenue bonds. The City anticipates the issuance of approximately $30,645,000 in tax-supported debt in the second quarter of 2017.

TABLE 11 - OTHER OBLIGATIONS

The City has entered into capital lease agreements. The following is a schedule of future minimum lease payments under these capital leases and the present value of the net minimum lease payments as of September 30, 2015:

Year Ending 30-Sep	Annual Lease Payment
2016	$ 861,780
2017	861,780
2018	456,564
Total Minimum Lease Payment	$ 2,180,124
Less: Amount Representing Interest	100,898
Present Value of Minimum Future Lease Payments	$ 2,079,226

PENSION FUND . . . The City 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 TMRS 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) obtainable 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 City Council of the City, within the options available in the state statutes governing TMRS.

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

At the inception of the plan, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are a percent (200%) of the employee's accumulated contributions. In addition, the City grants on annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming the current member deposit rate of the City (7%) has always been in effect. The computation also assumes the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, and increased by the City match currently in effect (200%). The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity. The plan provisions also include an annually repeating basis cost of living adjustments for retires equal to 70% of the change in the consumer price index.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	498
Inactive Employees Entitled to But Not Yet Receiving Benefits	443
Active Employees	1,188
	2,129

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 City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.36% and 17.76% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were $13,514,646 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.

Actuarial Assumptions . . . 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

A more detailed description of the actuarial assumption can be found in Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Note V.A., page 59.

Discount Rate . . . The discount rate used to measure the TPL was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute, and was projected over a period of 100 years. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2013	$360,116,261	$ 294,819,596	$ 65,296,665
Changes for the year:			
Service cost	10,667,694	-	10,667,694
Interest	25,182,941	-	25,182,941
Change of benefit terms	-	-	-
Difference between expected and actual experience	(171,241)	-	(171,241)
Changes of assumptions	-	-	-
Contributions - employer	-	13,065,763	(13,065,763)
Contributions - employee	-	4,991,415	(4,991,415)
Net investment income	-	16,867,596	(16,867,596)
Benefit payments, including refunds of employee contributions	(11,387,617)	(11,387,617)	-
Administrative expense	-	(176,083)	176,083
Other changes	-	(14,477)	14,477
Net changes	24,291,777	23,346,597	945,180
Balance at 12/31/2014	$384,408,038	$ 318,166,193	$ 66,241,845

Plan Fiduciary Net Position as a Percentage of TPL 82.77%

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 in Discount Rate
City's Net Pension Liability	$125,474,039	$66,241,845	$18,002,986

For the year ended September 30, 2015, the City recognized pension expense of $11,132,798. This amount is included a part of personal services expenses.

A more detailed description of the actuarial assumption can be found in Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report".

FIREMEN'S RELIEF AND RETIREMENT FUND . . . The City provides pension benefits for firefighters through the Denton Firemen's Relief and Retirement Fund (the "Firemen's Fund"). Firefighters may retire at age 50 with twenty or more years of service, and a member is vested after ten years of credited service.

In the December 31, 2013 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive Employees or Beneficiaries Currently Receiving Benefits	81
Inactive Employees Entitled to But Not Yet Receiving Benefits	2
Active Employees	169
	252

Contributions . . . The contribution provisions of the Fireman's Fund are authorized by the Texas Local Fire Fighters' Retirement Act ("TLFFRA"). TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City. The funding policy of the Firemen's Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes according to a City ordinance the same percentage of payroll that the City contributes to the TMRS for other employees each calendar year. The City contribution rate was 18.53% in calendar year 2014 and 17.94% in calendar year 2015. The December 31, 2013 actuarial valuation includes the assumption that the city contribution rate will average 17.0% over the unfunded actuarial accrued liability ("UAAL") amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2015 were $2,537,557.

Net Pension Liability . . . The City of Denton's net pension liability for the Fireman's Fund was measured as of December 31, 2014, and the total pension liability for the Fireman's Fund used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 and rolled forward to December 31, 2014.

Actuarial Assumptions . . . The total pension liability for the Fireman's Fund in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% per year
Overall payroll growth	3.25% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

A more detailed description of the actuarial assumption can be found in Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Note V.A., page 65.

Discount Rate . . . The discount rate used to measure the total pension liability was 7%. No projection of cash flows was used to determine the discount rate because the December 31, 2013 actuarial valuation showed that expected contributions would pay the normal cost and amortize the UAAL in 24 years. That UAAL was based on an actuarial value of assets that was $4.3 million less than the plan fiduciary net position as of December 31, 2013. Because of the 24-year amortization period of the UAAL with the lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2013	$80,490,694	$66,412,172	$14,078,522
Changes for the year:			
Service cost	2,747,253	-	2,747,253
Interest	5,685,396	-	5,685,396
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	2,566,875	(2,566,875)
Contributions - employee	-	1,745,419	(1,745,419)
Net investment income	-	4,411,066	(4,411,066)
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,036,009)	-
Administrative expense	-	(81,005)	81,005
Other changes	-	-	-
Net changes	4,396,640	4,606,346	(209,706)
Balance at 12/31/2014	$84,887,334	$71,018,518	$13,868,816

The following presents the net pension liability of the City for the Fireman's Fund, 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 in Discount Rate
City's Net Pension Liability	$24,601,369	$13,868,816	$4,825,492

A more detailed description of the actuarial assumption can be found in Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report".

OTHER POST EMPLOYMENT BENEFITS . . . The City provides post-employment medical care ("OPEB") for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents though the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are approved annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the TMRS or the Firemen's Fund. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

Actuarial valuations have been completed by an outside consulting firm regarding the City's OPEB liability. The reports provide the City with the City's OPEB requirements assuming the City's plan offerings, designs, and cost share approach remain constant.

The City's annual OPEB cost is calculated based on the annual required contribution of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2015:

	Fiscal Year Ended September 30,		
	2015	2014	2013
Annual OPEB Costs	$1,716,639	$1,735,204	$1,519,439
Actual Contributions	$ 671,072	$ 909,288	$ 898,583
Percent Contributed	39.1%	52.4%	59.1%
Net OPEB Obligations	$5,698,824	$4,653,257	$3,827,341

As of December 31, 2013, the date of the latest actuarial report, the City's actuarial accrued liability was $13,715,238 and as of such date the City had funded 0% of such amount.

The City's GASB 45 liability was discussed at length with the Audit/Finance Committee and the City Council. At the conclusion of these discussions, the City Council concurred with the staff recommendation to fund the City's OPEB costs on a pay-as-you-go basis. The pay-as-you-go approach has been recommended since 1) this provides the lowest cost approach, 2) the annual required contribution ("ARC") is relatively small in comparison to the City's overall budget, and 3) the pay-as-you-go cost is not forecasted to exceed the ARC until approximately the year 2031. For more detailed information concerning the City's OPEBs, funding policies related thereto and related liabilities, as well as the City's historical unfunded actuarial accrued liability, see Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Note V.B., page 67 and Exhibit XIII, page 76.

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
Revenues:	2015	2014	2013	2012	2011
Program Revenue:					
Charges for Services	$ 18,274,498	$ 18,428,832	$ 17,091,719	$ 15,980,821	$ 15,673,556
Operating Grants and Contributions	3,380,119	4,788,149	3,118,105	2,598,157	4,270,697
Capital Grants and Contributions	10,443,220	11,127,695	14,671,571	4,292,468	7,497,908
General Revenue:					
Property Tax	54,174,965	48,833,077	47,275,552	45,174,160	44,144,844
Sales Tax	30,601,965	27,764,114	26,522,473	25,886,940	22,871,282
Other Taxes/Fees	24,746,463	23,424,250	22,578,639	21,839,818	21,219,346
Miscellaneous	2,687,360	2,543,781	1,428,907	1,390,398	2,830,297
Total Revenue	$144,308,590	$136,909,898	$132,686,966	$117,162,762	$118,507,930
Expenditures:					
General Government	$ 31,260,126	$ 30,476,840	$ 27,686,735	$ 29,421,275	$ 28,198,604
Public Safety	58,132,146	56,893,859	52,906,985	52,496,010	49,154,371
Public Works	20,331,934	16,950,280	18,663,884	18,662,029	16,089,302
Parks and Recreation	14,982,742	14,543,461	13,714,245	12,968,426	12,421,893
Interest on Long-Term Debt	4,384,973	4,339,154	4,464,309	4,755,938	5,046,724
Total Expenses	$129,091,921	$123,203,594	$117,436,158	$118,303,678	$110,910,894
Increase in Net Position before Transfers	$ 15,216,669	$ 13,706,304	$ 15,250,808	$ (1,140,916)	$ 7,597,036
Transfers	1,140,938	876,525	(101,707)	887,287	(10,430,082)
Increase (Decrease) in Net Position	$ 16,357,607	$ 14,582,829	$ 15,149,101	$ (253,629)	$ (2,833,046)
Prior Period Adjustment	(39,247,319) [1]	(737,505)	-	-	(10,674,744)
Net Position at Beginning of Year	169,244,490	155,399,166	140,250,065	140,503,694	154,011,484
Net Position at End of Year [2]	$146,354,778	$169,244,490	$155,399,166	$140,250,065	$140,503,694

(1) Represents a net adjustment due to GASB 68, "Accounting and Financial Reporting for Pensions" and GASB 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

(2) Unrestricted net position, that part of the net position that may be used to meet the City's ongoing obligations, was $(8,775,520) as of September 30, 2015. This table refers to governmental activities only and does not include enterprise funds such as the airport, solid waste or utility activities.

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2015	2014	2013	2012	2011
Taxes	$68,844,155	$61,779,192	$59,278,152	$57,148,330	$53,492,664
Licenses and Permits	2,782,395	1,978,421	1,446,580	1,436,215	1,460,548
Franchise Fee	12,969,628	13,889,670	13,597,253	13,751,615	19,324,244
Fines and Forfeitures	3,721,677	4,539,209	4,229,107	4,241,395	4,216,247
Fees for Service	6,039,221	5,913,566	5,631,829	5,666,413	5,656,550
Interest Revenue	221,867	172,684	141,734	187,527	172,719
Intergovernmental	1,051,630	1,383,267	1,021,581	949,422	825,549
Miscellaneous	141,090	120,680	84,929	255,035	193,022
Total Revenues	$95,771,663	$89,776,689	$85,431,165	$83,635,952	$85,341,543
Expenditures:					
General Government	$24,694,516	$23,337,639	$21,067,238	$20,951,203	$19,495,940
Public Safety	52,739,309	50,949,715	49,622,237	46,797,417	44,921,713
Public Works	3,306,507	2,854,761	2,816,923	2,591,517	7,483,926
Parks and Recreation	11,209,486	10,891,862	10,579,066	9,704,075	9,422,432
Capital Outlay	572,876	573,903	616,199	712,055	575,128
Debt Service: Principal Retirement	-	-	-	78,092	140,422
Total Expenditures	$92,522,694	$88,607,880	$84,701,663	$80,834,359	$82,039,561
Excess (Deficiency) of Revenues Over Expenditures	$ 3,248,969	$ 1,168,809	$ 729,502	$ 2,801,593	$ 3,301,982
Other Financing Sources (Uses):					
Transfers In	$ 250	$ -	$ 2,600	$ 14,301	$ 20,304
Sale of Capital Assets	117,763	85,059	137,417	153,127	90,699
Transfers (Out)	(1,840,096)	(1,170,764)	(950,421)	(1,556,944)	(515,761)
Total Other Financing Sources (Uses)	$ (1,722,083)	$ (1,085,705)	$ (810,404)	$ (1,389,516)	$ (404,758)
Net Changes in Fund Balances	$ 1,526,886	$ 83,104	$ (80,902)	$ 1,412,077	$ 2,897,224
Fund Balances at Beginning of Year	25,838,282	25,755,178	25,836,080	24,424,003	21,526,779
Fund Balances at End of Year	$27,365,168	$25,838,282	$25,755,178	$25,836,080	$24,424,003

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the 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. In January 1994, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for property tax reduction. In September 2003, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for the Denton County Transportation Authority. The implementation of this tax began January 2004, and is allocated directly to the Denton County Transportation Authority.

Fiscal Year Ended 9/30	Total Collected [1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2012	$ 25,886,940	57.72%	$ 0.4037	$ 224
2013	26,522,473	56.47%	0.3949	226
2014	27,764,114	57.35%	0.3978	233
2015	30,601,965	56.85%	0.3925	253
2016 [2]	20,621,394	35.33%	0.2437	168

(1) Source: City of Denton Annual Program of Services.
(2) Collections through July 1, 2016.

The sales tax breakdown for the City is as follows:

Property Tax Relief	0.50¢
Denton County Transportation Authority	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board and program standards adopted by the Government Finance Officers Association of the United States and Canada. The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denton for each fiscal year since 1983. The City's current report will be submitted to GFOA to determine its eligibility for another Certificate.

The City has also received the GFOA's award for Distinguished Budget Presentation each year since 1988.

The measurement focuses for the Enterprise Funds, Internal Service Funds and Nonexpendable Trust Funds are income determination and cost of service, respectively. Accordingly, the accrual basis, whereby revenues and expenses are identified in the accounting period in which they are earned and incurred and net income, is utilized for these funds. The modified accrual basis, whereby revenues are recognized when they become both measurable and available for use during the year and expenditures are recognized when the related fund liability is incurred, is used for all other funds.

Budgetary Procedures . . . As prescribed by City Charter, the City Manager, within the time period required by law, submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The budget includes proposed expenditures and revenues required to fund the expenditures. Following Council considerations, amendments and refinements, a public hearing is ordered and conducted for the purpose of obtaining taxpayer comments. The budget is finally approved and adopted by passage of an ordinance by the City Council prior to the beginning of the fiscal year. The budget is adopted on a basis consistent with generally accepted accounting principles. The City strives to maintain an unreserved general fund balance of 20% 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 Texas 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 letter 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 is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended (the "PFIA")) that are issued by or through an institution that either has its main office or a branch office in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the 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, and (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 this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Political subdivisions such as the City are authorized to implement 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) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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 funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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 Texas 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 registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude 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 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 repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (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 14- CURRENT INVESTMENTS (1)

As of July 1, 2016, the City's available funds were invested as follows:

Description	Market Value Percent	Market Value	Book Value
Treasury Securities - Coupon	6.89%	$ 39,145,852	$ 38,950,670
Federal Agency Issues - Coupon	33.25%	188,791,100	188,360,074
Federal Agency Issues - Callable	3.35%	19,020,929	19,000,492
Municipal Bonds - Coupon	4.33%	24,570,794	24,465,943
CDs - CDARS (2)	10.92%	62,000,000	62,000,000
CDs - Collateralized (3)	3.17%	18,000,000	18,000,000
CDs - SLOC (4)	13.21%	75,000,000	75,000,000
Commercial Paper Disc. - Amortizing	4.38%	24,860,340	24,850,565
TexSTAR (5)	15.85%	90,000,000	90,000,000
Demand Deposits/Wells Fargo (3)	4.65%	26,402,665	26,402,665
	100.00%	$ 567,791,680	$ 567,030,409

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(1) There are no City funds invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.
(2) Fully insured by FDIC.
(3) Insured up to the FDIC limit with uninsured amounts collateralized by U.S. federal agency securities at a minimum of 102% of principal plus accrued interest.
(4) Insured up to the FDIC limit with uninsured amounts backed by a Federal Home Loan Bank standby letter of credit.
(5) 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. 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.

TAX MATTERS

OPINIONS

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

In rendering each of the foregoing opinions, 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 with respect to each Bond issue, (b) covenants of the City contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds, Refunded Bonds and the property financed or refinanced therewith, and (c) the verification report prepared by Grant Thornton LLP. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds 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 in order for interest on the Bonds 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 to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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 such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Bonds 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 may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond 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 Bond 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds 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 Bonds 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 Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, 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, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

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

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 under Federal or state law and could affect the market price or marketability of the Bonds. 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 should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2016. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall 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 Financial Statements becomes available.

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 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, it must provide the Annual Operating Report by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

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

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

OTHER INFORMATION

RATINGS

The Bonds and the presently outstanding tax supported debt of the City are rated "___" by Fitch and "___" 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 Bonds.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending, or to their knowledge threatened, litigation or other proceeding against the City that could have a material adverse financial impact upon the City or its operations over and above those already disclosed in the City's Comprehensive Annual Financial Report, see Appendix B, Notes V.F. and V.G., page 69.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

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

The legal opinions to be delivered concurrently with the delivery of the Bonds 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 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. FirstSouthwest, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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, a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, the 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 Refunded Bonds Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, 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 will be solely based upon data, information and documents provided to Grant Thornton by FirstSouthwest on behalf of the City. Grant Thornton 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 Bonds and with respect to the defeasance of the Refunded Bonds.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of ______________________________ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of $__________. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

____

PRICING OFFICER
City of Denton, Texas

Schedule I

SCHEDULE OF REFUNDED BONDS*

Utility System Revenue Bonds, Series 2006

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
7/15/2006	12/1/2016	5.000%	$ 415,000	$ 415,000

The 2016 maturity will be redeemed at maturity at par.

Utility System Revenue Refunding Bonds, Series 2007

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
2/15/2007	12/1/2016	5.000%	$ 2,865,000	$ 2,865,000
	12/1/2017	4.000%	2,830,000	2,830,000
	12/1/2018	4.000%	2,950,000	2,950,000
	12/1/2019	4.000%	3,070,000	3,070,000
	12/1/2020	4.000%	3,190,000	3,190,000
	12/1/2021	4.125%	45,000	45,000
	12/1/2022	4.125%	45,000	45,000
	12/1/2023	4.125%	2,005,000	2,005,000
	12/1/2024	4.125%	2,085,000	2,085,000
	12/1/2025	4.250%	2,180,000	2,180,000
	12/1/2026	4.125%	2,275,000	2,275,000
	12/1/2027	4.250%	2,370,000	2,370,000
	12/1/2028	4.250%	2475000	2,475,000
	12/1/2029	4.250%	2,585,000	2,585,000
			$30,970,000	$ 30,970,000

The 2016 maturity will be redeemed at maturity at par.
The 2017 - 2029 maturities will be redeemed prior to original maturity on December 1, 2016 at par.

Utility System Revenue Bonds, Series 2007

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
7/15/2007	12/1/2016	5.000%	$ 785,000	$ 785,000
	12/1/2017	5.000%	820,000	820,000
	12/1/2018	4.250%	865,000	865,000
	12/1/2019	4.250%	900,000	900,000
	12/1/2020	4.375%	950,000	950,000
	12/1/2021	4.375%	990,000	990,000
	12/1/2022	4.500%	1,040,000	1,040,000
	12/1/2023	4.500%	1,090,000	1,090,000
	12/1/2024	4.500%	1,140,000	1,140,000
	12/1/2025	4.500%	1,200,000	1,200,000
	12/1/2026	4.625%	1,255,000	1,255,000
			$11,035,000	$ 11,035,000

The 2016 - 2017 maturities will be redeemed at maturity at par.
The 2018 - 2026 maturities will be redeemed prior to original maturity on December 1, 2017 at par.

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* Preliminary, subject to change.

Utility System Revenue Bonds, Series 2008

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
8/15/2008	12/1/2016	4.000%	$ 670,000	$ 670,000
	12/1/2017	4.000%	700,000	700,000
	12/1/2018	4.000%	735,000	735,000
	12/1/2019	4.000%	770,000	770,000
	12/1/2020	4.125%	815,000	815,000
	12/1/2021	4.250%	855,000	855,000
	12/1/2022	4.250%	900,000	900,000
	12/1/2023	4.375%	945,000	945,000
	12/1/2024	5.000%	1,000,000	1,000,000
	12/1/2025	5.000%	1,050,000	1,050,000
	12/1/2026	5.000%	1,105,000	1,105,000
	12/1/2027	5.000%	1,165,000	1,165,000
			$10,710,000	$ 10,710,000

The 2016 - 2018 maturities will be redeemed at maturity at par.
The 2019 - 2027 maturities will be redeemed prior to original maturity on December 1, 2018 at par.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

PROFILE OF THE GOVERNMENT

Originally incorporated on September 26, 1866, the City of Denton is now 97.411 square miles and has an estimated population of 122,759. The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City of Denton is located in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex, and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area.

The City provides a full range of general government services to its citizens including: public safety (police and fire protection); public works (construction and maintenance of highways, streets and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water and wastewater services.

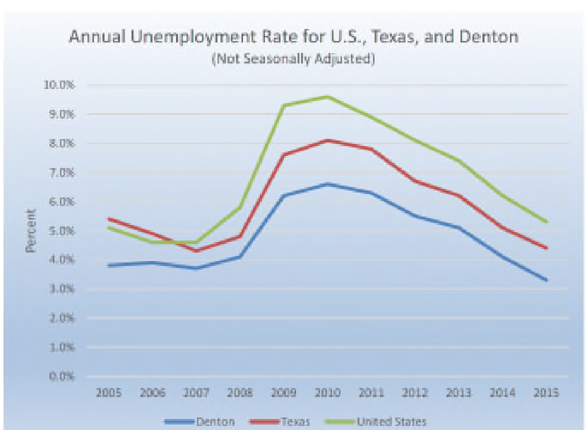
The internal service operations consist of the Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services and Technology Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

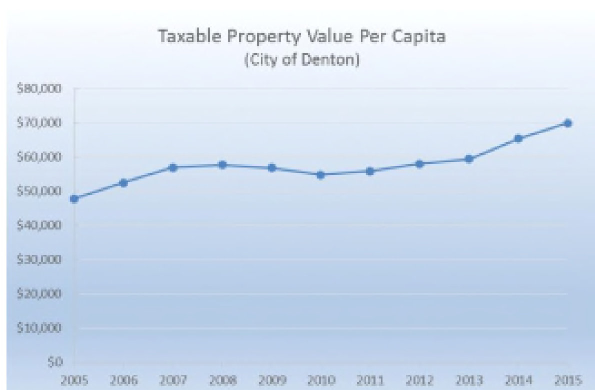
LOCAL ECONOMY

The City of Denton's tax base continues to grow with an average growth rate of 5.97% over the last 10 years. Recently, the City's tax base grew by 3.91% in FY 2013-14, 11.72% in FY 2014-15 and 8.54% in FY 2015-16. After property tax revenues, the second largest source of revenue in the General Fund is sales tax. Representing approximately 32% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2014-15, total sales tax revenues equaled $30,601,965, which is $2,837,851 or 10.2%, more than the prior year collections of $27,764,114. For FY 2015-16, sales tax collections are conservatively budgeted to increase by 1.1% over FY 2014-15 actual receipts.

Increased strength in employment and growth in new residential and commercial construction are leading indicators of continued growth in the City's property tax base and sales tax collections. The City of Denton's not seasonally adjusted unemployment rate remains well below state and national levels at 3.3 percent in 2015 which declined from 4.1 percent for 2014. The State of Texas not seasonally adjusted unemployment rate has also declined from 5.1 percent in 2014 to 4.4 percent in 2015. The City of Denton has issued 784 residential and commercial building permits for calendar year 2015, at an estimated value of $495 million. This compares to a total of 686 commercial and residential permits issued for calendar year 2014 at an estimated value of $368 million.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton's unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.





Fiscal year 2014-15 brought exciting news in economic development. Listed below are just a few of the highlights:

- The Rayzor Ranch mixed-use development has received a great deal of attention and interest from the community. Rayzor Ranch Marketplace located in the north side of the development has constructed over 400,000 square feet of retail and commercial space. Sam's Club and Wal-Mart anchor the Market Place with 137,381 and 189,929 square feet, respectively. Some of the new stores in the development include: Academy Sports and Outdoors, Salons by JC, Colorful Hearing, Kohl's, Boot Barn, and DK Foot and Casual. A 33,000 square foot building, which will house Guitar Center and a retail tenant, opened in October, 2015. A Taco Cabana has also opened in the Marketplace.

- Two phases are planned for the Rayzor Ranch Town Center, located on the south side of the development. Heritage Trail Boulevard will be constructed to allow access to the two phases on the east side of the development. Phase I, which will be completed in 2016, includes the construction of a Cinemark Movie Bistro, WinCo, Chili's, Raising Cane, and an In-N-Out Burger. This phase also includes a Convention Center and Hotel described in more detail in the next paragraph.

- O'Reilly Hotel Partners Denton's (OHPD) convention center and hotel development plans include the construction of a 285-318 room Embassy Suites Hotel, an approximately 70,000 square foot convention center, and a Houlihan's restaurant. The anticipated convention center meeting space is approximately 37,850 square feet. The meeting space would be of sufficient size to accommodate conventions with up to 650 participants with a Grand Banquet room that will hold up to 1,750 people for banquet-style events. The hotel and convention center would be managed by O'Reilly Hospitality Management (OHM). The convention center and hotel will be located in the Rayzor Ranch Town Center. As a major anchor for the Town Center, the convention center and hotel can capitalize on the synergy associated with the planned shopping, entertainment, and restaurants located nearby.

- The Railyard (Stoke) downtown project is located in the Tax Increment Reinvestment Zone (TIRZ) Number One, Downtown Implementation Plan (DTIP) and Transit Oriented Development (TOD) area. Rail Yard Partners, LTD. is renovating an existing 28,000 square foot building as a part of a larger transit-oriented catalyst project. They will invest an initial $12 million in the co-working and mixed-use space. The City will lease 9,216 square feet for a collaborative working space. A separate Agreement with the Dallas Entrepreneur Center (DEC) is planned. The DEC, which has similar entrepreneur resource centers in Addison and North Dallas, would offer memberships, technical assistance, mentorship and program events to help foster local business growth in Denton. The development also includes a residential component with 110 apartment/loft units.

- WinCo Foods has acquired approximately 77 acres in the Westpark Tax Increment Reinvestment Zone Number Two area of Denton. They plan on constructing a regional, multi-state distribution facility for consumer products. The 800,000+/- square foot distribution facility is to be located on the west side of Western Boulevard, just north of Airport Road. WinCo is a regional retailer with multiple distribution facilities across the United States. This particular project would include approximately $130 million in capital investment and would create 165 jobs with an annual payroll of around $7.2 million.

APPENDIX B

EXCERPTS FROM THE

CITY OF DENTON, 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 Denton, 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.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION