OFFICIAL STATEMENT

Dated: February 15, 2001

Ratings:
Moody's: "Aaa"
S&P: "AAA"
(Financial Guaranty Insured: See ("Municipal Bond Insurance" and "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 Exemption" herein, including the alternative minimum tax on corporations.

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

$2,000,000
CITY OF CORINTH, TEXAS
(Denton County)
GENERAL OBLIGATION BONDS, SERIES 2001

Dated Date: February 15, 2001 **Due: February 15, as shown below**

PAYMENT TERMS . . . Interest on the $2,000,000 City of Corinth, Texas, General Obligation Bonds, Series 2001 (the "Bonds") will accrue from February 15, 2001, (the "Dated Date") and will be payable February 15 and August 15 of each year commencing February 15, 2002, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is First Union National Bank, Houston, 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 Vernon's Texas Codes Annotated ("V.T.C.A."), Texas Government Code, Chapter 1331, as amended, and are direct obligations of the City of Corinth, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Ordinance") (see "The Bonds - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for street improvements and to pay the costs of issuance associated with the issuance of the Bonds.

INSURANCE . . . Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Bonds (see "Bond Insurance" herein).

FGIC. Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

MATURITY SCHEDULE AND REDEMPTION PROVISIONS

On the Reverse of this Page

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser(s) and subject to the approving opinion of the Attorney General of Texas and the opinion of 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 March 14, 2001.

MATURITY SCHEDULE

Amount	Maturity	Rate	Price or Yield	Amount	Maturity	Rate	Price or Yield
$ 65,000	2003	6.250%	3.650%	$ 95,000	2011	4.300%	4.400%
70,000	2004	6.250%	3.700%	100,000	2012	4.400%	4.500%
70,000	2005	6.250%	3.800%	105,000	2013	4.500%	4.600%
75,000	2006	6.250%	3.900%	110,000	2014	4.600%	4.700%
80,000	2007	6.250%	4.000%	120,000	2015	4.700%	4.800%
85,000	2008	5.500%	4.150%	125,000	2016	4.750%	4.850%
90,000	2009	4.250%	4.200%	130,000	2017	4.800%	4.900%
90,000	2010	4.250%	4.300%	135,000	2018	4.850%	4.950%

$455,000,000 @ 5.000% Term Bonds due February 15, 2021 to yield 5.040%

(Accrued Interest from February 15, 2001 to be added)

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2011, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2010, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds having the stated maturities of February 15, 2021 are subject to scheduled mandatory redemption (see "The Bonds - Optional Redemption").

MANDATORY SINKING FUND REDEMPTION...The Bonds maturing on February 15, 2021 are subject to mandatory sinking fund redemption prior to maturity at the redemption price of par plus accrued interest tot he dates of redemption, and without premium, on the dates and in the respective principal amounts as set forth in the following schedule:

2021 Term Bond	
Redemption Date	Principal Amount
February 15, 2019	$ 145,000
February 15, 2020	150,000
February 15, 2021	160,000

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Corinth is a political subdivision and home-rule municipal corporation of the State of Texas, located in Denton County, Texas. The City covers approximately 8.5 square miles (see "Introduction – Description of city").

THE BONDS .... The Bonds are issued as $2,000,000 General Obligation Bonds, Series 2001. The Bonds are issued as serial bonds maturing 2003 through 2018, and a term bond maturing 2021(see "The Bonds - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from February 15, 2001, and is payable February 15, 2002, 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 general laws of the State, including particularly V.T.C.A., Texas Government Code, Chapter 1331, and an Ordinance passed by the City Council of the City (see "The Bonds - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds constitute direct and voted obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "The Bonds - Security and Source of Payment").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters - Qualified Tax-Exempt Obligations").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2011, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2010, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds may be subject to mandatory redemption in the event the initial purchaser elected to aggregate one or more maturities as a Term Bond (see "The Bonds - Mandatory Sinking Fund Redemption").

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

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for street improvements and to pay the costs of issuance associated with the issuance of the Bonds.

RATINGS .... The Bonds have been rated "Aaa" by Moody's Investor Service, Inc. ("Moody's) and "AAA" by Standard & Poor's, a Division of the McGraw-Hill Companies, Inc. ("S&P") by virtue of an insurance policy to be issued by Financial Guaranty Insurance Corporation ("FGIC"). The presently outstanding tax supported debt of the City is rated "A3" by Moody's Investors Service, Inc. ("Moody's") and "A-" by Standard & Poor's Rating Services, A Division of The McGraw-Hill Companies, Inc. ("S&P").

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[(1)]	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Net General Obligation (G.O.) Tax Debt	Per Capita G. O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
1997	6,663	$ 298,975,426	$ 44,871	$ 5,499,000	$ 825	1.84%	105.66%
1998	7,208	361,118,748	50,100	11,324,000	1,571	3.14%	101.50%
1999	9,374	423,719,550	45,202	18,184,000	1,940	4.29%	101.62%
2000	11,500	601,975,853	52,346	19,664,000	1,710	3.27%	102.97%
2001	13,688	765,722,562	55,941	21,480,000 (2)	1,569 (2)	2.81% (2)	N/A

(1) Source: City of Corinth.
(2) Projected.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	1999	1998	1997	1996	1995
Beginning Balance	$ 2,339,649	$ 1,559,978	$ 1,334,674	$ 1,095,325	$ 793,825
Total Revenue	4,801,144	3,629,681	2,335,846	1,901,793	1,599,402
Total Expenditures	3,875,295	3,006,482	2,325,342	1,662,444	1,297,902
Net Transfers	-	156,472	214,800	-	-
Net Funds Available	925,849	779,671	225,304	239,349	301,500
Ending Balance	$ 3,265,498	$ 2,339,649	$ 1,559,978	$ 1,334,674	$ 1,095,325

For additional information regarding the City, please contact:

Richard H. Huckaby
City Manager
City of Corinth
2003 S. Corinth
Corinth, Texas 76205
(904) 497-4145

or

W. Boyd London, Jr.
Jason L. Hughes
First Southwest Company
1700 Pacific Avenue
Suite 500
Dallas, Texas 75201
(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Shirley Spellerberg Mayor	16 Years	May 2001	Retired
Lowell Johnson Mayor Pro-Tem	3 Years	May 2002	Police Officer
Gaylan Park Councilmember	3 Years	May 2001	Nurse
John Hoeffler Councilmember	1 Year	May 2002	Self-Employed
John Lugenheim Councilmember	1 Year	May 2002	Self-Employed
Stan Stienstraw Councilmember	7 Years	May 2001	Programmer

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City
Richard Huckaby	City Manager	8 Years
Connie Bell	City Secretary	4 Years
Michael Fairfield	Director of Public Works	15 Years
Kristin Grainger	Finance Director	3 Years

CONSULTANTS AND ADVISORS

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

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

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

OFFICIAL STATEMENT

RELATING TO

$2,000,000
CITY OF CORINTH, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2001

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $2,000,000 City of Corinth, Texas, General Obligation Bonds, Series 2001. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1960, and adopted its Home Rule Charter on May 6, 1999. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the other terms of the three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, parks and recreation, public improvements, planning and zoning, and general administrative services. The 1990 Census population for the City was 3,944, while the estimated 2001 population is 13,688. The City covers approximately 8.5 square miles.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated, and mature, on February 15 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2002. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly V.T.C.A., Texas Government Code, Chapter 1331, as amended; an election held November 3, 1998, and passed by a majority of the participating voters; and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. 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 to all debt payable from ad valorem taxes, as calculated at the time of issuance.

POSSIBLE AVOIDANCE OF PLEDGE OF AD VALOREM TAXES IN BANKRUPTCY . . .Texas has adopted the 1998 revisions to Article 9 of the Uniform Commercial Code (the "UCC"), to become effective July 1, 2001. The revisions would for the first time provide means to perfect pledges by government entities and, in addition, would make unperfected pledges subject to the interests of a bankruptcy trustee, whether or not the pledged collateral is exempt from judicial liens. Security interests arising before July 1, 2001 that are not perfected by July 1, 2002 will be considered unperfected pledges. For a number of reasons, it will be impractical and perhaps impossible to perfect the City's pledge of ad valorem taxes under the revised Article 9. In proceedings for the adjustments of their debts under the Bankruptcy Code, cities are generally authorized to exercise the powers of a bankruptcy trustee. Accordingly, after July 1, 2002, it is likely that the City could avoid its pledge of the ad valorem taxes to secure payments of the Bonds, unless the Texas UCC is further amended, or other statutes are enacted, to avoid this result. Since the pledge of the ad valorem taxes may be legally unenforceable in the circumstances in which it would be most valuable, no person should rely upon the pledge as providing asset security or a preference right in the event that the City should become insolvent.

Even under the 1998 UCC revisions, the rights of bondholders with respect to the ad valorem taxes and the amounts in the funds created under the Ordinance, and other financial covenants of the City made in the Ordinance are valid and enforceable except in the event of bankruptcy. Thus, for example, outside of the occurrence of municipal bankruptcy, bondholders may enforce the obligation of the City to levy, collect and apply ad valorem taxes to pay holders of the Bonds, as described above (see "The Bonds – Security for the Bonds"). Moreover, the City is aware that proposed legislation is being drafted and may be introduced for consideration by the Texas Legislature in the legislative session that begins in January, 2001 to amend Texas law to avoid the results of the adoption of the 1998 UCC revisions mentioned above. No assurance can be given, however, that any such legislation will be adopted by the Texas Legislature.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2011, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2010, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION...The Bonds maturing on February 15, 2021 are subject to mandatory sinking fund redemption prior to maturity at the redemption price of par plus accrued interest tot he dates of redemption, and without premium, on the dates and in the respective principal amounts as set forth in the following schedule:

2021 Term Bond

Redemption Date	Principal Amount
February 15, 2019	$ 145,000
February 15, 2020	150,000
February 15, 2021	160,000

The particular Bonds to be redeemed on February 15 of each year shall be chosen by the Paying Agent/Registrar at random by lot or other customary method. The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

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

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinance provides that "Defeasance Securities" 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 are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (a) and (b) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. 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; (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; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

The Ordinance further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bond shall have the right from time to time to approve any amendment not described above to the 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, 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 Ordinance for further provisions relating to the amendment thereof.

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

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

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

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

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the principal office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "The Bonds - Record Date for Interest Payment" herein), or by such other method, 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, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are 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 on which 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, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the

Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

BONDHOLDERS' REMEDIES . . . The Ordinance does not establish specific events of default with respect to the Bonds. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner of Bonds could presumably obtain a judgment against the City if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

	Bonds	
Deposit to Construction Fund	$ 2,000,000.00	
Deposit to Debt Service Fund	8,072.47	
Total	$ 2,008,072.47	(1)

(1) Includes costs of issuance.

BOND INSURANCE

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Purchaser of the Bonds. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the City. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Bonds and references should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the City and the Bonds for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 2000, the total capital and surplus of Financial Guaranty was approximately $1,126,120,250. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/ Casualty Bureau (telephone number: (212) 480-5187).

TAX INFORMATION

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

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

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

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

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

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

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

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

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

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two *components: (1)* a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". Effective January 1, 2000, a tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or 103 per cent of the effective tax rate until a public hearing is held on the proposed tax rate following a notice of such public hearing (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free assess to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 15 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 15 of each year and the final installment due on August 1.

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

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

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

CITY APPLICATION OF TAX CODE . . . The City does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older of $20,000; the disabled are not granted an exemption of $20,000;

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

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

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

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

The City does not tax freeport property.

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

The City has not adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2000/2001 Market Valuation Established by Denton Central Appraisal District		$ 783,368,403
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Adjustment	$ 2,002,767	
Over 65	961,890	
Disabled Veterans Exemptions	424,000	
Agricultural Land Use Reductions	14,257,184	17,645,841
2000/2001 Taxable Assessed Valuation		$ 765,722,562
General Obligation Debt Payable from Ad Valorem Taxes (as of 2/1/01)		
General Obligation Debt	$ 20,194,000	
The Bonds	2,000,000	
General Obligation Debt Payable from Ad Valorem Taxes		$ 22,194,000
General Obligation Interest and Sinking Fund as of 9/30/00		$ 1,113,103
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		2.90%

2001 Estimated Population - 13,688
Per Capita Taxable Assessed Valuation - $55,941
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $1,621

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Vaue for Fiscal Year Ended September 30,					
	2001		2000		1999	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 568,775,360	72.61%	$ 428,929,820	69.28%	$ 304,641,544	69.72%
Real, Residential, Multi-Family	12,315,234	1.57%	129,966	0.02%	125,148	0.03%
Real, Vacant Lots/Tracts	39,380,185	5.03%	43,642,299	7.05%	31,463,107	7.20%
Real, Acreage (Land Only)	32,798,642	4.19%	35,299,305	5.70%	25,461,354	5.83%
Real, Farm and Ranch Improvements	5,423,849	0.69%	4,842,613	0.78%	4,987,474	1.14%
Real, Commercial	47,789,608	6.10%	32,935,336	5.32%	18,537,954	4.24%
Real and Tangible Personal, Utilities	18,195,433	2.32%	16,167,329	2.61%	13,807,014	3.16%
Tangible Personal, Commercial	-	0.00%	-	0.00%	36,970,487	8.46%
Tangible Personal, Business	44,833,233	5.72%	56,340,545	9.10%	-	0.00%
Tangilble Personal, Other	620,910	0.08%	876,610	0.14%	974,755	0.22%
Special Inventory	13,235,949	1.69%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 783,368,403	100.00%	$ 619,163,823	100.00%	$ 436,968,837	100.00%
Less: Total Exemptions/Reductions	17,645,841		17,645,841		13,249,287	
Taxable Assessed Value	$ 765,722,562		$ 601,517,982		$ 423,719,550	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	1998		1997	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 241,630,166	64.18%	$ 189,707,682	60.05%
Real, Residential, Multi-Family	122,936	0.03%	119,436	0.04%
Real, Vacant Lots/Tracts	19,018,332	5.05%	19,427,043	6.15%
Real, Acreage (Land Only)	28,411,784	7.55%	28,112,824	8.90%
Real, Farm and Ranch Improvements	4,838,538	1.29%	4,638,829	1.47%
Real, Commercial	17,904,997	4.76%	18,675,290	5.91%
Real and Tangible Personal, Utilities	11,884,658	3.16%	10,912,910	3.45%
Tangible Personal, Commercial	51,655,219	13.72%	43,319,330	13.71%
Tangible Personal, Other	1,010,051	0.27%	1,012,992	0.32%
Tangible Personal, Mobile Homes	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 376,476,681	100.00%	$ 315,926,336	100.00%
Less: Total Exemptions/Reductions	15,357,933		16,950,910	
Taxable Assessed Value	$ 361,118,748		$ 298,975,426	

NOTE: Valuations shown are certified taxable assessed values reported by the Denton County 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.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
1997	6,663	$ 298,975,426	$ 44,871	$ 11,324,000	3.79%	$ 1,700
1998	7,208	361,118,748	50,100	11,184,000	3.10%	1,552
1999	9,374	423,719,550	45,202	17,734,000	4.19%	1,892
2000	11,500	601,517,982	52,306	19,664,000	3.27%	1,710
2001	13,688	765,722,562	55,941	21,480,000 [3]	2.81% [3]	1,569 [3]

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

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
1997	$ 0.4285	$ 0.3685	$ 0.0600	$ 1,242,682	100.89%	105.66%
1998	0.4885	0.3933	0.0952	1,795,742	96.75%	101.50%
1999	0.5260	0.3627	0.1633	2,231,215	96.45%	101.62%
2000	0.5260	0.3247	0.2013	3,166,393	99.02%	102.97%
2001	0.5260	0.3290	0.1970	4,027,701	38.79% [1]	40.14% [1]

(1) Partial collections through December 31, 2000.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2000/2001 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Boeing Defense & Space-Corinth	Electronics Manufacturer	$ 46,226,388	7.68 %
ACLP Kensington Park LP	Real Estate	8,025,310	1.33
Denton County Electric Co-Op	Electric Utility	6,632,875	1.10
TXU Electric	Electric Utility	4,389,169	0.73
Utter, Bill	Real Estate	3,870,058	0.64
Albertsons Inc.	Grocery Store	3,279,750	0.54
Sovereign Texas Homes LTD	Real Estate	3,124,861	0.52
Utter Properties LLC	Real Estate	2,916,946	0.48
Lake Sharon LP	Real Estate	2,722,031	0.45
Standard Pacific of Texas	Real Estate	2,714,699	0.45
		$ 83,902,087	13.94 %

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 "Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY

2001 Principal and Interest requirements .... $ 1,768,929
$0.3094 Tax Rate at 95% collection produces .... $ 1,769,388

Average Annual Principal and Interest requirements, 2001-2021 .... $ 1,604,468
$0.2938 Tax Rate at 95% collection produces .... $ 1,604,687

Maximum Principal and Interest requirements, 2004 .... $ 2,059,811
$0.3608 Tax Rate at 95% collection produces .... $ 2,059,901

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2000/2001 Taxable Assessed Value	2000/2001 Tax Rate	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 1/15/00	Authorized But Unissued Debt As Of 1/15/2000
City of Corinth	$ 601,975,853	$ 0.5260	$ 22,194,000 (1)	100.00%	$ 22,194,000 (1)	$ 6,530,000
Corinth Municipal Utility District #1	58,684,354	0.3800	1,745,000	100.00%	1,745,000	1,550,000
Denton County	18,696,580,518	0.2350	95,027,571	2.58%	2,451,711	65,845,000
Denton Independent School District	3,203,735,674	1.7000	156,620,000	4.09%	6,405,758	64,000,000
Lake Dallas Independent School District	561,593,590	1.4620	23,620,000	41.27%	9,747,974	21,145,000

Total Direct and Overlapping G. O. Tax Debt	$ 42,544,444
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation	7.07%
Per Capita Overlapping G. O. Tax Debt	3,699.52

(1) Includes the Bonds.

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt (1)(2) Principal	Outstanding Debt Interest	Outstanding Debt Total	This $2,000,000 Issue (3) Principal	This $2,000,000 Issue Interest	This $2,000,000 Issue Total	Total Requirements	% of Principal Retired
2001	$ 714,000	$ 1,054,929	$ 1,768,929				$ 1,768,929	
2002	915,000	975,616	1,890,616		$ 150,315	$ 150,315	2,040,931	
2003	985,000	909,483	1,894,483	$ 65,000	98,179	163,179	2,057,661	
2004	1,040,000	855,851	1,895,851	70,000	93,960	163,960	2,059,811	17.07%
2005	1,090,000	798,329	1,888,329	70,000	89,585	159,585	2,047,914	
2006	1,115,000	735,951	1,850,951	75,000	85,054	160,054	2,011,005	
2007	860,000	684,573	1,544,573	80,000	80,210	160,210	1,704,783	
2008	915,000	641,319	1,556,319	85,000	75,373	160,373	1,716,691	36.40%
2009	950,000	597,696	1,547,696	90,000	71,123	161,123	1,708,819	
2010	985,000	552,538	1,537,538	90,000	67,298	157,298	1,694,835	
2011	1,030,000	504,689	1,534,689	95,000	63,343	158,343	1,693,031	
2012	1,090,000	453,691	1,543,691	100,000	59,100	159,100	1,702,791	56.36%
2013	1,140,000	399,728	1,539,728	105,000	54,538	159,538	1,699,265	
2014	1,175,000	343,070	1,518,070	110,000	49,645	159,645	1,677,715	
2015	1,230,000	283,381	1,513,381	120,000	44,295	164,295	1,677,676	
2016	1,295,000	220,046	1,515,046	125,000	38,506	163,506	1,678,553	80.24%
2017	1,325,000	153,891	1,478,891	130,000	32,418	162,418	1,641,309	
2018	1,400,000	84,751	1,484,751	135,000	26,024	161,024	1,645,775	
2019	735,000	30,505	765,505	145,000	19,125	164,125	929,630	
2020	205,000	5,945	210,945	150,000	11,750	161,750	372,695	99.28%
2021				160,000	4,000	164,000	164,000	100.00%
	$ 20,194,000	$ 10,285,981	$ 30,479,981	$ 2,000,000	$ 1,213,838	$ 3,213,838	$ 33,693,819	

(1) "Outstanding Debt" does not include lease/purchase obligations.
(2) Includes self-supporting debt.
(3) Average life of the issue - 12.384 years. Interest on the Bonds has been calculated at the rate of 4.869% using the rates on the inside cover.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Obligation Debt Service requirements, Fiscal Year Ending 9/30/01		$ 1,768,929
Interest and Sinking Fund balance, 9/30/00	$ 1,113,103	
2000/01 Budgeted Interest and Sinking Fund tax levy collection	1,433,341	
Estimated Investment Income	21,000	2,567,444
Estimated Balance, 9/30/01		$ 798,515

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Municipal Building	10/24/1970	$ 30,000	$ -	$ -	$ 30,000
Streets	11/3/1998	8,500,000	4,500,000	2,000,000	2,000,000
		$ 8,530,000	$ 4,500,000	$ 2,000,000	$ 2,030,000

TABLE 11 - OTHER OBLIGATIONS

The City has the following leases outstanding:

Description	Amount Outstanding	Final Payment
Management System - Hardware/Software	$ 28,318	June 2001
Public Works Equipment	32,999	February 2001
Public Works Equipment	109,010	February 2002
Meter Upgrades	233,370	February 2002

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

FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	1999	1998	1997	1996	1995
Revenues:					
Property Taxes	$ 1,655,431	$ 1,465,583	$ 1,129,572	$ 948,704	$ 815,352
Franchise Taxes	359,493	288,457	247,189	217,925	189,708
Sales Taxes	532,101	340,883	246,271	213,712	191,943
Other Taxes	2,664	4,325	4,703	-	-
Fees and Permits	1,046,199	734,859	296,185	192,009	107,568
Fine and Forfeitures	332,247	255,755	180,819	195,707	173,254
Charges for Services	16,890	16,549	13,925	13,280	15,000
Interest	97,776	74,743	62,571	53,002	41,470
Park Donations	172,154	185,320	35,995	-	-
Miscellaneous	586,189	263,207	118,616	67,454	65,107
Total Revenues	$ 4,801,144	$ 3,629,681	$ 2,335,846	$ 1,901,793	$ 1,599,402
Expenditures:					
General Government	$ 220,335	$ 165,843	$ 142,906	$ 128,674	$ 115,788
Public Safety	1,145,875	801,293	604,852	496,677	500,256
Highways and Street	953,635	667,349	439,992	380,539	205,666
Municipal Court	191,372	166,827	129,125	93,173	91,625
Community Development	511,156	207,722	178,262	104,651	76,199
Health and Welfare	47,450	30,475	25,012	22,919	17,937
City Administrator	237,844	151,484	100,464	69,787	57,793
Fleet Maintenance	53,324	44,245	41,986	38,706	37,676
Parks and Recreation	259,159	148,009	75,920	19,294	2,453
Animal Control	-	106,621	85,735	55,380	26,607
Capital Outlay	255,145	516,614	492,055	243,082	155,803
Debt Service	-	-	9,033	9,562	10,099
Total Expenditures	$ 3,875,295	$ 3,006,482	$ 2,325,342	$ 1,662,444	$ 1,297,902
Excess (Deficiency) of Revenues Over Expenditures	$ 925,849	$ 623,199	$ 10,504	$ 239,349	$ 301,500
Other Sources (Uses)	-	156,472	214,800	-	-
Other Miscellaneous Adjustments	-		-	-	-
Beginning Fund Balance	$ 2,339,649	$ 1,559,978	$ 1,334,674	$ 1,095,325	$ 793,825
Ending Fund Balance	$ 3,265,498	$ 2,339,649	$ 1,559,978	$ 1,334,674	$ 1,095,325

TABLE 13 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (1)
1997	$ 197,596	15.90%	$ 0.0661	$ 29.66
1998	340,883	18.98%	0.0944	45.45
1999	532,101	23.85%	0.1256	56.76
2000	630,910 (2)	19.93%	0.1049	54.86
2001	220,098 (3)	5.46%	0.0287	16.08

(1) Based on population estimates of the City.
(2) Unaudited.
(3) Partial collection through December 31, 2000.

FINANCIAL POLICIES

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

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

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

General Fund Balance . . . The City policy is to maintain surplus and unencumbered funds equal to 10% of expenditures in the General Fund. This allows the City to avoid interim borrowing pending tax receipts.

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

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

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for City deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, (13) bonds issued, assumed, or guaranteed by the State of Israel, and (14) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, 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 AAAm or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

TABLE 14 - CURRENT INVESTMENTS

As of December 31, 2000, the City's investable funds were invested in the following categories:

Description	Percent of Investments	Purchase Price	Market Value
Agency Discount Notes	38.33%	$ 8,392,401	$ 8,434,550
Certificates of Deposit	0.04%	8,500	8,500
Money Market Funds	9.70%	2,123,939	2,123,939
TexPool	36.06%	7,896,915	7,896,915
Bank Deposits	15.87%	3,475,293	3,475,293
	100.00%	$ 21,897,049	$ 21,939,197

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

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (1) interest on the Bonds 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 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 their opinion, Bond Counsel will rely upon (a) the City's federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The law upon which Bond Counsel have based their opinion 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 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.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and no assurance can be given that the Service would agree with the opinion of Bond Counsel, if the tax-exempt status of the interest on the Bonds were the subject of an audit. If an audit is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds.

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 (the "Original Issue Discount Bonds") may be less than the principal amount thereof. In such event, the difference between (i) the amount payable at the 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 with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Under existing law, such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner. 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 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 earned income credit, owners of an interest in a FASIT, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for non corporate taxpayers (28 percent for taxable excess exceeding $175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

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 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.

Qualified Tax-Exempt Obligations for Financial Institutions . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The City expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds $10,000,000, then such obligations might fail to satisfy the $10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

OTHER INFORMATION

RATINGS

The Bonds have been rated "Aaa" by Moody's Investors, Inc. ("Moody's) and "AAA" by Standard and Poor's, a Division of the McGraw-Hill Companies, Inc. ("S&P") by virtue of an insurance policy to be issued by Financial Guaranty Insurance Corporation ("FGIC"). The presently outstanding tax supported debt of the City is rated "A3" by Moody's Investors Service, Inc. ("Moody's") and "A-" by Standard and Poor's Rating Services, A Division of The McGraw-Hill Companies, Inc. The ratings reflects 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, may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered one through six and eight through fourteen and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2001. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

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

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

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

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

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

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company may submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. First Southwest Company, in its capacity as Financial Advisor, has 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.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of Salomon Smith Barney (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of 100% of par plus accrued interest plus a cash premium of $275.55 The Purchaser(s) 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 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 a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

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

SHIRLEY SPELLERBERG
Mayor
City of Corinth, Texas

ATTEST:

CONNIE BELL
City Secretary

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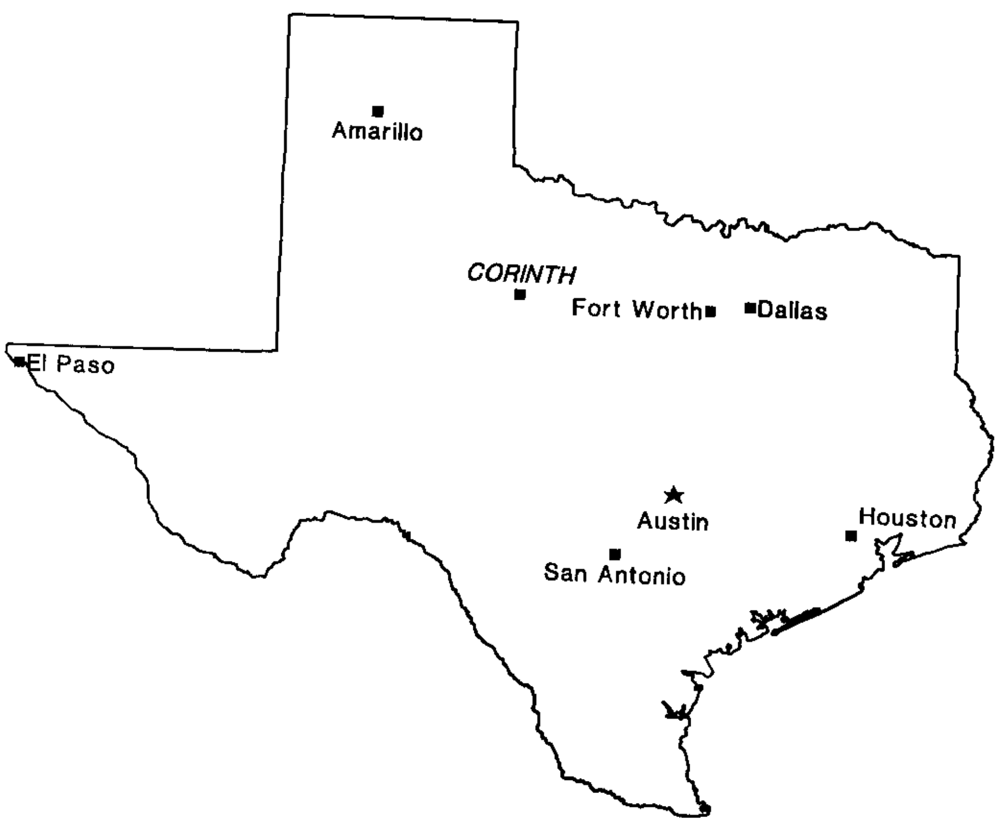
APPENDIX A

GENERAL INFORMATION REGARDING THE CITY



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THE CITY

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

The City is approximately 8.5 square miles in area and has 81 full time employees. The City has 4,173 single-family residences and contains approximately 55.4 miles of streets.

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

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

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

RECREATION . . . The primary recreational facility available to the residents of the City is the Lewisville Lake for boating, fishing and swimming and the Lewisville Lake Park on Lake Lewisville immediately to the east of the City. This 570 acre park contains boat storage, boat rental and supplies, boat launching ramps, fishing barge, picnic and camping facilities and 3,000 square foot covered pavilion. Lake Grapevine is located approximately 12 miles away to the southwest of the City. In addition, a 116 acre park is being developed in the northeast part of the City. It includes two football fields, four baseball fields, four soccer fields, three softball fields, a covered basketball court, walking and jogging trails and a 19 acre nature area with a pond.

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

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

BUILDING PERMITS

Year Ended 9/30	Commercial Number	Commercial Amount	Residential Number	Residential Amount	Grand Total
1997	17	$ 1,772,927	760	$ 119,018,531	$ 120,791,458
1998	10	12,420,000	800	125,282,664	137,702,664
1999	26	20,277,578	762	107,517,476	127,795,054
2000	17	5,064,266	579	101,468,356	106,532,622
2001 (1)	3	18,451,000	106	18,734,042	37,185,042

(1) As of December 31, 2000.

ECONOMIC RANKING . . . The following data for Denton County was taken from "Sales and Marketing Management August, 2000 Survey of Buying Power".

	Denton County
Population	414,400
% of Population by Age Group:	
18 - 24 years	11.5%
25 - 34 years	19.1%
35 - 49 years	26.3%
50 and over	15.5%
Households (thousands)	157.3
Total Retail Sales	$ 5,501,681,000
Retail Sales By Store Group:	
Food	$ 708,538,000
Eating and Drinking Places	403,117,000
General Merchandise	913,071,000
Furniture/Furnishings/Appliances	387,616,000
Automotive	1,532,842,000
Total Effective Buying Income	$ 8,627,101,000
Median Household EBI	$ 47,952
% of Households By EBI Group:	
$20,000 - $34,999	17.8%
$35,000 - $49,999	17.3%
$50,000 and Over	47.7%
Buying Power Index	.1677

UNEMPLOYMENT RATE

	Average Annual				
Denton County	2000	1999	1998	1997	1996
Civilian Labor Force	251,936	243,708	232,418	220,330	211,508
Total Employed	246,596	238,938	227,690	215,195	205,533
Total Unemployed	5,341	4,770	4,728	5,135	5,975
Unemployment Rate	2.1%	2.0%	2.0%	2.3%	2.8%

APPENDIX B

EXCERPTS FROM THE

CITY OF CORINTH, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 1999

The information contained in this Appendix consists of excerpts from the City of Corinth, Texas Annual Financial Report for the Year Ended September 30, 1999, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
Corinth, Texas

We have audited the accompanying general purpose financial statements of the City of Corinth, Texas, as of September 30, 1999, and for the year ended. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above, present fairly, in all material respects, the financial position of the City of Corinth, Texas, as of September 30, 1999, and the results of its operations and cash flows of the proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Corinth, Texas. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

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

The year 2000 supplementary information on page 40 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the City of Corinth, Texas is or will become year 2000 compliant, that the City of Corinth, Texas' year 2000 remediation efforts will be successful in whole or in part, or that parities with which the City of Corinth, Texas does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 1999, on our consideration of the City of Corinth's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Pattillo, Brown & Hill LLP

December 14, 1999

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CITY OF CORINTH, TEXAS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 1999

	Governmental Fund Types		
	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash	$ 773,716	$ 334,390	$ 55,568
Investments, at market	2,432,471	-	8,912,197
Receivables:			
Fees and services	131,102	-	147,485
Property taxes	60,953	9,750	-
Other	-	-	-
Allowance for uncollectible accounts	-	-	-
Due from other funds	106,108	691,296	140,866
Inventory, at cost	-	-	-
Prepaid costs	95	-	-
Restricted assets	-	-	-
Deferred bond issuance costs, net	-	-	-
Property, plant and equipment, net	-	-	-
Amount available in Debt Service Fund	-	-	-
Amounts to be provided for retirement of General Long-Term Debt	-	-	-
Total Assets	$ 3,504,445	$ 1,035,436	$ 9,256,116
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	$ 75,559	$ -	$ 396,017
Accrued interest payable	-	-	-
Municipal court bond	4,831	-	-
Current portion of long-term debt	-	-	-
Due to other funds	97,604	51,350	-
Deferred revenue	60,953	9,750	147,484
Other liabilities	-	-	-
Customer meter deposits	-	-	-
Compensated absences	-	-	-
Long-term debt	-	-	-
Total Liabilities	238,947	61,100	543,501
Fund Equity:			
Contributed capital	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings:			
Reserved for capital improvements	-	-	-
Reserved for debt service	-	-	-
Reserved for self-insurance	-	-	-
Unreserved	-	-	-
Fund balance:			
Reserved for debt service	-	974,336	-
Unreserved	3,265,498	-	8,712,615
Total Fund Equity	3,265,498	974,336	8,712,615
Total Liabilities and Fund Equity	$ 3,504,445	$ 1,035,436	$ 9,256,116

The accompanying notes are an integral part of these financial statements

Proprietary Fund Types		Account Groups		Totals (Memorandum Only)	
Water and Sewer	Internal Service Fund	General Fixed Assets	General Long-Term Debt	September 30, 1999	September 30, 1998
$ 622,134	$ 140,967	$ -	$ -	$ 1,926,775	$ 2,215,562
416,715	-	-	-	11,761,383	10,321,811
790,013	-	-	-	1,068,600	510,125
-	-	-	-	70,703	88,398
-	-	-	-	-	345,783
-	-	-	-	-	(24,322)
1,058,585	-	-	-	1,996,855	1,819,672
77,938	-	-	-	77,938	69,678
-	-	-	-	95	533
7,338,116	-	-	-	7,338,116	1,174,670
168,173	-	-	-	168,173	193,785
7,092,579	-	4,055,754	-	11,148,333	7,853,461
-	-	-	974,336	974,336	765,220
-	-	-	12,255,894	12,255,894	5,751,171
$ 17,564,253	$ 140,967	$ 4,055,754	$ 13,230,230	$ 48,787,201	$ 31,085,547
$ 273,047	$ 119,390	$ -	$ -	$ 864,013	$ 586,284
31,074	-	-	-	31,074	60,028
-	-	-	-	4,831	1,672
340,121	-	-	-	340,121	324,191
1,847,901	-	-	-	1,996,855	1,819,672
-	-	-	-	218,187	257,037
590	-	-	-	590	51,718
221,530	-	-	-	221,530	189,927
9,316	-	-	54,795	64,111	32,055
4,464,192	-	-	13,175,435	17,639,627	11,242,919
7,187,771	119,390	-	13,230,230	21,380,939	14,565,503
4,010,400	-	-	-	4,010,400	4,010,400
-	-	4,055,754	-	4,055,754	1,828,334
3,540,201	-	-	-	3,540,201	984,743
1,955,077	-	-	-	1,955,077	-
-	21,577			21,577	49,214
870,804	-	-	-	870,804	3,104,025
-	-	-	-	974,336	765,220
-	-	-	-	11,978,113	5,778,108
10,376,482	21,577	4,055,754	-	27,406,262	16,520,044
$ 17,564,253	$ 140,967	$ 4,055,754	$ 13,230,230	$ 48,787,201	$ 31,085,547

CITY OF CORINTH, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Governmental Fund Types			Totals (Memorandum Only)	
	General Fund	Debt Service Fund	Capital Projects Fund	September 30, 1999	September 30, 1998
REVENUE					
Property taxes	$ 1,655,431	$ 734,695	$ -	$ 2,390,126	$ 1,851,154
Franchise taxes	359,493	-	-	359,493	288,457
Sales taxes	532,101	-	-	532,101	340,883
Other taxes	2,664	-	-	2,664	4,325
Fees and permits	1,046,199	-	-	1,046,199	734,859
Fines and forfeitures	332,247	-	-	332,247	255,755
Charges for services	16,890	-	-	16,890	16,549
Interest from investments	97,776	27,241	226,318	351,335	127,903
Interest on tax bonds	-	-	121,712	121,712	96,009
Park donations	172,154	-	-	172,154	185,320
Special assessment	-	-	45,476	45,476	98,096
Miscellaneous	586,189	-	-	586,189	263,207
Total Revenue	4,801,144	761,936	393,506	5,956,586	4,262,517
EXPENDITURES					
Current:					
General government (administration)	220,335	-	-	220,335	165,843
Public safety (police fire)	1,145,875	-	-	1,145,875	801,293
Highways and streets	953,635	-	-	953,635	667,349
Municipal court	191,372	-	-	191,372	166,827
Community Development	511,156	-	-	511,156	207,722
Health and welfare (ambulance)	47,450	-	-	47,450	30,475
City administrator	237,844	-	-	237,844	151,484
Fleet maintenance	53,324	-	-	53,324	44,290
Parks and recreation	259,445	-	367	259,812	148,243
Animal control	-	-	-	-	106,621
Capital outlay	254,859	-	1,972,417	2,227,276	2,226,506
Debt Service:					
Principal retirement	-	299,077	-	299,077	119,432
Interest	-	299,016	23,140	322,156	432,745
Bond agent fees	-	-	-	-	-
Debt issuance costs	-	-	78,153	78,153	131,944
Total Expenditures	3,875,295	598,093	2,074,077	6,547,465	5,400,774
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	925,849	163,843	(1,680,571)	(590,879)	(1,138,257)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	7,000,000	7,000,000	5,300,000
Loan proceeds	-	-	-	-	190,000
Transfer in (out)	-	45,273	(45,273)	-	499,358
Total Other Financing Sources (Uses)	-	45,273	6,954,727	7,000,000	5,989,358
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	925,849	209,116	5,274,156	6,409,121	4,851,101
FUND BALANCE, BEGINNING OF YEAR	2,339,649	765,220	3,438,459	6,543,328	1,692,227
FUND BALANCE, END OF YEAR	$ 3,265,498	$ 974,336	$ 8,712,615	$ 12,952,449	$ 6,543,328

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

Debt Service Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 684,401	$ 734,695	$ 50,294	$ 2,227,218	$ 2,390,126	$ 162,908
-	-	-	312,294	359,493	47,199
-	-	-	374,637	532,101	157,464
-	-	-	8,493	2,664	(5,829)
-	-	-	730,451	1,046,199	315,748
-	-	-	220,895	332,247	111,352
-	-	-	16,905	16,890	(15)
3,800	27,241	23,441	89,447	125,017	35,570
-	-	-	123,375	172,154	48,779
-	-	-	114,965	586,189	471,224
688,201	761,936	73,735	4,218,680	5,563,080	1,344,400
-	-	-	236,108	220,335	15,773
-	-	-	1,148,561	1,145,875	2,686
-	-	-	1,243,966	953,635	290,331
-	-	-	170,057	191,372	(21,315)
-	-	-	504,482	511,156	(6,674)
-	-	-	46,852	47,450	(598)
-	-	-	219,115	237,844	(18,729)
-	-	-	56,540	53,324	3,216
-	-	-	286,299	259,445	26,854
-	-	-	484,770	254,859	229,911
494,657	299,077	195,580	494,657	299,077	195,580
726,430	299,016	427,414	726,430	299,016	427,414
1,221,087	598,093	622,994	5,617,837	4,473,388	1,144,449
$(532,886)	$ 163,843	$ 696,729	$(1,399,157)	$ 1,089,692	$ 2,488,849

CITY OF CORINTH, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
OPERATING REVENUE			
Water and sewer charges	$ 2,907,014	$ -	$ 2,907,014
Penalties and reconnect fees	84,266	-	84,266
Tap and service fees	426,970	-	426,970
Impact fees	2,016,858	-	2,016,858
Inspection revenue	89,625	-	89,625
Garbage revenue	313,029	-	313,029
Street light revenue	-	-	-
Insurance deductions	-	438,516	438,516
Other revenue	12,211	-	12,211
Total Operating Revenue	5,849,973	438,516	6,288,489
OPERATING EXPENSES			
Water supply and sewage disposal contract	1,975,591	-	1,975,591
Salaries and related expenses	611,982	-	611,982
Materials and maintenance	78,245	-	78,245
Engineering and Upper Trinity fees	19,125	-	19,125
Utilities	99,830	-	99,830
Insurance and bonds	12,598	-	12,598
Vehicle expenses	38,669	-	38,669
Garbage expenses	282,633	-	282,633
Infrastructure expenses	(74,160)	-	(74,160)
Health insurance payments	-	466,153	466,153
Other expenses	237,541	-	237,541
Depreciation expense	267,763	-	267,763
Total Operating Expenses	3,549,817	466,153	4,015,970
OPERATING INCOME (LOSS)	2,300,156	(27,637)	2,272,519
NONOPERATING REVENUE (EXPENSES)			
Interest income	303,000	-	303,000
Interest expense	(325,842)	-	(325,842)
Total Nonoperating Revenue (Expenses)	(22,842)	-	(22,842)
NET INCOME (LOSS)	2,277,314	(27,637)	2,249,677
RETAINED EARNINGS, BEGINNING OF YEAR	4,088,768	49,214	4,137,982
RETAINED EARNINGS, END OF YEAR	$ 6,366,082	$ 21,577	$ 6,387,659

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

CITY OF CORINTH, TEXAS

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	$ 2,300,156	$(27,637)	$ 2,272,519
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	345,070	-	345,070
Changes in assets and liabilities:			
(Increase) in accounts receivable	(279,888)	-	(279,888)
(Increase) in inventory	(8,260)	-	(8,260)
(Increase) decrease in restricted assets	(721,935)	-	(721,935)
Increase in due to/from other funds	388,077	-	388,077
Increase (decrease) in accounts payable	(142,542)	119,379	(23,163)
Increase (decrease) in other liabilities	413	-	413
Increase (decrease) in accrued interest payable	(28,954)	-	(28,954)
Increase (decrease) in compensated absences	4,287	-	4,287
Increase in customer meter deposits	31,603	-	31,603
Net Cash Provided by Operating Activities	1,888,027	91,742	1,979,769
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,335,214)	-	(1,335,214)
Interest paid on long-term debt	(277,489)	-	(277,489)
Principal paid on bonds and certificates of obligation	(325,128)	-	(325,128)
Net Cash Provided (Used) in Capital and Related Financing Activities	(1,937,831)	-	(1,937,831)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investing activities	303,000	-	303,000
Net Cash Provided by Investing Activities	303,000	-	303,000
NET INCREASE (DECREASE) IN CASH	253,196	91,742	344,938
CASH, BEGINNING OF YEAR	368,938	49,225	418,163
CASH, END OF YEAR	$ 622,134	$ 140,967	$ 763,101

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

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

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

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

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

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

Water and Sewer Fund – This ***Enterprise Fund*** is used to account for operations of the water and sewer system which is financed and operated in a manner similar to private business enterprises, where the determination of net income is necessary or useful to sound financial administration.

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

Account Groups:

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Account Groups: (Continued)

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

Basis of Accounting and Measurement Focus

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

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

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

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

The accrual basis of accounting is utilized by the Proprietary Fund type. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

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

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

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

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

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

The City Council is required to approve all budget amendments that alter department appropriations as well as activity appropriations. The City has not established a legal level of control for budget variances. There were amendments to the budget approved by Council for the year ended September 30, 1999.

Fixed Assets

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and, in the Proprietary Fund type, they are depreciated over the remaining useful lives of the related fixed assets.

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

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

Inventory

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

Accumulated Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation leave, which will be paid to employees upon separation from service. Unused sick leave lapses upon separation from service with the City. In governmental funds, the cost of vacation leave is recognized when payments are made to employees. A long-term liability of $54,795 accrued vacation leave at September 30, 1999, has been recorded in the General Long-Term Debt Account Group, representing the City's commitment to fund such cost from future operations. The Proprietary Fund accrues vacation leave in the period in which it is earned, and a liability of $9,316 has been recorded in the Water and Sewer Fund at September 30, 1999.

Ad Valorem Taxes

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ad Valorem Taxes (Continued)

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

Allowance for Uncollectible Accounts

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

Cash and Investments

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

Fund Equity

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

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

a.	Reserve for capital improvements represents impact fees collected and certificates of obligation proceeds which are legally restricted for capital improvements to the water and wastewater system of the City.	$ 3,540,201
b.	Reserve for debt service represents that portion of fund balance legally restricted to debt service.	$ 2,929,413
c.	Reserve for self-insurance represents the proceeds of the internal service fund which is set up to partially self-insure the City.	$ 21,577

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Discounts/Issuance Costs

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

Comparative Data

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

Total Column

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

2. CASH AND INVESTMENTS

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

Deposits – At September 30, 1999, the City's demand deposits and certificates of deposit with its financial institutions were entirely covered by federal depository insurance or by collateral held by the pledging bank's trust department in the City's name.

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

(continued)

2. CASH AND INVESTMENTS (Continued)

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

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

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

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

Based on these three levels of risk, the City's investments at September 30, 1999, are classified as follows:

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
US Governement securities	$ 10,387,602			$ 10,387,602	$ 10,387,602
Investment in state investment pool				7,060,174	7,060,174
				$ 17,447,776	$ 17,447,776

3. CHANGES IN FIXED ASSETS

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

	Balance 10/01/98	Additions	Deletions	Balance 09/30/99
Land	$ 57,912	$ -	$ -	$ 57,912
Buildings	440,938	-	-	440,938
Machinery and equipment	1,027,967	132,410	-	1,160,377
Automotive equipment	301,517	154,991	-	456,508
CIP	-	1,940,019	-	1,940,019
Total	$ 1,828,334	$ 2,227,420	$ -	$ 4,055,754

(continued)

3. CHANGES IN FIXED ASSETS (Continued)

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

	Balance 10/01/98	Additions	Deletions	Balance 09/30/99
Land	$ 173,934	$ -	$ -	$ 173,934
Buildings	186,973	-	-	186,973
Water distribution system	4,039,537	-	-	4,039,537
Sewage disposal system	1,885,888	-	-	1,885,888
Lift station and improvements	1,065,784	7,925	-	1,073,709
Automobiles and machinery	435,045	65,963	-	501,008
Office equipment	44,130	26,325	-	70,455
Construction in progress	643,164	1,235,002	-	1,878,166
Total	$ 8,474,455	$ 1,335,215	$ -	9,809,670
Less accumulated depreciation at September 30, 1999				2,717,091
Property, Plant and Equipment, Net				$ 7,092,579

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

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

4. GENERAL LONG-TERM DEBT

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

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

(continued)

4. GENERAL LONG-TERM DEBT (Continued)

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

	Total	General Obligation Bonds	Notes Payable	Compensated Absences, Net	Certificates of Obligation
Balance - 10/01/98	$ 6,516,391	$ 4,919,000	$ 355,365	$ 27,026	$ 1,215,000
Proceeds from issuance	7,000,000	7,000,000	-	-	-
Net change in compensated absences	27,769	-	-	27,769	-
Principal paid	313,930	183,750	95,180	-	35,000
Balance - 09/30/99	$ 13,230,230	$ 11,735,250	$ 260,185	$ 54,795	$ 1,180,000

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

Year Ended September 30	General Obligation Bonds Principal	Notes Payable Principal
2000	$ 289,250	$ 101,330
2001	418,750	107,186
2002	438,000	51,669
2003	466,250	-
2004	486,750	-
2005 and thereafter	9,636,250	-
Total	$ 11,735,250	$ 260,185

Year Ended September 30	Certificates of Obligation Principal
2000	$ 40,000
2001	40,000
2002	40,000
2003	45,000
2004	50,000
2005 and thereafter	965,000
Total	$ 1,180,000

(continued)

4. GENERAL LONG-TERM DEBT (Continued)

General obligation bonds at September 30, 1999, are comprised of the following individual issues:

$850,000 General Obligation Bonds, Series 1985A, serial bonds due in annual installments of $45,000 to $65,000 through July 10, 2005; interest at 8.20 %.	$	350,000
$74,000 General Obligation Bonds, Series 1985B, serial bonds due in annual installments of $4,000 to $5,000 through July 10, 2001; interest at 9.25%.		9,000
$4,500,000 General Obligation Refunding and Improvement Bonds, Series 1997, serial bonds due in annual installments of $125,000 to $350,000 through February 15, 2018.		4,376,250
$1,000,000 General Obligation Bonds, Series 1999, serial bonds due in annual installments of $100,000 and $540,000 through September 30, 2019		7,000,000
Total	$	11,735,250

Certificates of obligation at September 30, 1999, consist of the following:

$430,000 Combination Tax and Revenue Certificates of Obligation, Series 1995, serial obligations due in annual installments of $15,000 to $35,000 through February, 2016; interest at 5.75% to 6.805.	$	400,000
$800,000 Combination Tax and Revenue Certificates of Obligation, Series 1998, serial obligations due in annual installments of $20,000 to $65,000 through February 15, 2018.		780,000
Total	$	1,180,000

General long-term debt notes payable at September 30, 1999, consists of the following:

$99,000 note payable with an interest rate of 5.61%, payable to Lake Cities State bank, payable in equal payments of $28,317.79 through June 2001.	$	52,365
$115,800 note payable with an interest rate of 5.450%, payable to Lake Cities State Bank, payable in equal payments of $32,999.01 through February 2001.		61,025
$190,000 note payable with an interest rate of 5.610% payable to Lake Cities State Bank, payable in equal payments of $54,505.16 through February 15, 2002.		146,795
Total	$	260,185

5. WATER AND SEWER LONG-TERM DEBT

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

	Total	Certificates of Obligations	Notes Payable	Compensated Absences, Net
Balance - 10/01/98	$ 5,464,029	$ 5,050,000	$ 409,000	$ 5,029
Debt issued	-	-	-	-
Net change in compensated absences	4,287	-	-	4,287
Principal paid	325,128	231,250	93,878	-
Balance - 09/30/99	$ 5,143,188	$ 4,818,750	$ 315,122	$ 9,316

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

Year Ended September 30	Certificates of Obligation Principal	Notes Payable Principal
2000	$ 240,750	$ 99,371
2001	255,250	104,836
2002	272,000	110,915
2003	293,750	-
2004	313,250	-
2005 and thereafter	3,443,750	-
Total	$ 4,818,750	$ 315,122

(continued)

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

Water and sewer long-term debt at September 30, 1999, consists of the following individual issues:

Certificates of Obligation:	
$4,660,000 Combination Tax and Revenue Certificates of Obligations, Series 1994, serial obligations due in annual installments of $45,000 to $385,000 through February, 2006; interest at 6.25% to 7.00%.	$ 1,175,000
$3,745,000 General Obligation Refunding and Improvement Bonds, Series 1997, serial bonds due in annual installments of $100,000 to $290,000 through February 15, 2018.	3,643,750
Total	4,818,750
Notes Payable:	
$409,000 note payable with an interest rate of 5.50%, payable to American Bank, payable in equal payments of $116,686.45 through February 10, 2002.	315,122
Total Water and Sewer Long-Term Debt	5,133,872
Less: Current maturities	340,121
Noncurrent portion	$ 4,793,751
Reported in the financial statements as:	
Noncurrent debt outstanding	$ 4,793,751
Unamortized loss on refunding	329,559
Net Noncurrent Debt Outstanding	$ 4,464,192

Defeased Debt:

As of September 30, 1999, the City has defeased debt outstanding of $3,240,000.

6. UPPER TRINITY REGIONAL WATER DISTRICT (UTRWD)

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

(continued)

6. UPPER TRINITY REGIONAL WATER DISTRICT (UTRWD) (Continued)

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

The accompanying financial statements also include $1,422 representing the City's share of UTRWD administrative charges for the year ended September 30, 1999.

7. CONTRIBUTED CAPITAL

During the year, there were no increases in contributed capital in the Water and Sewer Fund. Contributed capital at September 30, 1999, consists of capital contributed from the following sources:

Contributed from:

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

8. EMPLOYEES RETIREMENT PLAN

Plan Description

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

(continued)

8. EMPLOYEES RETIREMENT PLAN (Continued)

Plan Description

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

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

Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 1998 valuation is effective for rates beginning January 2000)

(continued)

8. EMPLOYEES RETIREMENT PLAN (Continued)

Contributions

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/98	12/31/97	12/31/96
Actuarial Value of Assets	$ 928,395	$ 691,311	$ 528,750
Actuarial Accrued Liability	$ 1,206,696	$ 780,481	$ 601,071
Percentage Funded	76.9%	88.6%	88.0%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	$ 278,301	$ 89,170	$ 72,321
Annual Covered Payroll	$ 1,924,533	$ 1,290,861	$ 1,142,945
UAAL as a Percentage of Covered Payroll	14.5%	6.9%	6.3%
Net Pension Obligation (NPO) at the Beginning of Period	$ -	$ -	$ -
Annual Pension Cost: Annual Required Contribution (ARC)	$ 20,478	$ 74,864	$ 65,075
Contributions Made	$ 20,478	$ 74,864	$ 65,075
Increase in NPO	$ -	$ -	$ -
NPO at the End of Period	$ -	$ -	$ -

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

9. INTERFUND RECEIVABLES AND PAYABLES

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

Interfund balances at September 30, 1999, consisted of the following amounts due from and due to other fund:

Fund	Due From	Due To
Proprietary funds	$ 1,058,585	$ 1,847,901
Governmental funds	938,270	148,954
Total	$ 1,996,855	$ 1,996,855

10. RESTRICTED ASSETS - WATER AND SEWER FUND

Restricted assets in the Water and Sewer Fund, held for specific purposes in accordance with bond ordinances or other legal restrictions, at September 30, 1999, are comprised of the following:

	Restricted For			
	Debt Service	Meter Deposits	Capital Improvements	Total
Cash	$ 5,159,279	$ 221,530	$ 1,957,307	$ 7,338,116

11. DEFERRED BOND ISSUANCE COSTS

Deferred bond issuance costs in the Proprietary Fund at September 30, 1999, consists of the following:

Bond issuance costs incurred in fiscal year 1992 in connection with the $300,000 certificates of obligation issue	$ 12,832
Bond issuance costs incurred in fiscal year 1994 in connection with the $4,660,000 certificates of obligation issue	119,900
Bond issuance costs incurred in fiscal year 1998 in connection with the $3,745,000 general obligation issue	104,491
Less accumulated amortization	69,050
Deferred bond issuance costs, net	$ 168,173

12. RISK MANAGEMENT

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

(continued)

12. RISK MANAGEMENT (Continued)

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

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

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APPENDIX C

SPECIMEN OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

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

**CITY OF CORINTH, TEXAS,
GENERAL OBLIGATION BONDS
SERIES 2001**

**DATED FEBRUARY 15, 2001,
IN THE AGGREGATE PRINCIPAL AMOUNT OF $2,000,000**

AS BOND COUNSEL for the City of Corinth, Texas, the issuer (the "Issuer") of the General Obligation Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing annually in installments on February 15 in the years 2003 through 2018, inclusive, and in the year 2021, all in accordance with the terms and conditions stated in the text of the Bonds.

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code, (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code, and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

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

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

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

Respectfully,

APPENDIX D

FORM OF MUNICIPAL BOND INSURANCE SPECIMEN

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Exhibit A

FGIC

Financial Guaranty Insurance Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

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Deborah M. Reif

President

Effective Date: **Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

SPECIMEN

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

Financial Advisory Services
Provided By

FIRST SOUTHWEST COMPANY

INVESTMENT BANKERS