(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated April 9, 2018

Ratings:
Moody's: "A1"
S&P: "AA-"
See "OTHER INFORMATION – Ratings" herein

NEW ISSUE - Book-Entry-Only

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

THE BONDS **HAVE BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS

$6,670,000
CITY OF CORSICANA, TEXAS
(Navarro County)
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2018

Dated Date: Date of Delivery **Due: February 15, as shown on page 2**
Interest to accrue from Date of Delivery

PAYMENT TERMS. . . Interest on the $6,670,000 City of Corsicana, Texas General Obligation Refunding and Improvement Bonds, Series 2018 (the "Bonds," which together with the 1,810,000 City of Corsicana. Texas Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates") [see page 3 of the Official Statement] being issued concurrently with the Bonds, are referred to herein collectively as the "Obligations"), will accrue from the Date of Delivery (defined below), will be payable February 15, 2019 and each August 15 and February 15 thereafter, until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1207, 1251 and 1331 Texas Government Code, as amended, an election held within the City on November 7, 2007 and an ordinance (the "Bond Ordinance") adopted by the City Council of the City of Corsicana, Texas (the "City") on April 9, 2018. The Bonds constitute direct obligations of the City, payable from a levy and collection of a direct and continuing annual ad valorem tax on all taxable property in the City, within the limits prescribed by law (see "THE OBLIGATIONS - Authority for Issuance of the Bonds").

PURPOSE. . . Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings (see "PLAN OF FINANCING"; also see Schedule I attached hereto for a detailed description of the Refunded Obligations); (ii) acquiring, constructing, and equipping a public safety training facility, and the acquisition of land and interests in land and properties therefor; (iii) constructing and improving streets and roads; and (iv) paying costs of issuance of the Bonds.

CUSIP PREFIX: 220417
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

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

LEGALITY. . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter of the Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, (see Appendix D, "Forms of Bond Counsel's Opinions"). Certain matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, San Antonio, Texas.

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on May 8, 2018 (the "Date of Delivery").

SAMCO CAPITAL MARKETS, INC.

CUSIP Prefix: 220417[1]

MATURITY SCHEDULE

Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix[1]
$ 670,000	2019	2.000%	1.700%	J34
720,000	2020	2.000%	1.850%	J42
740,000	2021	2.000%	2.000%	J59
755,000	2022	2.000%	2.150%	J67
320,000	2023	2.000%	2.300%	J75
330,000	2024	3.500%	2.400%	J83
340,000	2025	2.250%	2.550%	J91
350,000	2026	4.000%	2.700%	K24
370,000	2027	4.000%	2.850%	K32
380,000	2028	3.000%	3.000%	K40

$295,000 3.000% Term Bonds due February 15, 2030, priced to yield 3.200%, CUSIP Suffix: K65
$315,000 3.125% Term Bonds due February 15, 2032, priced to yield 3.400%, CUSIP Suffix: K81
$335,000 3.250% Term Bonds due February 15, 2034, priced to yield 3.500%, CUSIP Suffix: L23
$365,000 3.375% Term Bonds due February 15, 2036, priced to yield 3.600%, CUSIP Suffix: L49
$385,000 3.500% Term Bonds due February 15, 2038, priced to yield 3.700%, CUSIP Suffix: L64

(Interest to accrue from the Date of Delivery)

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

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

SPECIAL MANDATORY REDEMPTION OF BONDS . . . In the event that any portion of any real property acquired with proceeds of the Bonds is sold, the City shall redeem, at a price of par plus accrued interest to the date of redemption, an amount of Bonds equal to such disposition proceeds received by the City (rounded up to the next highest authorized denomination of $5,000 in principal amount) within 90 days after the closing and settlement of the sale of the real property. In the event of such redemption, the disposition proceeds from the sale of the real property are required to be used to redeem principal of the Bonds. If the Bonds are redeemed in part pursuant to a special mandatory redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the City (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000).

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on February 15 in the years 2030, 2032, 2034, 2036 and 2038 (the "Term Bonds") are subject to mandatory sinking fund redemption as described herein (see "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

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HTS Continuing Disclosure Services
A Division of Hilltop Securities.

(See “Continuing Disclosure of Information” herein)

OFFICIAL STATEMENT

Dated April 9, 2018

Ratings:
Moody’s: “A1”
S&P: “AA-”
See “OTHER INFORMATION – Ratings” herein

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters described under “TAX MATTERS” herein.

THE CERTIFICATES **HAVE BEEN** DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS

$1,810,000
CITY OF CORSICANA, TEXAS
(Navarro County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: Date of Delivery **Due: February 15, as shown on page 4**
Interest to accrue from Date of Delivery

PAYMENT TERMS. . . Interest on the $1,810,000 City of Corsicana, Texas Combination Tax and Revenue Certificates of Obligation, Series 2018 (the “Certificates,” which together with the $6,670,000 City of Corsicana, Texas General Obligation Refunding and Improvement Bonds, Series 2018 (the “Bonds) [see page 1 of the Official Statement] being issued concurrently with the Certificates, are referred to herein collectively as the “Obligations”), will accrue from the Date of Delivery (defined below), will be payable February 15, 2019 and each August 15 and February 15 thereafter, until maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “THE OBLIGATIONS - Book-Entry-Only System” herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see “THE OBLIGATIONS - Paying Agent/Registrar”).

AUTHORITY FOR ISSUANCE. . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Corsicana, Texas (the “City”), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax on all taxable property in the City, within the limits prescribed by law and (ii) a pledge of the surplus net revenues of the City’s Waterworks and Sewer System (the “System”), as provided in the ordinance authorizing the issuance of the Certificates adopted by the City Council of the City on April 9, 2018 (the “Certificate Ordinance”) (see “THE OBLIGATIONS - Authority for Issuance of the Certificates”).

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets and roads; and (ii) paying legal, fiscal, engineering and architectural fees in connection with these projects and to pay costs of issuance of the Certificates.

CUSIP PREFIX: 220417
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 4

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

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, “Forms of Bond Counsel’s Opinions”). Certain matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, San Antonio, Texas.

DELIVERY. . . It is expected that the Certificates will be available for delivery through DTC on May 8, 2018 (the “Date of Delivery”).

SAMCO CAPITAL MARKETS, INC.

CUSIP Prefix: 220417[1]

MATURITY SCHEDULE

Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix[1]
$ 40,000	2019	4.000%	1.750%	L72
65,000	2020	4.000%	1.900%	L80
65,000	2021	4.000%	2.050%	L98
70,000	2022	4.000%	2.200%	M22
70,000	2023	4.000%	2.350%	M30
75,000	2024	4.000%	2.450%	M48
80,000	2025	4.000%	2.600%	M55
80,000	2026	4.000%	2.750%	M63
85,000	2027	4.000%	2.900%	M71

$270,000 4.000% Term Certificates due February 15, 2030, priced to yield 2.950%[2], CUSIP Suffix: N21
$205,000 4.000% Term Certificates due February 15, 2032, priced to yield 3.050%[2], CUSIP Suffix: N47
$215,000 4.000% Term Certificates due February 15, 2034, priced to yield 3.150%[2], CUSIP Suffix: N62
$235,000 4.000% Term Certificates due February 15, 2036, priced to yield 3.250%[2], CUSIP Suffix: N88
$255,000 4.000% Term Certificates due February 15, 2038, priced to yield 3.350%[2], CUSIP Suffix: P29

(Interest to accrue from the Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. Neither the City nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2017, the first optional call date for the Certificates, at a redemption price of par, plus accrued interest to the redemption date.

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

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15 in the years 2030, 2032, 2034, 2036 and 2038 (the "Term Certificates") are subject to mandatory sinking fund redemption as described herein (see "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

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

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 as having been authorized by the City. This Official Statement does not constitute an offer to sell Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and pursuant to its responsibilities to investors under the federal securities laws but the Underwriter does not guarantee the accuracy or completeness of such information.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR OTHER MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF. SEE "CONTINUING DISCLOSURE OF INFORMATION". CUSIP NUMBERS HAVE BEEN ASSIGNED TO THIS ISSUE BY THE CUSIP GLOBAL SERVICES FOR THE CONVENIENCE OF THE OWNERS OF THE OBLIGATIONS.

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

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

THE CITY .... The City of Corsicana, Texas (the "City") is a political subdivision and municipal corporation of the State, located in Navarro County, Texas. The City first adopted its Home Rule Charter in 1917 and last amended it in February, 2005. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and four Councilmembers. The City Manager is the chief administrative officer for the City. The estimated 2018 population is 24,040. The City covers approximately 22.73 square miles (see "INTRODUCTION - Description of the City").

THE OBLIGATIONS....................... The $6,670,000 City of Corsicana, Texas General Obligation Refunding and Improvement Bonds, Series 2018 (the "Bonds") are issued as serial bonds maturing on February 15 in each of the years 2019 through 2028 and as Term Bonds maturing on February 15 in the years 2030, 2032, 2034, 2036 and 2038 (see "THE OBLIGATIONS – Description of the Obligations").

The $1,810,000 City of Corsicana, Texas Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates") are issued as serial certificates maturing on February 15 in each of the years 2019 through 2027 and as Term Certificates on February 15 in the years 2030, 2032, 2034, 2036 and 2038 (see "THE OBLIGATIONS - Description of the Obligations").

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

PAYMENT OF INTEREST .... Interest on the Obligations accrues from their Date of Delivery, and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapters 1207, 1251 and 1331, Texas Government Code, as amended, an election held within the City on November 7, 2007 and the ordinance (the "Bond Ordinance") authorizing the issuance of the Bonds adopted by the City Council of the City on April 9, 2018 (see "THE OBLIGATIONS - Authority for Issuance of the Bonds").

The Certificates are authorized and issued pursuant to the constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance adopted by the City Council of the City on April 9, 2018 (the "Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Certificates").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City as provided in the Bond Ordinance authorizing the Bonds (see "THE OBLIGATIONS – Security and Source of Payment" and "THE OBLIGATIONS – Tax Rate Limitation").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the Certificate Ordinance authorizing the Certificates. In addition, the Certificates are payable from a pledge of surplus revenues of the City's Waterworks and Sewer System (the "System") (see "THE OBLIGATIONS - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Redemption"). Additionally, the Term Bonds are subject to mandatory sinking fund redemption as more particularly described herein (see "OBLIGATIONS – Mandatory Sinking Fund Redemption").

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Redemption"). Additionally, the Term Certificates are subject to mandatory sinking fund redemption as more particularly described herein (see "OBLIGATIONS – Mandatory Sinking Fund Redemption").

SPECIAL MANDATORY REDEMPTION OF BONDS................ In the event that any portion of any real property acquired with proceeds of the Bonds is sold, the City shall redeem, at a price of par plus accrued interest to the date of redemption, an amount of Bonds equal to such disposition proceeds received by the City (rounded up to the next highest authorized denomination of $5,000 in principal amount) within 90 days after the closing and settlement of the sale of the real property. In the event of such redemption, the disposition proceeds from the sale of the real property are required to be used to redeem principal of the Bonds. If the Bonds are redeemed in part pursuant to a special mandatory redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the City (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000).

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

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City **has** designated the Obligations as "Qualified Tax-Exempt Obligations" for financial institutions.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings (see "PLAN OF FINANCING"; also Schedule I attached hereto for a detailed description of the Refunded Obligations), (ii) acquiring, constructing, and equipping a public safety training facility; (iii) constructing and improving streets and roads; and (iv) paying the cost associated with the issuance of the Bonds.

Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets and roads; and (ii) paying legal, fiscal, engineering and architectural fees in connection with these projects and to pay costs of issuance of the Certificates.

RATINGS .... The Obligations and the presently outstanding tax supported debt of the City are rated "A1" by Moody's Investors Service, Inc. ("Moody's") and "AA-" by S&P Global Ratings ("S&P"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

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

PAYMENT RECORD .... The City has never defaulted in payment of its bonded indebtedness.

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population [1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2014	24,500	$ 1,205,349,431	$ 49,198	$ 39,125,000	$ 1,597	3.25%	99.29%
2015	23,850	1,269,357,082	53,223	43,890,000	1,840	3.46%	99.01%
2016	24,100	1,288,814,927	53,478	43,850,000	1,820	3.40%	98.76%
2017	23,952	1,302,147,167	54,365	40,190,000	1,678	3.09%	98.70% [3]
2018	24,040	1,385,886,541	57,649	43,685,000 [4]	1,817 [4]	3.15% [4]	86.71% [5]

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(1) Source: City Officials.
(2) As reported by the Navarro Central Appraisal District on the City's annual State Property Tax Reports; subject to change during the ensuing year.
(3) Unaudited.
(4) Projected. Excludes the Refunded Obligations. Includes the Obligations.
(5) Collections as of January 31, 2018.

For additional information regarding the City, please contact:

Freddy Thomas		Connie Standridge		W. Boyd London, Jr.
Director of Finance		City Manager		Marti Shew
City of Corsicana		City of Corsicana		Hilltop Securities, Inc.
200 N. 12th Street	or	200 N. 12th Street	or	1201 Elm Street, Suite 3500
Corsicana, TX 75110		Corsicana, TX 75110		Dallas, TX 75270
(903) 654-4815		(903) 654-4805		(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Don Denbow Mayor	6 Years	May 2019	Retired
Susan Hale Councilmember, Precinct 1	1 Year	May 2018	Business Owner
Ruby Williams Councilmember, Precinct 2	12 Years	May 2018	Self- Employed
John McClung Councilmember, Precinct 3	6 Years	May 2019	Self- Employed
Jeff Smith Councilmember, Precinct 4	7 Months	May 2019	Business Owner
Cody Beauchamp Municipal Judge	7 Months	May 2019	Municipal Judge
Kerri Anderson Donica City Attorney	4 Years	May 2019	Attorney/City Attorney

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of City Service	Length of Total Service
Connie Standridge	City Manager	21 Years	35 Years
Freddy Thomas	Director of Finance/City Secretary	1.5 Months	37 Years
Marilyn Reed	Senior Executive Secretary	14 Years	13 Years
Robert Johnson	Chief of Police	9 Years	32 Years
Donald McMullan	Fire Chief	19 Years	44 Years
Terry Franks	Director of Public Works	9 Years	40 Years
Kyle Pritchett	Environmental Services Director	32 Years	34 Years
Sharla Allen	Parks Director	22 Years	30 Years
Pam Gibson	City Engineer	40 Years	40 Years

CONSULTANTS AND ADVISORS

Auditors .... Yeldell, Wilson, Wood & Reeve, P.C.
Ennis, Texas

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

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

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OFFICIAL STATEMENT

RELATING TO

$6,670,000
CITY OF CORSICANA, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2018

$1,810,000
CITY OF CORSICANA, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Preliminary Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $6,670,000 City of Corsicana, Texas General Obligation Refunding and Improvement Bonds, Series 2018 (the "Bonds") and $1,810,000 Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates," and together with the Bonds, herein collectively referred to as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances (the "Bond Ordinance" with respect to the Bonds and the "Certificate Ordinance" with respect to the Certificates), each adopted by the City Council of the City of Corsicana, Texas (the "City") on the date of the sale of the Obligations and which authorized the issuance of the Bonds and the Certificates, respectively. The Bond Ordinance and the Certificates Ordinance are herein collectively referred to as the "Ordinances".

References to web site addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified, references to websites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

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

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1917 and last amended it in February, 2005. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and four 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 terms of the other two 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), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 23,770, while the estimated 2018 population is 24,040. The City covers approximately 22.73 square miles.

PLAN OF FINANCING

PURPOSE . . . The Bonds are being issued for the purpose of (i) refunding a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings, (ii) acquiring, constructing, and equipping a public safety training facility; (iii) Constructing and improving streets and roads; and (iv) paying the costs of issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their redemption date.

The Certificates are being issued for the purpose of (i) constructing and improving streets and roads; and (ii) paying legal, fiscal, engineering and architectural fees in connection with these projects and to pay costs of issuance of the Certificates.

REFUNDED OBLIGATIONS . . . The Refunded Obligations are being called for redemption on June 12, 2018. The principal and interest due on the Refunded Obligations are to be paid on the redemption date of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank National Association, Dallas, Texas (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter and other funds of the City, if any, the City will deposit with the Escrow Agent an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to pay principal and accrued interest on the Refunded Obligations on the redemption dates. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. The funds on deposit in the Escrow Fund will not be available to pay debt service on the Bonds. Such funds in the Escrow Fund may be invested by the Escrow Agent at the direction of the City pending their disbursement to redeem the Refunded Obligations in accordance with the ordinances authorizing the Refunded Obligations.

By the deposit of the proceeds of the Bonds and other funds of the City, if any are required, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations in accordance with applicable State law and the ordinances authorizing the Refunded Obligations. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent, and the Refunded Obligations will not be deemed as being outstanding obligations of the City payable from ad valorem taxes, nor for the purpose of applying any limitation on the issuance of debt, and the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations.

Wells Fargo Bank, National Association, Dallas, Texas, in its capacity as Paying Agent for the City of Corsicana, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2007 Bonds (the "Series 2007 Refunded Bonds") to be refunded by the Bonds, will certify as to the sufficiency of the amounts deposited therewith to pay the principal of and interest on the Series 2007 Refunded Bonds when due on the redemption date.

JP Morgan Chase Bank, N.A., Tyler, Texas, in its capacity as Paying Agent for the City of Corsicana, Texas General Obligation Bonds, Series 2008 Bonds (the "Series 2008 Refunded Bonds") to be refunded by the Bonds, will certify as to the sufficiency of the amounts deposited therewith to pay the principal of and interest on the Series 2008 Refunded Bonds when due on the redemption date.

SOURCES AND USES OF OBLIGATION PROCEEDS . . . Proceeds from the sale of the Obligations, together with a contribution to the refunding by the City, are expected to be expended as follows:

	The Bonds	The Certificates
Sources of Funds		
Par Amount	$ 6,670,000.00	$ 1,810,000.00
Reoffering Premium	25,772.00	119,785.50
Transfer from Prior Debt Service Funds	813,773.13	-
Transfer from Prior Debt Service Reserve Funds	705,073.00	-
Total Sources of Funds	$ 8,214,618.13	$ 1,929,785.50
Uses of Funds		
Deposit to Project Construction Fund	$ 2,844,691.00	$ 1,870,000.00
Deposit to Escrow Fund	5,232,452.53	-
Underwriter's Discount	41,506.79	18,699.85
Costs of Issuance	95,967.81	41,085.65
Total Uses of Funds	$ 8,214,618.13	$ 1,929,785.50

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS. . . The Obligations will be dated (the "Dated Date") as of the date of delivery of the Obligations to the Underwriter (the "Delivery Date"). The Obligations mature on February 15 in each of the years and in the amounts shown on pages 2 and 4, respectively, hereof. Interest on the Obligations will accrue from the Date of Delivery, will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable on February 15, 2019 and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Obligations will be issued only in fully-registered form in any integral multiple of $5,000 in principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE OF THE BONDS. . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1207, 1251 and 1331, Texas Government Code, as amended, an election held within the City on November 7, 2007 and the Bond Ordinance.

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

SECURITY AND SOURCE OF PAYMENT

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

Pledge of Surplus Waterworks and Sewer System Net Revenues for Certificates . . . The Certificates are additionally secured by a lien on and pledge of the revenues of the City's combined Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or part of said revenues (herein sometimes referred to as surplus revenues of the System), as provided in the Certificate Ordinance.

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. 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 Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, calculated at the time of issuance.

REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all 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.

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Certificates are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

SPECIAL MANDATORY REDEMPTION . . . In the event that any portion of any real property acquired with proceeds of the Bonds is sold, the City shall redeem, at a price of par plus accrued interest to the date of redemption, an amount of Bonds equal to such disposition proceeds received by the City (rounded up to the next highest authorized denomination of $5,000 in principal amount) within 90 days after the closing and settlement of the sale of the real property. In the event of such redemption, the disposition proceeds from the sale of the real property are required to be used to redeem principal of the Bonds. If the Bonds are redeemed in part pursuant to a special mandatory redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the City (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000).

MANDATORY SINKING FUND REDEMPTION

The Bonds – The Bonds maturing on February 15 in the years 2030, 2032, 2034, 2036 and 2038 (the "Term Bonds") are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on February 15 in the following years:

Term Bonds February 15, 2030		Term Bonds February 15, 2032		Term Bonds February 15, 2034	
Year	Amount	Year	Amount	Year	Amount
2029	$ 145,000	2031	$ 155,000	2033	$ 165,000
2030 *	150,000	2032 *	160,000	2034 *	170,000

Term Bonds February 15, 2036			Term Bonds February 15, 2038		
Year		Amount	Year		Amount
2035		$ 180,000	2037		$ 190,000
2036	*	185,000	2038	*	195,000

* Maturity.

The particular Term Bonds to be redeemed shall be chosen by the Paying Agent/Registrar at random by lot or other customary method of random selection; provided, however, the principal amount of the Term Bonds of the stated maturity required to be redeemed on a mandatory redemption date shall be reduced, at the option of the City, by the principal amount of any Term Bonds of like state maturity which, at least fifty (50) days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Tem Bonds plus accrued interest to the date of purchase or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

The Certificates – The Certificates maturing on February 15 in the years 2030, 2032, 2034, 2036 and 2038 (the "Term Certificates") are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on February 15 in the following years:

Term Certificates February 15, 2030			Term Certificates February 15, 2032			Term Certificates February 15, 2034		
Year		Amount	Year		Amount	Year		Amount
2028		$ 85,000	2031		$ 100,000	2033		$ 105,000
2029		90,000	2032	*	105,000	2034	*	110,000
2030	*	95,000						

Term Certificates February 15, 2036			Term Certificates February 15, 2038		
Year		Amount	Year		Amount
2035		$ 115,000	2037		$ 125,000
2036	*	120,000	2038	*	130,000

* Maturity.

The particular Term Certificates to be redeemed shall be chosen by the Paying Agent/Registrar at random by lot or other customary method of random selection; provided, however, the principal amount of the Term Certificates of the stated maturity required to be redeemed on a mandatory redemption date shall be reduced, at the option of the City, by the principal amount of any Term Certificates of like state maturity which, at least forty-five (45) days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Tem Certificates plus accrued interest to the date of purchase or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

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

With respect to any optional redemption of the Obligations, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem such Obligations and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed.

DEFEASANCE. . . The Ordinances provide for the defeasance of the Obligations when the payment of the principal and premium, if any, on the Obligations, plus interest on the Obligations to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or another authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Obligations, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other 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. The Ordinances provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other securities or obligations hereafter authorized under applicable state law in existence at the time of such defeasance that are eligible to discharge obligations such as the Obligations. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or those for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

The City and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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

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

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

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

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued with respect to the Obligations, printed Obligations will be issued to the registered owners of the Obligations and thereafter such printed Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 in principal amount for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS - Book-Entry-Only System" herein for a description of the book-entry-only system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar will be required to make any transfer, conversion, or exchange of an Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

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

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

REPLACEMENT OBLIGATIONS. . . If any Obligation is mutilated, destroyed, stolen or lost, a new Obligation in the same principal amount as the Obligation so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Obligation, such new Obligation will be delivered only upon surrender and cancellation of such mutilated Obligation. In the case of any Obligation issued in lieu of and substitution for an Obligation which has been destroyed, stolen or lost, such new Obligation will be delivered only (a) upon filing with the Paying Agent/Registrar a certificate to the effect that such Obligation has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Obligation must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

OBLIGATIONHOLDERS' REMEDIES. . . The Ordinances define "Event of Default" as the failure to make payment for the Obligations when the same becomes due and payable or the default in the performance or observance of any other covenant, agreement or obligation of the City under the Ordinances, the failure to perform which materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be paid principal or any interest, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City. The Ordinances further provide that upon the occurrence of an Event of Default, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and thus rests within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition, and, accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v.City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In Wasson Interests, Ltd., v. City of Jacksonville, No. 489 S.W.3d 427 (Tex. 2016), ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of Obligations 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 Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, and by governmental immunity of political subdivisions by general principles of equity which permit the exercise of judicial discretion.

TAX INFORMATION

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

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

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

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

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

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Effective January 1, 2018, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at less than market value to the veteran by a charitable organization.

Following the approval by the voters at a November 7, 2017 statewide election (with an effective date of January 1, 2018), the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Finally, the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or a part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

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

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

Article VIII, Section 1-l, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

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

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

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

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 is 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". Under current law, a tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or of the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. 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 pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Effective January 1, 2016, the valuation of assessment of oil and gas reserves will depend upon pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $8,000; the disabled are also granted an exemption to the market value of the residence homestead;

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

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 Navarro County Tax Office collects taxes for the City.

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

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

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

The City does tax Freeport property and goods-in-transit.

TAX ABATEMENT POLICY. . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 50% for a period of 10 years. The value of abatements for tax year 2017 was $217,778.

CORSICANA TIF REINVESTMENT ZONE NO. 1

On August 21, 2001, the City created Tax Increment Financing Reinvestment Zone Number 1 ("Zone 1") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in Zone 1. Pursuant to Resolution No. 1028, approved on December 18, 2001, the City authorized the execution of a development agreement with Corsicana-Navarro County Developers, L.L.C. (the "Company") with a term of 20 years. Under the agreement the Company was to design and construct public improvements including the extension of water and fire protection services, the extension of sanitary sewer services, earthwork and street construction in Zone 1. Following completion of the public improvements with funding provided by the Company, the City will acquire the public improvements and reimburse the acquisition funding by the use of Zone 1 TIF increment funds.

Subject to the terms of the agreement, the City agreed to reimburse the Company in the amount of $250,000 in any fiscal year, not to exceed 75% of the total funds deposited into the Zone 1 TIF fund in any one fiscal year unless authorized by the Board of Directors of Zone 1. As of September 30, 2017 the unreimbursed costs due the Company totaled approximately $1,455,608.

CORSICANA TIF REINVESTMENT ZONE NO. 2

On March 9, 2015, the City created Tax Increment Financing Reinvestment Zone Number 2, City of Corsicana ("Zone 2") to fund a series of infrastructure improvements which are needed to incentivize and accelerate the rate of development in Zone 2. On May 18, 2015, the City authorized the execution of a development agreement with Lots 102 Holdings, LLC ("Lots 102 Holdings") with a term of 20 years, or until $13,918,989 in public infrastructure expenses, listed in the approved Project Plan and Financing Plan, have been reimbursed to the developer, whichever occurs first. Under the agreement Lots 102 Holdings is to design and construct public improvements including the extension of water and fire protection services, the extension of sanitary sewer services, earthwork and street construction in Zone 2. Following completion of the public improvements with funding by Lots 102 Holdings, the City will acquire the public improvements and reimburse the acquisition funding by the use of Zone 2 TIF increment funds.

Subject to the terms of the agreement, the City agreed to reimburse Lots 102 Holdings to coincide with the frequency and amount of payments made by the City, Navarro County and Navarro College into the Tax Increment Fund not to exceed 100% of the total funds deposited into the Zone 2 TIF fund in any one fiscal year.

As of December 31, 2017, the Developer had not signed the development agreement with the City, Navarro County and Navarro College. As a result, the Zone 2 Board of Directors dissolved Zone 2 at its meeting held December 13, 2017.

CHAPTER 380 AGREEMENTS . . . On February 3, 2004, the City, along with Navarro County, executed a retail center development agreement with The Corsicana Industrial Foundation, Inc. (the "Foundation") pursuant to Chapter 380 of the Texas Local Government Code. Under the agreement, the City and County agreed to grant to the Foundation 50% to 100% of the sales tax generated by businesses located in the retail center. The Foundation agreed to use all of the moneys from the grant solely for the purpose of repayment of debt associated with the funding incentives offered to businesses located in the center. This agreement will terminate upon repayment of the debt associated with the incentive package or should the public purpose for the use of the funds cease to exist. Grants paid to the Foundation under the agreement for the fiscal year ended September 30, 2016 totaled $41,209 by the City and $13,736 by Navarro County. The City and the County are not contractually liable for the debt owed by the Corsicana Industrial Foundation, and are not privy to the details of the loan document or the remaining balance owed.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/18 Market Valuation Established by Navarro Central Appraisal District (excluding totally exempt property)		$ 1,482,511,596
Less Exemptions/Reductions at 100% Market Value		
Over 65 and Disabled	$ 12,822,607	
Disabled Veterans	7,112,151	
Pollution Control	11,740,730	
Homestead Cap Adjustment	19,971,341	
Abatements	34,722,378	
Historical	949,838	
Agricultural Product Loss	9,306,010	96,625,055
2017/18 Net Taxable Assessed Valuation		$ 1,385,886,541
City Funded Debt Payable From Ad Valorem Taxes (as of 1/1/18)		
General Obligation Debt(1)	$ 39,100,000	
The Bonds	6,670,000	
The Certificates	1,810,000	
Funded Debt Payable From Ad Valorem Taxes		$ 47,580,000
Less: Self Supporting Debt(2)		24,524,428
Net General Purpose Funded Debt Payable from Ad Valorem Taxes		$ 23,055,572
Interest and Sinking Fund (as of 1/31/18)		$ 2,669,739
Ratio Net General Purpose Funded Debt to Taxable Assessed Valuation		1.66%

2018 Estimated Population - 24,040

Per Capita Taxable Assessed Valuation - $57,649

Per Capita Funded Debt - $959

(1) Excludes the Series 2008 General Obligation Bonds being refunded.

(2) General obligation debt in the amounts shown for which repayment is provided from revenue of the System and the Sanitation System. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from System and Sanitation System revenues; this policy is subject to change in the future.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2018		2017		2016	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 580,153,455	39.13%	$ 534,171,980	38.42%	$ 503,505,124	36.70%
Real, Residential, Multi-Family	32,639,040	2.20%	30,312,685	2.18%	29,257,300	2.13%
Real, Vacant Lots/Tracts	23,597,875	1.59%	19,670,875	1.41%	19,695,885	1.44%
Real, Acreage (Land Only)	9,654,810	0.65%	9,263,720	0.67%	8,269,890	0.60%
Real, Farm and Ranch Improvements	8,970,330	0.61%	8,269,740	0.59%	9,465,130	0.69%
Real, Commercial / Industrial	383,488,919	25.87%	351,841,871	25.30%	350,762,026	25.57%
Real, Oil, Gas and Other Mineral Reserves	32,977	0.00%	34,295	0.00%	67,886	0.00%
Real and Tangible Personal, Utilities	35,319,000	2.38%	33,378,140	2.40%	33,748,480	2.46%
Tangible Personal, Business	394,392,820	26.60%	390,113,820	28.06%	403,883,440	29.44%
Real Property, Inventory	440,600	0.03%	907,560	0.07%	973,650	0.07%
Tangible Personal, Other	3,870,840	0.26%	3,135,830	0.23%	3,150,030	0.23%
Special Inventory	9,950,930	0.67%	9,382,040	0.67%	9,020,210	0.66%
Total Appraised Value Before Exemptions	$ 1,482,511,596	100.00%	$ 1,390,482,556	100.00%	$ 1,371,799,051	100.00%
Less: Total Exemptions/Reductions	96,625,055		88,335,389		82,984,124	
Taxable Assessed Value	$ 1,385,886,541		$ 1,302,147,167		$ 1,288,814,927	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 493,251,770	36.74%	$ 484,421,831	38.58%
Real, Residential, Multi-Family	29,326,080	2.18%	29,119,440	2.32%
Real, Vacant Lots/Tracts	19,483,306	1.45%	21,039,446	1.68%
Real, Acreage (Land Only)	8,012,180	0.60%	7,456,990	0.59%
Real, Farm and Ranch Improvements	9,298,750	0.69%	9,168,440	0.73%
Real, Commercial / Industrial	347,210,957	25.86%	326,104,305	25.97%
Real, Oil, Gas and Other Mineral Reserves	137,207	0.01%	3,913	0.00%
Real and Tangible Personal, Utilities	33,983,370	2.53%	32,764,800	2.61%
Tangible Personal, Business	390,281,010	29.07%	333,205,930	26.53%
Real Property, Inventory	3,349,680	0.25%	3,408,960	0.27%
Tangible Personal, Other	713,660	0.05%	616,890	0.05%
Special Inventory	7,585,600	0.56%	8,412,920	0.67%
Total Appraised Value Before Exemptions	$ 1,342,633,570	100.00%	$ 1,255,723,865	100.00%
Less: Total Exemptions/Reductions	73,276,488		50,374,434	
Taxable Assessed Value	$ 1,269,357,082		$ 1,205,349,431	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Population [1]	Taxable Assessed Valuation [2]	Per Capita Taxable Assessed Valuation	Tax Supported Debt At End of Fiscal Year	Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2014	24,500	$ 1,205,349,431	$ 49,198	$ 39,125,000	$ 1,597	3.25%
2015	23,850	1,269,357,082	53,223	43,890,000	1,840	3.46%
2016	24,100	1,288,814,927	53,478	43,850,000	1,820	3.40%
2017	23,952	1,302,147,167	54,365	40,190,000	1,678	3.09%
2018	24,040	1,385,886,541	57,649	43,685,000 [3]	1,817 [3]	3.15% [3]

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

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rates	Tax Rate Distribution: General Fund	Tax Rate Distribution: Interest and Sinking Fund	Tax Levy	% of Current Collections	% of Total Collections
2014	$ 0.627200	$ 0.469000	$ 0.158200	$ 7,559,952	98.17%	99.29%
2015	0.627200	0.470400	0.156800	7,961,408	98.37%	99.01%
2016	0.627200	0.456400	0.170800	8,068,143	97.79%	98.76%
2017	0.627200	0.439700	0.187500	8,167,067	98.70% [1]	98.70% [1]
2018	0.627200	0.462200	0.165000	8,692,308	86.12% [2]	86.71% [2]

(1) Unaudited.
(2) Collections as of January 31, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2017/18 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Guardian Industrial Corp	Manufacturing	$ 53,276,715	3.84%
Nalco Company	Electric Utility	46,116,150	3.33%
Pactiv - Foam	Manufacturing	37,706,553	2.72%
Russell Stover Candies	Manufacturing	35,939,480	2.59%
True Value Co.	Retail	28,351,880	2.05%
Industrial Pipe Fittings LLC	Manufacturing	16,130,780	1.16%
Oncor Electric Delivery Company	Electric Utility	12,549,200	0.91%
Walmart Stores Texas LLC	Retail	11,664,670	0.84%
Navarro Pecan Co Inc	Manufacturing	10,732,020	0.77%
287 Partnership LLC	Manufacturing	10,500,000	0.76%
		$ 262,967,448	18.97%

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

TABLE 6 - TAX ADEQUACY[1]

2018 Net Principal and Interest Requirements	$	1,800,520
$0.1313 Tax Rate at 99% Collection Produces	$	1,801,472
Average Annual Net Principal and Interest Requirements, 2018 - 2045	$	1,034,483
$0.0754 Tax Rate at 99% Collection Produces	$	1,034,509
Maximum Net Principal and Interest Requirements, 2023	$	2,164,113
$0.1578 Tax Rate at 99% Collection Produces	$	2,165,060

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

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2017/18 Taxable Assessed Value	2017/18 Tax Rate	Total Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt 1/1/2018	Authorized But Unissued Debt As of 1/1/2018
City of Corsicana	$ 1,385,886,541	$0.62720	$ 23,055,572 (1)	100.00%	$ 23,055,572 (1)	$ 3,126,650 (2)
Corsicana Independent School District	1,456,786,278	1.37000	91,669,542	69.98%	64,150,345	-
Mildred Independent School District	354,661,954	1.28100	12,440,000	11.38%	1,415,672	-
Navarro County	3,231,148,566	0.61800	6,970,000	44.46%	3,098,862	-
Total Direct and Overlapping Funded Debt					$ 91,720,451 (1)	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					6.62% (1)	
Per Capita Overlapping Funded Debt					$ 3,815 (1)	

(1) Includes the Obligations; excludes the Refunded Obligations and self-supporting debt.
(2) After issuance of the Bonds.

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 30-Sep	Outstanding Debt Service [1] Principal	Outstanding Debt Service [1] Interest	Outstanding Debt Service [1] Total	The Bonds [2] Principal	The Bonds [2] Interest	The Bonds [2] Total	The Certificates [3] Principal	The Certificates [3] Interest	The Certificates [3] Total	Less: Self-Supporting Obligations[4]	Total Net Debt Service	% of Principal Retired
2018	$ 3,895,000	$ 1,214,956	$ 5,109,956	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,309,436	$ 1,800,520	
2019	3,480,000	1,064,504	4,544,504	670,000	220,372	890,372	40,000	91,108	131,108	3,472,395	2,093,589	
2020	3,590,000	958,263	4,548,263	720,000	158,275	878,275	65,000	69,500	134,500	3,479,693	2,081,345	
2021	2,945,000	848,032	3,793,032	740,000	143,675	883,675	65,000	66,900	131,900	2,833,875	1,974,732	
2022	3,025,000	760,734	3,785,734	755,000	128,725	883,725	70,000	64,200	134,200	2,832,988	1,970,671	42.16%
2023	3,125,000	666,810	3,791,810	320,000	117,975	437,975	70,000	61,400	131,400	2,197,071	2,164,113	
2024	3,050,000	569,813	3,619,813	330,000	109,000	439,000	75,000	58,500	133,500	2,207,462	1,984,851	
2025	3,100,000	470,305	3,570,305	340,000	99,400	439,400	80,000	55,400	135,400	2,202,786	1,942,319	
2026	2,670,000	379,709	3,049,709	350,000	88,575	438,575	80,000	52,200	132,200	1,851,641	1,768,843	
2027	2,725,000	301,299	3,026,299	370,000	74,175	444,175	85,000	48,900	133,900	1,783,579	1,820,795	77.41%
2028	1,220,000	240,279	1,460,279	380,000	61,075	441,075	85,000	45,500	130,500	692,001	1,339,853	
2029	1,135,000	198,677	1,333,677	145,000	53,200	198,200	90,000	42,000	132,000	565,402	1,098,475	
2030	1,180,000	157,181	1,337,181	150,000	48,775	198,775	95,000	38,300	133,300	566,440	1,102,815	
2031	955,000	118,565	1,073,565	155,000	44,103	199,103	100,000	34,400	134,400	304,747	1,102,321	
2032	520,000	93,159	613,159	160,000	39,181	199,181	105,000	30,300	135,300	73,759	873,881	91.02%
2033	535,000	76,753	611,753	165,000	34,000	199,000	105,000	26,100	131,100	75,880	865,972	
2034	315,000	63,403	378,403	170,000	28,556	198,556	110,000	21,800	131,800	74,549	634,210	
2035	330,000	53,109	383,109	180,000	22,756	202,756	115,000	17,300	132,300	76,587	641,578	
2036	340,000	42,290	382,290	185,000	16,597	201,597	120,000	12,600	132,600	78,491	637,996	
2037	90,000	34,940	124,940	190,000	10,150	200,150	125,000	7,700	132,700	76,894	380,896	97.48%
2038	95,000	31,240	126,240	195,000	3,413	198,413	130,000	2,600	132,600	78,663	378,590	
2039	100,000	27,340	127,340	-	-	-	-	-	-	80,343	46,997	
2040	105,000	23,398	128,398	-	-	-	-	-	-	82,004	46,394	
2041	105,000	19,513	124,513	-	-	-	-	-	-	80,280	44,233	
2042	110,000	15,535	125,535	-	-	-	-	-	-	81,925	43,610	99.24%
2043	115,000	11,344	126,344	-	-	-	-	-	-	83,476	42,868	
2044	120,000	6,938	126,938	-	-	-	-	-	-	84,932	42,006	
2045	125,000	2,344	127,344	-	-	-	-	-	-	86,304	41,040	100.00%
	$ 39,100,000	$ 8,450,428	$ 47,550,428	$ 6,670,000	$ 1,501,978	$ 8,171,978	$ 1,810,000	$ 846,708	$ 2,656,708	$ 29,413,602	$ 28,965,512	

(1) "Outstanding Debt" does not include lease/purchase obligations or the Refunded Obligations.
(2) Average life of the Bonds: 7.263 years.
(3) Average life of the Certificates: 11.695 years.
(4) General obligation debt in the amounts shown for which repayment is provided from revenue of the System and Sanitation System. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from System and Sanitation System revenues; this policy is subject to change in the future.

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

Estimated General Purpose Net Debt Service Requirements, Fiscal Year Ending 9-30-18[1]		$ 1,800,520
Other Tax-Supported Debt		158,600
Interest and Sinking Fund Balance, 9-30-17[2]	$ 192,249	
Budgeted Interest and Sinking Fund Tax Levy	2,207,374	
Fines and Forfeitures	25,000	
Estimated Investment Income	600	$ 2,425,223
Estimated Balance, 9-30-18		$ 466,103

(1) Includes the Obligations; excludes the Refunded Obligations and self-supporting debt.
(2) Unaudited.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from Waterworks and Sewer System, Fiscal Year Ended 9-30-17[1]	$ 5,652,689
Less: Waterworks and Sewer System Revenue Bond Requirements, 2018 Fiscal Year[2]	867,328
Balance Available for Other Purposes	$ 4,785,361
Waterworks and Sewer System General Obligation Bond Requirements, 2018 Fiscal Year	3,431,234
Balance	$ 1,354,127
Net Revenue from Sanitation System, Fiscal Year Ended 9-30-17[1]	$ 1,293,278
Less: Sanitation System Revenue Bond Requirements, 2018 Fiscal Year	-
Balance Available for Other Purposes	$ 1,293,278
Sanitation System General Obligation Bond Requirements, 2018 Fiscal Year	31,127
Balance	$ 1,262,151

(1) Unaudited.
(2) Excludes the Series 2007 Waterworks and Sewer System Revenue Refunding Bonds being refunded by the Bonds.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Streets & Drainage	11/7/2007	$ 17,103,240	$ 16,458,549	$ 644,691	$ -
Public Safety	11/7/2007	6,610,830	1,383,871	2,240,559	2,986,400
City Parks	11/7/2007	242,580	62,580	-	180,000 [1]
		$ 23,956,650	$ 17,905,000	$ 2,885,250	$ 3,166,400

(1) The City does not intend to issue the remaining balance of this authorization.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City does not anticipate the issuance of additional obligations secured by ad valorem taxes within the next twelve months.

TABLE 12 – OTHER OBLIGATIONS

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases range from 1.24% to 5.75%.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Machinery and equipment	$ 2,150,593	$ 2,553,971
Less: accumulated depreciation	(568,459)	(577,814)
	$ 1,582,134	$ 1,976,157

Annual debt service requirements to maturity are as follows:

	Capital Lease Obligations			
	Governmental Activities		Business-type Activities	
Year Ending September 30,	Principal	Interest	Principal	Interest
2018	$ 332,562	$ 20,710	$ 380,115	$ 23,827
2019	210,897	14,597	368,931	16,791
2020	152,965	10,458	227,776	10,559
2021	99,369	7,128	97,020	7,048
2022	256,596	9,599	259,006	14,030
Total minimum lease payments	1,052,389	62,492	1,332,848	72,255

Note payable currently outstanding and reported as a liability of the City's governmental activities is:

In fiscal year 2008, the City executed a contract and agreement relating to an economic development program with the Texas Department of Agriculture's Rural Economic Development Division. Under the terms of the contract and agreement the City agreed to repay the Texas Department of Agriculture an amount up to $703,700, for the purchase of land and an existing building to help create jobs in an economic development area. The note is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5.00%. Payments will be made in two hundred forty equal monthly installments up to a maximum of $2,932 each beginning June 2008 and ending May 2028.

Future note payments are as follows:

Year Ending September 30,	Principal	Interest
2018	$ 66,853	$ 13,114
2019	68,132	11,835
2020	69,453	10,504
2021	70,848	9,119
2022-2026	377,054	22,780
2027-2028	131,945	-
Total note payments	$ 784,285	$ 67,352
Unamortized discount	(134,442)	
Present value of note payments	$ 649,843	

The City has a line of credit from a local bank with a total authorized balance of $1,158,000, of which $192,823 was outstanding as of September 30, 2015. The line of credit matures May 19, 2018 with an interest rate of 5.00%.

Annual principal and interest requirements are as follows:

Year Ending September 30,	Principal	Interest
2018	$ 86,961	$ 10,138
Present value of minimum lease payments	$ 86,961	$ 10,138

PENSION FUND

Change in Accounting Principles - GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27," which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. The implementation of Statement No. 68 resulted restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date.

For historical pension information, refer to the City's previously filed continuing disclosure reporting on EMMA.msrb.org.

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

Benefits Provided – TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	Plan Provisions
Employee deposit rate	7.00%
Municipal current matching ratio	2-1
Updated service credits:	
Rate(%)	50
Year Effective	2011
Increase benefits to retirees:	
Rate(%)	50
Year Effective	2011
Military service credit effective date	Oct-89
Vesting	5 years
Service retirement eligibilities	5yrs/age, 60, 20 yrs/any age
Restricted prior service credit effective date	1-96
Supplemental Death Benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	Removed

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

Inactive employees or beneficiaries currently receiving benefits	142
Inactive employees entitled to but not yet receiving benefits	83
Active employees	163
Total	388

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.00% and 14.01% in calendar years 2016 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were $1,225,933, and were equal to the required contributions.

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy postretirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
Domestic equity	17.50%	4.55%
International equities	17.50%	6.10%
core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.65%
Real return	10.00%	4.03%
Real estate	10.00%	5.00%
Absolute return	10.00%	4.00%
Private equity	5.00%	8.00%
	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

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Changes in the Net Pension Liability:

Changes for the year:	Balance at 12/31/2015
Service Cost	$ 1,267,264
Interest	3,337,570
Differences between expected and actual experience	(117,414)
Changes of Assumption	831,486
Contributions - employer	(1,245,047)
Contributions - employee	(622,079)
Net investment income	(61,680)
Benefit payments	-
Administrative expenses	37,569
Other	1,856
Net changes	3,429,525
Beginning Balance	$ 6,321,605
Ending Balance	$ 9,751,130

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 16,722,769	$ 9,751,130	$ 4,006,671

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the City recognized pension expense of $1,863,756

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

	Deferred Outflow of Resources	Deferred Outflow of Resources
Changes in actuarial assumptions	$ 614,952	$ -
Contibutions subsequent to the measurement date	851,273	-
Difference between projected and actual investment earnings	2,596,243	-
Difference between expected and acutal economic experience	-	290,389
Total	$ 4,062,468	$ 290,389

$851,273 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended		
2016	$	768,277
2017		768,277
2018		811,375
2019		572,877
Total	$	2,920,806

FIREFIGHTER'S RELIEF AND RETIREMENT FUND

Plan Description – The city contributes to the retirement plan for firefighters in the Corsicana Fire Department known as the Corsicana Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Corsicana Firemen's Relief and Retirement Fund. The city does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Corsicana Firemen's Relief and Retirement Fund at 200 N. 12th Street, Corsicana, Texas 75110. See that report for all information about the plan fiduciary net position.

Benefits Provided- Firefighters in the Corsicana Fire Department are covered by the Corsicana Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service with 75% vesting after 15 years of service, grading to 100% with 20 years. Firefighters become eligible for normal service retirement at age 50 with 20 years of service. If a terminated firefighter has a vested benefit but is not eligible for normal retirements, he is entitled to a deferred benefit starting at age 55 with 15 years of service, age 54 with 16 years, age 53 with 17 years, age 52 with 18 years. Age 51 with 19 years, and age 50 with 20 or more years. The present plan, effective August 1, 2007, provides a monthly normal service retirement benefit, payable in a Joint and 75% to Spouse form of annuity, equal to 53% of Highest 60-Month Average Salary plus $90 for each year of service in excess of 20.

A retiring firefighter over age 51.5 with more than 21.5 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the age 51.5 and 21.5 years of service requirements and the date 36 months preceding the date he actually retires. Upon retirement, the member with receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Members Covered by the Fund

In the December 31, 2014 actuarial valuation, the following numbers of members were covered by the fund.

Retirees and beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	1
Active employees	60
Total	97

Funding Policy- The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

The funding policy of the Corsicana Firemen's Relief and Retirement Fund requires contributions equal to 14% of pay by the firefighters, the rate elected by the firefighters according to TLFFRRA. The city contributes 14% of payroll according to a city ordinance and has since 2007. The Fund's December 31, 2014 actuarial valuation includes the assumption that the city contribution rate will be 14% for at least as long as the UAAL amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2015, the money-weighted rate of return on pension plan investments was -2.19%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, lever percentage of payroll.

<u>Net Pension Liability</u>- The City of Corsicana's net pension liability was measured as December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

Total Pension Liability	$16,528,138
Plan fiduciary net position	$8,121,618
City's net pension liability	$8,406,520

<u>Actuarial Assumptions</u>- the Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 3.9%) and by adding expected inflation (3.5%). In addition, the 7.5% assumption was selected by rounding up to 7.5%. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap domestic	26.00%	5.30%
Small/mid cap domestic	9.00%	5.80%
Internation developed	20.00%	5.80%
Emerging markets	5.00%	7.30%
Fixed Income	35.00%	0.80%
Commodities	5.00%	3.80%
Cash	0.00%	1.75%
Total	100.00%	

<u>Discount rate</u>- The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the December 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (VAAL0 in 24 years. Because of the 24- year amortization period of the VAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate- the following presents the net pension liability of the City of Corsicana, calculated using the discount rate of 7.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease in Discuont Rate (5.75%)	Discuont Rate (6.75%)	1% Increase in Discuont Rate (8.75%)
City's net pension liability	$ 10,440,257	$ 8,406,520	$ 6,708,290

Plan Fiduciary Net Position- the plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes for the year:	Balance at 12/31/2015
Service Cost	$ 538,114
Interest	1,185,805
Contributions - employer	(555,435)
Contributions - employee	(555,332)
Net investment income	180,420
Benefit payments	-
Administrative expenses	33,535
Other	-
Net changes	827,107
Beginning Balance	$ 7,579,413
Ending Balance	$ 8,406,520

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Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions- For the year ended September 30, 2016 the City's GASB 68 pension expense was $862,504. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates. The components of pension expense are disclosed in Exhibit B-4.

Deferred Outflows/Inflows of Resources to be Recognized in Pension Expense in Future Years- $399,206 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
2017	$ 277,769
2018	277,769
2019	277,769
2020	159,562
	$ 992,869

OTHER POST-EMPLOYMENT BENEFITS

The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

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

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

The City's contributions to the TMRS SDBG for the years ending 2016, 2015, and 2014 was $20,409, $19,384, and $19,149, respectively, which equaled the required contributions each year.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ending September 30,				
	2017(1)	2016	2015	2014	2013
REVENUES:					
Program Revenues:					
Charges for Services	$ 1,087,720	$ 2,070,816	$ 1,251,667	$ 1,437,481	$ 1,496,774
Operating Grants and Contributions	-	468,043	778,129	1,953,146	1,770,791
Capital Grants and Contributions	16,116	102,030	2,000,997	317,777	749,503
General Revenues:					
Ad Valorem Taxes	8,102,550	8,109,922	7,860,959	7,463,669	8,173,945
Sales Taxes	6,497,484	6,359,457	6,163,208	6,019,571	5,789,582
Franchise Taxes	2,053,150	2,017,440	2,124,384	2,021,723	1,971,939
Other Taxes	46,782	521,016	602,516	499,521	433,541
Investment Income	25,957	29,487	10,551	12,655	18,019
Gain/(Loss) on Sale of Capital Assets	-	5,568	-	41,436	(113,028)
Other	16,201	190,370	165,499	123,535	229,050
Total Revenues	$ 17,845,960	$ 19,874,149	$ 20,957,910	$ 19,890,514	$ 20,520,116
EXPENSES:					
General Government	$ 2,046,192	$ 2,815,422	$ 3,479,022	$ 4,292,718	$ 3,428,726
Judicial	471,040	531,183	438,625	415,245	439,868
Public Safety	8,567,417	9,514,100	8,895,762	8,108,969	8,137,238
Public Works	3,727,693	4,801,131	4,259,021	3,037,206	3,201,281
Community Services	453,985	516,407	895,261	534,337	1,679,358
Culture and Recreational	1,776,864	2,369,467	2,193,046	2,039,772	1,953,716
Building and Vehicle Maintenance	409,289	453,732	482,805	608,363	574,845
Interest and Fiscal Charges	739,411	765,951	726,296	673,765	776,903
Total Expenses	$ 18,191,891	$ 21,767,393	$ 21,369,838	$ 19,710,375	$ 20,191,935
Increase in Net Assets Before Transfers	(345,931)	(1,893,244)	(411,928)	180,139	328,181
Transfers	1,571,584	1,335,328	2,278,510	1,930,841	1,260,277
Increase in Net Assets	1,225,653	(557,916)	1,866,582	2,110,980	1,588,458
Beginning Net Assets	44,016,498	44,574,414	48,949,560	46,838,580	45,250,122
Prior Period Adjustment	-	-	(6,241,728) (2)	-	-
Ending Net Assets	$ 45,242,151	$ 44,016,498	$ 44,574,414	$ 48,949,560	$ 46,838,580

(1) Unaudited.
(2) See "DEBT INFORMATION – Pension Fund – Change in Account Principles" herein for an explanation of the City's implementation of GASB 68.

TABLE 13A – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2017[1]	2016	2015	2014	2013
Revenues:					
Taxes	$ 14,523,571	$ 14,129,039	$ 14,184,320	$ 13,640,389	$ 14,392,050
Licenses and Permits	213,656	266,116	192,472	189,217	225,117
Investment Earnings	25,957	16,133	5,143	5,391	-
Fines and Penalties	268,632	277,440	345,379	367,547	460,063
Charges for Service	178,603	160,835	174,412	160,360	153,242
Intergovernmental	106,316	144,348	85,405	107,441	290,274
Grants and Contributions	16,116	14,690	4,944	7,289	68,890
Miscellaneous	172,622	210,278	177,469	182,571	326,546
Total Revenues	$ 15,505,473	$ 15,218,879	$ 15,169,544	$ 14,660,205	$ 15,916,182
Expenditures:					
General Government	$ 2,046,192	$ 2,441,470	$ 1,374,540	$ 1,413,646	$ 1,460,209
Public Safety	8,580,045	8,436,025	8,041,316	7,813,648	7,735,931
Public Works	2,412,079	2,414,663	3,254,620	2,746,261	2,901,493
Community and Culture	2,216,424	2,319,629	2,009,125	2,007,059	1,866,822
Other Governmental	453,985	373,926	1,008,063	914,506	1,320,842
Debt Service	251,597	177,977	204,167	164,723	164,588
Total Expenditures	$ 15,960,322	$ 16,163,690	$ 15,891,831	$ 15,059,843	$ 15,449,885
Excess (Deficiency) of Revenues Over Expenditures	$ (454,849)	$ (944,811)	$ (722,287)	$ (399,638)	$ 466,297
Other Financing Sources (Uses)					
Budgeted Transfers In / (Out)	1,239,898	(49,684)	149,237	1,056,357	756,749
Capital-Related Debt Issues	684,700	378,602	25,090	43,023	27,485
Total Other Financing sources (Uses)	$ 1,924,598	$ 328,918	$ 174,327	$ 1,099,380	$ 784,234
Net Increase (Decrease)	1,469,749	(615,893)	(547,960)	699,742	1,250,531
Beginning Fund Balance	4,689,025	5,304,918 [2]	6,625,571	5,925,829	4,675,298
Prior Period Adjustment	-	-	-	-	-
Ending Fund Balance [2]	$ 6,158,774	$ 4,689,025	$ 6,077,611	$ 6,625,571	$ 5,925,829

(1) Unaudited.
(2) Restated. This restatement was due to reclassifications of major governmental and nonmajor governmental funds, as more fully described in the City's Annual Financial Report for the year ended September 30, 2016, Note 2.R.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, as amended, 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. Voters have also approved the imposition of a 0.5% local sales and use tax to reduce the City's property tax rate. 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 30-Sep	1¢ City Collections	1/2¢ Property Tax Relief Collections	Total Collected	% of AD Valorem Tax Levy	Equivalent of AD Valorem Tax Rate	Per Capita (1) (2)
2014	$3,991,353	$1,995,676	$5,987,029	52.80%	$ 0.3311	$ 162.91
2015	4,053,718	2,026,859	6,080,577	50.92%	0.3194	169.97
2016	4,270,140	2,135,070	6,405,211	52.93%	0.3313	177.18
2017	4,278,896	2,139,448	6,418,344	52.39%	0.3286	178.64
2018	1,422,359 (3)	711,179 (3)	2,133,538 (3)	16.36% (3)	0.1026	59.17

(1) Based on 1¢ City collections only.
(2) Based on population estimates of the City
(3) Collections through January 2018.

FINANCIAL POLICIES

Basis of Accounting . . . For the fiscal year ended September 30, 2003, the City implemented GASB 34. The purpose of GASB 34 is to create new information and restructure much of the information that governments have presented in the past to provide a more comprehensive demonstration of their annual financial performance on a system-wide basis. Among the significant changes effected by the new accounting standard are new presentations for proprietary or business-type operations of the City, such as those reported for the City's water and waste water operations (the "Proprietary Funds"). As required by the newly adopted accounting principles, the City's annual report consists of three basic financial statements for the Proprietary Funds: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Those statements are included in the financial statements of the City for the year ended September 30, 2005 in Appendix B. In addition, a discussion of GASB 34 is set forth in the Management Discussion and Analysis and in various notes to the City's financial statements in Appendix B. The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt.

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . It is the goal of the City that the unreserved balance should be at least 15% of the General Fund annual expenditures. This percentage is the equivalent of 90 days expenditures. The Enterprise Fund working capital should be maintained at least at the 15% of total operating expenditures or the equivalent of 90 days. It is the City's policy regarding the General Fund and Enterprise Funds that working capital resources should be maintained at a minimum of two months of the Fund's operating expenditures budget. The City maintains its various debt service funds in accordance with the covenants of the bond ordinances.

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City's Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year by the middle of June, the City Manager, after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council holds work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to September 30.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget or encumbered.

Fund Investments . . . The City's investment and collateralization policy was established within the parameters allowed by State law which govern the investment of public funds (see Financial Policies: "Investments"). The City generally restricts investments to fully collateralized or insured demand deposits or certificates of deposit, or direct obligations of the United States Government, or governmental agencies. Council annually reviews this policy.

INVESTMENTS

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

LEGAL INVESTMENTS. . . Under current State law, the City is authorized to invest in: (1) obligations, including letters of credit of the United States or its agencies and instrumentalities, (2) direct obligations of the State 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 or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successors, (8) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for City deposits, (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City and held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act.

All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) market ability of each investment, (5) diversification of the portfolio, and (6) yield. The City is required to designate one or more officers or employees as investment officers to be responsible for the investment of its funds. In the administration of the duties of an investment officer, the person so designated shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs. Unless authorized by law, a person may not deposit, withdraw, or manage in any other manner the funds of the City.

Under State 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 for the period. The report must: (1) describe the investment position of the City, (2) be prepared jointly and signed by each investment officer, (3) contain a summary of each pooled fund group that states: the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) state the book value and market value of each separately listed asset at the end of the reporting period, (5) state the maturity date of each separately invested asset, (6) state the account or pooled fund group for which each individual investment was acquired, and (7) state the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. If the City invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of Obligations of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers shall be reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council. No person may invest City funds without express written authority from the City Council.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies and adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance, or resolution; (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (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 investment activities between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) 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, (6) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and further restrict the investment in no-load mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer and (9) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

The City's current investment policy is in compliance with the State law requirements described above.

TABLE 15 - CURRENT INVESTMENTS

As of January 31, 2018, the City's investable general funds were invested in the following categories:

Description	% of Portfolio	Book Value	Market Value
Fully Collateralized Depository Accounts	77.40%	$ 15,442,293	$ 15,442,293
Lease Escrow Funds	6.82%	1,361,504	1,361,504
Money Market Mutual Fund	1.36%	271,682	271,682
TexPool	5.16%	1,030,199	1,030,199
TexSTAR(1)	9.25%	1,844,965	1,844,965
	100.00%	$ 19,950,643	$ 19,950,643

(1) TexSTAR is a local government investment pool for whom Hilltop Securities Asset Management, Inc., an affiliate of Hilltop Securities Inc., the City's Financial Advisor, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAA" rating from S&P Global Ratings and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Obligations, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) such Obligations will not be treated as "specified private activity bonds", the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations. See Appendix D - Forms of Bond Counsel's Opinions.

In rendering its opinions, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the use of the proceeds to be received from the issuance and sale of the Obligations and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Obligations to become includable in gross income retroactively to the date of issuance of the Obligations.

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the facilities financed or refinanced with proceeds of the Obligations. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinions of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of Obligations may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

Under Existing Law, any owner who has purchased such Original Issue Discount Obligation in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Obligation should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

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

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

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

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

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

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

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

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under federal or state law, and could affect the market price or marketability of the Obligations. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

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 in determining the taxpayer's 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 that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "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 any "bank" 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 that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Obligations have been designated as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Obligations as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 dollar limitation and the Obligations would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the registered and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("*MSRB*"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("*EMMA*") at http://emma.msrb.org/.

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 (the "Annual Operating Report"). The City will update and provide this information within six months after the end of each fiscal year ending in and after 2017. The City will additionally provide audited financial statements of the City (the "Financial Statements") and such Financial Statements will be provided within 12 months after the end of each fiscal year ending in or after 2017. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such Financial Statements will be prepared in accordance with the accounting principles described in Appendix D 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 may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "*SEC*").

The City's current fiscal year end is September 30. Accordingly, the Annual Operating Report must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City will also provide to the MSRB notices of certain events in a timely manner but not in excess of 10 business days after the occurrence of the event. The City will provide notice of any of the following events with respect to the Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of any trustee, if material. (Neither the Obligations nor the Ordinances make any provision for a bond trustee, debt service reserves, liquidity enhancement, or credit enhancement.)

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

In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Except as described below, during the last five years, the City has complied in all material respects with all of its continuing disclosure undertakings pursuant to the Rule. As part of the City's continuing disclosure undertakings for certain of the City's currently outstanding debt obligations, the City is obligated to file its audited financial statements (the "Audit") and certain annual financial information and operating data (the "Operating Data") within six months after the end of each fiscal year. If the final Audit is not available within six months after the end of each fiscal year, the City is required to file its unaudited financial statements within six months after the end of each fiscal year. Due to administrative oversight and not because of an intentional and willful disregard for its continuing disclosure undertakings, the City failed to timely file its fiscal year ended September 30, 2017 Audit or unaudited financial statements by March 31, 2018. The City filed a material event notice on April 18, 2018 (the "Notice") acknowledging its failure to timely file its unaudited financial statements for the fiscal year ended September 30, 2017 pursuant to its existing continuing disclosure undertakings. As stated in the Notice, the City will take all necessary and timely action, which is within its immediate control, to file its Audit for the fiscal year ended September 30, 2017 as soon it is available. It is expected to be filed by April 30, 2018. The City did, however, timely file its Operating Data for the fiscal year ended September 30, 2017 by March 31, 2018, which filing included certain unaudited financial information for fiscal year ended September 30, 2017, including unaudited financial information for changes in net assets and general fund revenues and expenditures.

The City has implemented a plan to ensure timely compliance of its continuing disclosure undertakings.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "A1" by Moody's and "AA-" by S&P, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the view of such companies 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 of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

It is the obligation of the Underwriter to register or qualify the sale of the Obligations under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Obligations or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

Section 271.051, Texas Local Government Code, provides that the Obligations are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. The Obligations are eligible to secure deposits of any public funds of the State, municipalities, school districts, and other political subdivisions of the State, and are legal security for those deposits to the extent of their market value.

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

LEGAL MATTERS

The City will furnish to the Underwriters a complete transcript of proceedings concerning to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Obligations and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect, and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Obligations will also be furnished. Though it may represent the Financial Advisor and purchasers of bonds, such as the Underwriter from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions "PLAN OF FINANCING" (except for the subcaption "Sources and Uses of Obligation Proceeds" thereunder), "THE OBLIGATIONS" (except for the subcaptions "Book-Entry-Only System" and "Obligationholders' Remedies" thereunder), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance With Prior Undertakings" thereunder), "OTHER INFORMATION - Registration and Qualification of Obligations for Sale," "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof), and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues purported to be addressed therein and, with respect to the Obligations, such information conforms to the provisions of the Ordinances.. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, San Antonio, Texas, Counsel to the Underwriter, whose legal fees are contingent upon the sale and delivery of the Obligations.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. The Financial Advisor has agreed, in its Financial Advisory contract, not to bid for the Obligations, either independently or as a member of a syndicate organized to submit a bid for the Obligations. Hilltop Securities Inc., 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 Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITER

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of $41,506.79. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of $18,699.85. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws but the Underwriter does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

DON DENBOW
Mayor
City of Corsicana, Texas

ATTEST:

FREDDY THOMAS
City Secretary
City of Corsicana, Texas

SCHEDULE OF REFUNDED OBLIGATIONS

Waterworks and Sewer System Revenue Refunding Bonds, Series 2007

Original Dated Date	Original Maturity Date	Interest Rates	Amount	Redemption Date
5/15/2007	8/15/2018	4.000%	$ 710,000	6/12/2018
	8/15/2019	4.100%	735,000	6/12/2018
	8/15/2020	4.125%	765,000	6/12/2018
	8/15/2021	4.125%	800,000	6/12/2018
	8/15/2022	4.125%	830,000	6/12/2018
			$ 3,840,000	

General Obligation Bonds, Series 2008

Original Dated Date	Original Maturity Date	Interest Rates	Amount	Redemption Date
3/1/2008	2/15/2028 (1)	3.790%	$ 1,325,000	6/12/2018
			$ 1,325,000	

(1) Represents a Term Bond.

Proceeds of the optional redemption shall be applied to reduce the mandatory sinking fund redemptions of the Series 2008 Bonds in inverse order of mandatory redemption dates.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND ECONOMY . . . The City of Corsicana, located 53 miles south of Dallas, is situated on the Blackland Prairie, 270 to 600 feet above sea level. Distance from other major cities includes: 54 miles east of Waco; 70 miles southeast of Fort Worth; 187 miles north of Houston; 72 miles west of Tyler. The City lies off Interstate 45, a four-lane, limited access expressway, linking Dallas to the north with Houston to the south. Other major highways through the City include U.S. Highway 287, Texas 31 and Texas 22. The City of Corsicana has a very diversified economic base comprised of agri-business, industry and mineral production.

POPULATION . . . The City's 2010 United States Census population was 23,770, with the 2018 estimated population of 24,040.

BUILDING PERMITS

Fiscal	Residential		Commercial		Grand Totals	
Year Ended	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
2013	9	$ 1,459,390	12	$ 6,701,340	21	$ 8,160,730
2014	6	988,518	8	1,032,449	14	2,020,967
2015	19	3,739,290	9	4,603,445	28	8,342,735
2016	7	764,900	10	34,364,717	17	35,129,617
2017	15	1,991,300	7	6,556,000	22	8,547,300

TRANSPORTATION . . . Corsicana is served by two rail companies: Burlington Northern and Union Pacific having a combined 36 freight trains daily. Greyhound/Trailways Bus Lines and Texas Bus Lines provide the City with bus service.

Common carrier service is provided by numerous truck lines. Central Freight Lines, Red Arrow Freight Lines, Consolidated Freightways, Tex-Pack Express and Yellow Freight System are the major commercial truck lines having a combined 24 stops daily.

Facilities for private and executive aircraft are provided at the City's municipal airport. This facility includes a 5,002 foot asphalt runway with equipment for night landings. Commercial air transportation is available in Dallas and Waco.

INDUSTRY AND BUSINESS . . . A diversified industrial base is the key to Corsicana's present and future economic success. No single company or industry dominates the local economy. Once primarily known for oil and agriculture, it has become even more prominent as a regional distribution center (Truserve/True Value and Kohl's Stores) and a home of major manufacturers of glass, plastics, food products, windows, and metal products, to name a few. Corsicana's goods and services are used and/or consumed by businesses and individuals throughout the U.S. and the world. Among the 50 plus manufacturers, locally owned companies such as the Collin Street Bakery (fruitcakes), Russell Stover (candy), Lance (food products), Oil City Iron Works (metal castings) and Falcon (business forms) share the area with the likes of Pactiv (foam products), Corsicana Technologies (chemicals), Greenbrier Rail Services (rail car wheels), and Crestline (plastic pipes).

Corsicana has three distinct industrial areas with hundreds of acres available for future expansion. Served by all utilities, each area has ready access to both rail and highways which connect to all parts of the U.S. It nurtures small industries, as shown by its aggressive use of an Industrial Incubator, one of the first in the state.

New industries continue to choose Corsicana, with the most notable being Plasson USA creating 40 jobs, Pactiv Expansion creating 200 jobs, and Enterprise Precast Concrete creating 75 jobs.

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TOP TEN EMPLOYERS

Company Name	Nature of Business		Number of Employees
Corsicana Independent School District	Government/ Education		830
Russell Stover Candies	Candy Manufacturing	(1)	680
Navarro College/TAMU Commerce	Higher Education	(2)	556
Navarro Regional Hospital	Hospital/Medical Care		350
Wal-Mart	Retail		325
Guardian Industries	Glass Manufacturing		323
City of Corsicana (Includes Part-Time)	Government/ City	(2)	230
Navarro County	Government/ County		284
Corsicana Bedding	Furniture Components		257
Heritage Oaks	Healthcare		253

(1) Employee number may vary significantly in accordance with seasonal employment.
(2) Includes Part-Time employees.

AGRICULTURE . . . The City's agricultural community is also diversified. Production is divided almost evenly between cattle and crops. The major crops include cotton, wheat and grain sorghum. Navarro County experiences an average annual agriculture income of $38 million. An average growing season of 242 days provides the area with an excellent agricultural business.

MINERALS . . . Oil and oil-related industries comprise another vital segment of Corsicana's economic base. Corsicana is the birthplace of the Texas oil industry. The area has the longest continuous oil flow in Texas, with a total production in excess of 200 million barrels since 1895. In addition to petroleum, other minerals such as lignite, gravel, sand, rock and clay are actively excavated for use in the area and elsewhere.

FINANCIAL INSTITUTIONS . . . Corsicana is served by eight banks, plus numerous other financial institutions. Changes in banking practices no longer allow the reporting of total deposits for the banks.

HISTORICAL EMPLOYMENT DATA FOR NAVARRO COUNTY (ANNUAL AVERAGE DATA)[(1)]

Year		Labor Force	Total Employment	Total Unemployed	Unemployment Rate
2013		23,416	21,895	1,521	6.5%
2014		23,104	21,901	1,203	5.2%
2015		22,815	21,855	960	4.2%
2016		22,692	21,734	958	4.2%
2017	(2)	22,591	21,650	941	4.2%

(1) Source: Texas Employment Commission.
(2) Through November 2017.

EDUCATION . . . The City of Corsicana is served by the Corsicana Independent School District. There are five elementary schools, two middle schools and one high school in Corsicana.

For higher education, Navarro College and Texas A&M Commerce, offering Bachelors and Masters degrees in various disciplines, are located on 131 acres, 3 miles southwest of downtown on State Highway 31. Other institutions of higher education located within 70 miles include Baylor University in Waco, Trinity Valley Junior College in Athens, Texas Christian University in Fort Worth, Southern Methodist University in Dallas and University of Dallas at Irving.

MISCELLANEOUS . . . There are a total of 162 licensed hospital beds in the City/County and 53 medical doctors. Complete laboratory, X-ray and surgery (minor and major) services are available. Navarro Regional Hospital employs approximately 350 people.

There are 80 churches in Corsicana, representing a spectrum of denominations.

The community is served by two major libraries, Corsicana Public Library and Navarro College Library, having a total of over 56,232 volumes.

There are 13 public parks offering free recreation to the residents of the City. Facilities provided include lighted ball fields, lighted tennis courts, two swimming pools, and an 18-hole golf course, as well as playground and picnic areas.

Several reservoirs located nearby provide excellent facilities for fishing, swimming, boating and picnicking. The newest and largest, Richland-Chambers Reservoir, has approximately 45,000 surface acres with 400 miles of shoreline. The reservoir is located in Navarro and Freestone counties, southeast of Corsicana.

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APPENDIX B

INFORMATION REGARDING THE SYSTEM

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THE SYSTEM

WATERWORKS SYSTEM

At the present, the City has available three sources of surface water. One is Lake Halbert, located approximately three miles southeast of the City on Elm Creek, a tributary of Post Oak Creek, which flows into Chambers Creek. This supply was authorized by State Board of Water Engineers, Permit No. 803, issued July 1, 1925, with reservoir capacity of 7,653 acre feet. As a supplement to this first supply in Lake Halbert, the City received Permit No. 1534 from the State Board of Water Engineers, dated April 14, 1950, amending Permit No. 803, authorizing a maximum rate of diversion from Chambers Creek of 3,650 acre feet per year (not in addition to original permit) and increasing Lake Halbert by 700 acre feet.

On August 20, 1952, by Permit No. 1640 from the Board of Water Engineers, the City was authorized a second source of 10,000 acre feet per year from Chambers Creek. Water from this source is stored in a side channel reservoir (Lake Corsicana) constructed on the east side of Chambers Creek south of Highway 31, with a capacity of 4,000 acre feet. Pumping facilities were installed to transfer this water to Lake Halbert via a 16" diameter pipeline. By agreement with the Tarrant County Water Control and Improvement District No. 1 (the "District"), water rights in Chambers Creek (13,650 acre-feet) were transferred to Richland-Chambers Reservoir, and the City received $2.1 million dollars for its facilities located on Lake Corsicana, including Lake Corsicana. A pipeline has been constructed to Lake Halbert. The pump station and the Lake Halbert Treatment Plant Expansion will proceed within the next 3 years. Lake Halbert will then be used primarily as a balancing reservoir.

The third source of surface water is from the water impounded by the dam at Navarro Mills Reservoir. The reservoir is located about sixteen miles southwest of the City. Corsicana has contracted through the Trinity River Authority for use of a portion of the water conserved by this reservoir. The annual amount of water available to the Trinity River Authority and the City of Corsicana is 19,400 acre feet, of which the City is entitled to 17,460 acre feet by Permit No. 1948 from the State Board of Water Engineers to the Authority. This permit, dated January 13, 1960, allows use of storm, flood and unappropriated public waters of Richland Creek, a tributary of the Trinity River. Maintenance and operating costs are currently estimated to be approximately $700,000 annually, but may be adjusted as required by the Authority to cover actual costs incurred.

The authorized usage of water from Navarro Mills Reservoir is 15.9 million gallons per day (MGD) (365 day average). The combined supply of water available from the Lake Halbert-Chambers Creek sources is 4.0 MGD. The total raw water supply presently available to the City from the three water supplies is 29.3 MGD (365 day average).

TABLE 1 - HISTORICAL WATER CONSUMPTION

Fiscal Year Ending 9/30	Daily Average	Peak Day Usage	Total Usage
2013	6,328,592	12,635,000	2,309,935,900
2014	5,944,481	11,261,000	2,169,735,700
2015	5,807,222	12,380,000	2,119,635,900
2016	5,880,195	10,282,000	2,146,270,900
2017	6,912,408	10,351,000	2,181,511,200

TABLE - 2 TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

Customer Name	Type of Business	2016/17 Water Usage (in gallons)	% of Total Water Usage	Revenues Received
Rice Water Supply	Wholesale	234,228,000	10.74%	$894,149
MEN Water Supply	Wholesale	126,271,400	5.79%	472,271
Post Oak SUD	Wholesale	118,385,000	5.43%	361,711
Chatfield WSC	Wholesale	117,321,000	5.38%	442,238
Guardian Industries	Commercial/Industrial	73,729,000	3.38%	288,982
B&B Water Supply	Wholesale	69,824,000	3.20%	264,531
Navarro Mills Water Supply	Wholesale	67,351,000	3.09%	255,419
Corbet Water Supply	Wholesale	65,734,000	3.01%	248,133
Pactiv Corporation	Commercial/Industrial	61,257,000	2.81%	233,418
City of Kerens	Wholesale	48,679,000	2.23%	183,180

WATER TREATMENT FACILITIES

The City currently has two water treatment facilities, the Navarro Mills Treatment Plant and the Lake Halbert Treatment Plant.

The Navarro Mills Water Treatment Plant was completed in 1967 and is the primary source of treated water for the City. At present, the Navarro Mills Plant can treat 20.25 MGD, but it cannot deliver more than 12.00 MGD on its present high-pressure system. When demand dictates, the City can switch to a low pressure system and pump 20.25 MGD.

For some period of time after completion of the Navarro Mills Plant, the older Lake Halbert plant was used on a standby basis at a reduced capacity. However, with the addition of several rural water systems as well as the additional demands from industrial and residential customers, the City has found it necessary to operate this plant on a full-time basis. In 1980, the Lake Halbert plant was refurbished, and it currently has water treatment capacity of 4.00 MGD.

WATER STORAGE

Currently, the City has four elevated storage tanks with a total storage capacity of 2.65 million gallons. This elevated storage capacity is adequate for a population of 60,950 persons and is also adequate to meet fire insurance requirements for the next 20 years.

In addition, the City has four ground storage tanks with a combined capacity of 8.36 million gallons, bringing the total water storage capacity of the City to 11.01 million gallons.

TABLE 3 - MONTHLY WATER RATES

Rates Effective 12/01/2014

Class I - Residental and Commercial (Inside City Limits)

$ 17.00	5/8" OR 3/4"	First 1,000 gals + Volumetric Use
17.00	5/8" OR 3/4"	Age 65 & Older- 3,000 gals + Volumetric Use
		Single family residence only
28.49	1"	First 1,000 gals + Volumetric Use
52.52	1 1/2"	First 1,000 gals + Volumetric Use
84.12	2"	First 1,000 gals + Volumetric Use
157.85	3"	First 1,000 gals + Volumetric Use
263.30	4"	First 1,000 gals + Volumetric Use
526.06	6"	First 1,000 gals + Volumetric Use
947.13	8"	First 1,000 gals + Volumetric Use
1,356.42	10"	First 1,000 gals + Volumetric Use

Volumetric Rates

1 - 10,000 gals - $3.45/per 1,000 gals
10,001 - 25,000 gals - $3.60/per 1,000 gals
25,000 + gals - $3.70/per 1,000 gals

Class II - Residental and Commercial (Outside City Limits)

$ 19.36	5/8" OR 3/4"	First 1,000 gals + Volumetric Use
32.30	1"	First 1,000 gals + Volumetric Use
64.20	1 1/2"	First 1,000 gals + Volumetric Use
102.82	2"	First 1,000 gals + Volumetric Use
192.93	3"	First 1,000 gals + Volumetric Use
321.80	4"	First 1,000 gals + Volumetric Use

Wholeslae Contract Customers

Same as Class I up to contact limit at the Volumetric Rate;
after contract limit -$3.76 per 1,000 gals

MULTI – DWELLING WATER USERS

Multi-family rate: Effective October 1, 1999, duplexes, apartments and mobile home parks not being metered on an individual living unit basis, shall be charged 80% of the monthly base rate of residential users based on 80% occupancy, plus a volume charge per 1,000 gallons.

JOINT WATER USERS RATE

Single-family residences not being metered on an individual living unit basis shall be charged a monthly minimum based upon each single-family residence, plus a volume charge per 1,000 gallons in excess of the total volume allowance for the single-family residences connected to the one meter.

WASTEWATER SYSTEM

The Sanitary Sewer System is comprised of two sewage treatment plants, approximately 500,000 feet of collection lines and 26 lift stations. The wastewater collection system serves 7,854 connections.

The Environmental Protection Agency ("EPA") granted a new discharge permit for the activated sludge (Plant No. 2) treatment and the Overland Flow treatment system on August 26, 2008. Dechlorination facilities were constructed in 1991 at both Plant No. 2 and Overland Flow. Dechlorination of the treated wastewater discharge is a requirement of the new permit. Plant No. 2, built in 1957, was modified in 2000 to bring it up to its present design capacity of 8.11 MGD (30 day average). Approximately 35% of the flow to Plant No. 2 is presently being diverted to an overland flow treatment system. The overland flow treatment system was constructed in 1983 and has a design capacity of 1.0 MGD (30 day average).

The sanitary sewer collection system is divided into three major collection systems because of topography. The area of the City presently served by the sewerage system is divided into drainage areas by several tributaries of Post Oak Creek. The South System serves the central business district and adjacent residential areas. The North Collection System serves the remainder of the City and is the largest in area.

The three collection systems flow by gravity to the area northeast of the intersection of Highway 31 and Interstate Highway 45. All sewage from the South and Central Systems is diverted into a 30-inch outfall line and into the newer treatment plant which is located one and one-half miles further to the east. Sewage collected in the North System flows directly into the outfall line to the plant.

The 26 lift stations located throughout the City receive flow from collection mains and pump into laterals of the trunk sewers.

TABLE 4 - WASTEWATER USAGE (GALLONS)

Fiscal Year Ending 9/30	Daily Average	Peak Day Usage	Total Usage
2013	2,585,682	10,755,000	943,773,800
2014	2,514,536	8,999,000	917,805,815
2015	2,393,881	9,995,000	873,766,410
2016	2,359,787	15,968,000	861,322,226
2017	2,942,110	10,007,000	1,073,870,000

INDUSTRIAL WASTE ORDINANCE

The Industrial Waste Ordinance for establishing the standards of industrial wastes was adopted by the City Council in October 1984, and last amended in April 2005.

The Ordinance limits the five-day Biochemical Oxygen Demand ("BOD") 250 mg/l, the suspended solids (TSS) limit to 250mg/l, the chemical oxygen demand (COD) limit to 450mg/l and the fats, oils and grease (FOG) limit to 100 mg/l. Provisions are included which require acceptable pre-treatment of industrial wastes prior to admission into the public sewers, and interceptors for industrial grease, oil and sand. Any exception to the foregoing would require review and acceptance by the City. Industrial treatment and processing facilities to meet these criteria also require approval by the City.

TABLE 5 - MONTHLY SEWER RATES

Rates Effective 12/01/2014

Commercial Wastewater Rates		
$ 18.00	5/8" - 3/4"	Plus $4.00/per 1,000 gals
40.00	> 3/4"	Plus $4.00/per 1,000 gals

Residental Wastewater Rates		
$ 18.00	5/8" - 2"	Plus $4.00/per 1,000 gals up to 12,000 gals
40.00	> 2"	Plus $4.00/per 1,000 gals up to 12,000 gals

Multi-Family Wastewater Rates
80% Base Rate of meter x 80% of units + Volumetric Use

FINANCIAL INFORMATION

TABLE 6 - CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ending September 30,				
	2017[1]	2016	2015	2014	2013
Operating Revenue					
Charges for Services					
Water Sales	$ 10,071,157	$ 9,789,398	$ 9,579,819	$ 9,026,905	$ 9,329,372
Sewer Charges	5,320,759	5,381,109	5,143,950	4,570,219	4,473,592
Tap Fees	51,644	43,085	58,289	66,519	45,910
Other Charges	427,251	477,661	455,899	374,633	854,673
Interest Revenue	-	-	1,518	3,224	11,214
Total Operating Revenue	$ 15,870,811	$ 15,691,253	$ 15,239,475	$ 14,041,500	$ 14,714,761
Operating Expenses					
Costs of Sales and Services	$ 9,790,762	$ 8,587,725	$ 7,108,887	$ 7,742,649	$ 7,104,119
Administration	1,021,908	789,857	534,804	571,374	590,206
Total Operating Expenses	$ 10,812,670	$ 9,377,582	$ 7,643,691	$ 8,314,023	$ 7,694,325
Net Available for Debt Service	$ 5,058,141	$ 6,313,671	$ 7,595,784	$ 5,727,477	$ 7,020,436
Average Annual Debt Service	$ 638,022	$ 880,776	$ 892,513	$ 865,305	$ 1,202,209
Coverage of Debt	7.93x	7.17x	8.51x	6.62x	5.84x
Water Customers	8,901	8,898	8,891	9,020	8,885
Sewer Customers	8,489	7,934	7,928	7,987	7,937

(1) Unaudited.

TABLE 7 – COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2018-2022	$	865,305
Coverage of Average Requirements by 9/30/17 Net Revenues Available for Debt Service		5.85x
Maximum Principal and Interest Requirements, 2014	$	867,329
Coverage of Maximum Requirements by 9/30/17 Net Revenues Available for Debt Service		5.83x
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/2017	$	3,840,000
Interest and Sinking Fund, 1/1/2018	$	1,734,758
Reserve Fund, 1/1/2018	$	707,000

TABLE 8 – VALUE OF THE SYSTEM

	Fiscal Year Ending September 30,				
	2017[(1)]	2016	2015	2014	2013
Land	$ 3,371,797	$ 3,371,797	$ 3,371,797	$ 3,371,797	$ 3,371,797
Buildings and System	60,964,125	59,397,998	57,896,543	57,262,640	55,519,480
Construction in Progress	4,065,325	2,401,924	2,396,260	1,882,508	2,623,978
Machinery and Equipment	21,948,598	21,579,584	21,466,617	21,036,505	20,861,915
Total System	$ 90,349,845	$ 86,751,303	$ 85,131,217	$ 83,553,450	$ 82,377,170
Less: Depreciation	34,047,735	32,301,331	30,562,763	28,935,811	27,187,783
Net System Value	$ 56,302,110	$ 54,449,972	$ 54,568,454	$ 54,617,639	$ 55,189,388

(1) Unaudited.

TABLE 9 – CITY'S EQUITY IN SYSTEM

	Fiscal Year Ending September 30,				
	2017[(1)]	2016	2015	2014	2013
Resources					
Net System Value	$ 56,302,110	$ 54,449,972	$ 54,568,454	$ 54,617,639	$ 55,260,196
Cash and Other Investments	943,296	3,327,923	4,230,410	2,049,732	5,988,097
Other Resources	3,053,747	4,026,057	3,529,498	2,755,650	3,365,012
Total Resources	$ 60,299,153	$ 61,803,952	$ 62,328,362	$ 59,423,021	$ 64,613,305
Obligations					
Revenue Bonds Payable	$ 23,484,767	$ 27,680,473	$ 31,022,455	$ 34,707,594	$ 37,843,568
Other Current Liabilities	1,205,409	1,796,320	2,064,634	1,973,236	1,824,751
Other Noncurrent Liabilities	2,567,362	3,298,183	2,468,575	676,474	896,441
Other Obligations	86,548	81,314	138,555	99,715	-
Total Obligations	$ 27,344,086	$ 32,856,290	$ 35,694,219	$ 37,457,019	$ 40,564,760
City's Equity in the System	$ 32,955,067	$ 28,947,662	$ 26,634,143	$ 21,966,002	$ 24,048,545
Percentage of Equity in the System	54.65%	46.84%	42.73%	36.97%	37.22%

(1) Unaudited.

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APPENDIX C

EXCERPTS FROM THE

CITY OF CORSICANA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2016

The information contained in this Appendix consists of excerpts from the City of Corsicana, Texas Annual Financial Report for the Year Ended September 30, 2016, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corsicana, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13-21, schedule of changes in net pension liability and related ratios on pages 77 and 79 and schedule of contributions on pages 78 and 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 24, 2017, on our consideration of the City of Corsicana, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Corsicana, Texas' internal control over financial reporting and compliance.

Yeldell, Wilson, Wood & Reeve, P.C.

Yeldell, Wilson, Wood, & Reeve, P.C.
Certified Public Accountants

Ennis, Texas
March 24, 2017

As management of the City of Corsicana, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages 2-5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $74,499,206 (*net position*). Of this amount $(6,683,372) represents unrestricted net position (deficit).
- The City's total net position increased by $3,084,311.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of $12,456,876, an increase of $576,388 in comparison with the prior year. Approximately 34.2% of this amount ($4,259,305) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $4,500,302, or approximately 27.8% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, judicial, public safety, community support services, public works, cultural and recreational and building and vehicle maintenance. The business-type activities of the City include utility operations, sanitation and emergency medical services.

The government-wide financial statements can be found on pages 23-24 of this report.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

The basic governmental fund financial statements can be found on pages 25-30 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise funds to account for its utility operations, sanitation and emergency medical services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Operations, Sanitation and Emergency Medical Services funds, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 31-33 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-75 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 77-80 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 84-93 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $74,499,206, at the close of the most recent fiscal year.

CITY OF CORSICANA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 16,752,277	$ 15,209,028	$ 8,632,114	$ 8,981,594	$ 25,384,391	$ 24,190,622
Capital assets	65,064,581	62,106,115	60,628,675	60,234,899	125,693,256	122,341,014
Total assets	81,816,858	77,315,143	69,260,789	69,216,493	151,077,647	146,531,636
Deferred outflows of resources	3,522,776	1,270,628	2,464,327	1,448,216	5,987,103	2,718,844
Long term liabilities	37,920,010	31,627,264	39,309,740	41,279,019	77,229,750	72,906,283
Other liabilities	3,217,109	1,113,465	1,828,296	1,951,140	5,045,405	3,064,605
Total liabilities	41,137,119	32,740,729	41,138,036	43,230,159	82,275,155	75,970,888
Deferred inflows of resources	186,017	1,270,628	104,372	594,069	290,389	1,864,697
Net position:						
Net investment in capital assets	45,756,066	44,373,034	32,264,793	29,060,154	78,020,859	73,433,188
Restricted	2,227,592	287,398	934,127	1,042,449	3,161,719	1,329,847
Unrestricted	(3,967,160)	(86,018)	(2,716,212)	(3,262,122)	(6,683,372)	(3,348,140)
Total net position	$ 44,016,498	$ 44,574,414	$ 30,482,708	$ 26,840,481	$ 74,499,206	$ 71,414,895

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

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

An additional portion of the City's net position (4.24%) represents resources that are subject to external restrictions on how they may be used.

The City’s total net investment in capital assets increased as the additions from capital outlays and work-in-progress exceeded capital related debt issued, depreciation and retirements.

CITY OF CORSICANA'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 2,070,816	$ 1,251,667	$ 22,205,652	$ 20,963,021	$ 24,276,468	$ 22,214,688
Operating grants and contributions	468,043	778,129	468,230	879,834	936,273	1,657,963
Capital grants and contributions	102,030	2,000,997	70,730	-	172,760	2,000,997
General revenues:						
Property taxes	8,109,922	7,860,959	-	-	8,109,922	7,860,959
Sales taxes	6,359,457	6,163,208	-	-	6,359,457	6,163,208
Franchise taxes	2,017,440	2,124,384	-	-	2,017,440	2,124,384
Hotel occupancy taxes	472,337	556,702	-	-	472,337	556,702
Alcoholic beverage taxes	48,679	45,814	-	-	48,679	45,814
Investment earnings	29,487	10,551	6,169	2,108	35,656	12,659
Gain on sale of capital assets	5,568	-	26,940	11,228	32,508	11,228
Miscellaneous	190,370	165,499	-	91,371	190,370	256,870
Total revenues	19,874,149	20,957,910	22,777,721	21,947,562	42,651,870	42,905,472
Expenses:						
General government	2,815,422	3,479,022	-	-	2,815,422	3,479,022
Judicial	531,183	438,625	-	-	531,183	438,625
Public safety	9,514,100	8,895,762	-	-	9,514,100	8,895,762
Community support services	516,407	895,261	-	-	516,407	895,261
Public works	4,801,131	4,259,021	-	-	4,801,131	4,259,021
Cultural and recreational	2,369,467	2,193,046	-	-	2,369,467	2,193,046
Building and vehicle maintenance	453,732	482,805	-	-	453,732	482,805
Interest on long-term debt	765,951	726,296	-	-	765,951	726,296
Utility operations	-	-	12,256,022	10,805,970	12,256,022	10,805,970
Sanitation	-	-	2,880,234	2,687,081	2,880,234	2,687,081
Emergency medical services	-	-	2,663,910	2,952,912	2,663,910	2,952,912
Total expenses	21,767,393	21,369,838	17,800,166	16,445,963	39,567,559	37,815,801
Change in net position before transfers	(1,893,244)	(411,928)	4,977,555	5,501,599	3,084,311	5,089,671
Transfers	1,335,328	2,278,510	(1,335,328)	(2,278,510)	-	-
Change in net position	(557,916)	1,866,582	3,642,227	3,223,089	3,084,311	5,089,671
Net position - beginning, as restated	44,574,414	42,707,832	26,840,481	23,617,392	71,414,895	66,325,224
Net position - ending	$ 44,016,498	$ 44,574,414	$ 30,482,708	$ 26,840,481	$ 74,499,206	$ 71,414,895

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased $557,916 from the prior fiscal year for an ending balance of $44,016,498. This decrease is primarily due to the intentional spend-down of funds in the General Fund. This will be discussed further in the Governmental Funds section, below. Total revenues from governmental activities decreased from the prior year primarily due to decreases in grant revenues, as several large grant projects were completed in the prior year. In addition, property taxes and sales taxes both increased by $248,963 (3.17%) and $196,249 (3.18%), respectively, in the current year. Overall, expenses were down in most categories, except Public Safety, Cultural and Recreational, and Public Works. Street Improvements and Public Safety continue to be areas of focus for the Council.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year resulted in a net increase in net position to an ending balance of $30,482,708. The total increase in net position for business-type activities (utility operations, sanitation and emergency medical services) was $3,642,227 or 13.6% from the prior fiscal year. Revenues were higher in the current year than in the previous year. Expenses increased overall, as well, compared to the prior year. For more information, see the proprietary funds section, below.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2016, the City's governmental funds reported combined fund balances of $12,456,876, an increase of $576,388 in comparison with the prior year. Approximately 34.2% of this amount ($4,259,305) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form ($126,823), 2) restricted for particular purposes ($7,381,284), 3) committed for particular purposes ($548,614) or 4) assigned for particular purposes ($140,850).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $4,500,302, while total fund balance increased to $4,689,025. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 27.8% of total general fund expenditures, while total fund balance represents approximately 29.0% of that same amount.

The fund balance in the City’s general fund decreased by $615,893 during the current fiscal year. Revenues increased slightly over the prior year. Expenditures increased over the prior year by $638,346 (4.11%) due to an intentional spend-down of fund balance by Council to fund various projects, which will be discussed in detail under the General Fund Budgetary Highlights section. Despite funding these projects, the City’s goal of 90 days operating expenses in fund balance was able to be met for the year.

The debt service fund, a major fund, had an decrease in fund balance during the current year of $15,730 to bring the year end fund balance to $144,852.

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

Unrestricted net position (deficit) of the Utility Operations, Sanitation, and Emergency Medical Services funds at the end of the year amounts to $820,192, $(1,184,627) and $(2,351,777). Net position increased in 2016 by $2,418,257, $436,985, and $786,985, respectively. For utility operations, the increase is $315,383 less than the increase in the prior year. This is primarily due to the continued focus by Council to replace aged infrastructure, vehicles, equipment, and meters using cash. For sanitation operations, net position increased by $436,985. Operating revenues increased for the fund, as did operating expenses. However, operating income overall increased by $1,014,046, which contributed to the increase in net position. Emergency Medical Services fund experienced a positive change in net position primarily due to cash receipts for the 1115 Waiver Program. Participation in this program has greatly impacted the net position of the fund. The City hopes that the program will continue to be funded and plans to continue participation in the program. The negative unrestricted net position of the fund, which was caused by the recognition of 50% of the Firefighter's Relief and Retirement pension fund's liability in fiscal year 2015.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City amended the budget in the amount of $1,377,778. $542,778 was to fund expenditures and $835,000 to fund transfers for the following projects:

- $276,778 for an employee compensation package (a $1,350 across the board raise for all full-time employees);
- $700,000 for street maintenance and reconstruction;
- $155,000 for the purchase of new vehicles;
- $45,000 in matching funds for a grant for downtown sidewalk construction;
- $45,000 for a parking lot and sidewalk improvements downtown;
- $41,000 for a down payment on land for to purchase an industrial park;
- $20,000 in additional funds for the fire station renovation project;
- $15,000 for improvements to the new pocket park downtown, Beaton Market; and
- $80,000 for an emergency repair to the GW Jackson (5th Avenue) bridge.

Final budget compared to actual results. General fund actual revenues of $15,218,879 exceeded budgeted revenues of $15,059,308 by $159,571. The main component that experienced an increase was sales tax, which increased $294,457 over budget. Licenses and permits were up $75,706 over budget, as well. These increases offset negative variances in both property and franchise taxes, as well as fines and forfeitures.

Budgeted general fund expenditures of $16,502,114 exceeded actual expenditures of $16,163,690. This $338,424 positive variance in expenditures was achieved largely due to vacancies in staffing in the police department. Staffing levels in the police department have increased, and the police department is now fully staffed.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to $125,693,256 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery, equipment, and vehicles, infrastructure, and improvements. The total increase in capital assets for the current fiscal year was approximately 2.74%.

City of Corsicana's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Land	$ 40,350,512	$ 39,712,480	$ 3,628,703	$ 3,628,703	$ 43,979,215	$ 43,341,183
Construction in progress	1,722,951	3,029,642	2,484,597	2,142,526	4,207,548	5,172,168
Buildings	3,721,907	2,941,788	1,112,433	1,164,672	4,834,340	4,106,460
Machinery, equipment, and vehicles	2,769,478	2,648,691	11,402,609	11,422,901	14,172,087	14,071,592
Infrastructure	16,499,733	13,773,514	-	-	16,499,733	13,773,514
Improvements	-	-	42,000,333	41,876,097	42,000,333	41,876,097
Total	$ 65,064,581	$ 62,106,115	$ 60,628,675	$ 60,234,899	$ 125,693,256	$ 122,341,014

Major capital asset events during the current fiscal year included the following:

- Building and improvements of approximately $1,043,000 were comprised of fire station renovations and a recreational building at the new athletic complex.
- Infrastructure improvements of approximately $3,604,000 were comprised of a new athletic complex and street improvement projects in the City.
- Improvements of approximately $1,235,000 for utility line improvement and relocation.
- Machinery and equipment additions of approximately $1,582,000 were comprised of six vehicles, two emergency medical vehicles, one large dump truck, two excavators, one bull dozer, and other smaller, acquisitions.

Additional information on the City's capital assets can be found in Note 2.E on pages 48-49 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $48,460,000, which is backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises notes payable, line of credit, and capital leases.

City of Corsicana's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Certificates of obligation	$ -	$ 3,300,000	$ 16,245,000	$ 17,315,000	$ 16,245,000	$ 20,615,000
General obligation	21,028,692	15,248,066	6,576,308	8,026,934	27,605,000	23,275,000
Revenue bonds	-	-	4,610,000	5,355,000	4,610,000	5,355,000
Notes payable	715,476	350,822	-	-	715,476	350,822
Line of credit	192,823	192,823	-	-	192,823	192,823
Capital leases	1,581,547	1,581,547	1,780,584	1,299,012	3,362,131	2,880,559
Total	$ 23,518,538	$ 20,673,258	$ 29,211,892	$ 31,995,946	$ 52,730,430	$ 52,669,204

The City's total debt increased by $61,226 (0.12%) during the current fiscal year. The reason for the increase was that the new debt issuance during the year was for an amount that was more than the regularly scheduled principal reductions on the existing outstanding debt.

The City maintains a tax bond rating of "AA-" from Standard & Poor's and a "A1" rating from Moody's Investors Service. The revenue bond rating is "A" from Standard & Poor's and "A2" rating from Moody's Investors Service.

Additional information on the City's long term-debt can be found in Note 2.J on pages 53-58 of this report.

Economic Factors and Next Year’s Budgets and Rates

In the 2017 Budget, General Fund revenues and transfers in are budgeted to increase 0.71% from the 2016 budget year with general property taxes making up about 32.54% of general fund budgeted revenues. Certified assessed taxable valuations increased from the preceding year. However, due to a shift in the ad valorem tax rate, less property tax revenues will be applicable for maintenance and operations of the general fund. The local economy continues to improve, and several new businesses have opened, expanded, or are under construction. These new businesses have already helped the City's tax base to recover some of the valuation losses from prior years. The City’s budgets for all funds continue to be impacted positively by growth in the economy. Being mindful of the economy's continued growth, but still cautious of the volatility of some revenue sources, such as sales taxes, the City’s revenue budget for 2017 is slightly less conservative than the 2016 budget. The growth in Statewide sales tax receipts, including the City's, has slowed down considerably. The City’s sales taxes over the last six months have shown decreases from the prior year. With that information, the City is closely monitoring these revenues, as well as other revenues and expenditures.

Water and wastewater rates have not increased since budget year 2015. The Fund continues to improve, and several improvement projects that would have been delayed or financed continue to be funded with cash. The City continues to replace aged infrastructure and over the past several years has aggressively worked on upgrading the water metering system. These practices will continue during 2017 and in the coming years.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 200 N. 12th Street, Corsicana, Texas 75110.

BASIC FINANCIAL STATEMENTS

CITY OF CORSICANA, TEXAS
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 13,078,144	$ 2,612,956	$ 15,691,100
Restricted cash and cash equivalents	-	1,845,564	1,845,564
Receivables (net of allowance for uncollectibles)	3,511,034	4,057,705	7,568,739
Intergovernmental receivables	126	30,321	30,447
Internal balances	36,150	(36,150)	-
Inventories	22,080	1,260	23,340
Prepaid items	104,743	120,458	225,201
Capital assets:			
Non-depreciable	42,073,463	6,113,300	48,186,763
Depreciable (net of accumulated depreciation)	22,991,118	54,515,375	77,506,493
Total Assets	81,816,858	69,260,789	151,077,647
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	76,882	455,678	532,560
Changes in actuarial assumptions	405,655	209,297	614,952
Pension contributions after measurement date	791,288	459,191	1,250,479
Difference in projected and actual earnings on pension assets	2,248,951	1,340,161	3,589,112
Total Deferred Outflows of Resources	3,522,776	2,464,327	5,987,103
LIABILITIES			
Accounts payable and other current liabilities	2,537,025	685,550	3,222,575
Accrued payroll payable	585,262	316,622	901,884
Accrued interest payable	94,822	129,482	224,304
Customer deposits payable	-	621,900	621,900
Unearned revenue	-	55,571	55,571
Liabilities payable from restricted assets	-	19,171	19,171
Noncurrent liabilities:			
Due within one year	2,310,364	3,785,580	6,095,944
Due in more than one year	35,609,646	35,524,160	71,133,806
Total Liabilities	41,137,119	41,138,036	82,275,155
DEFERRED INFLOWS OF RESOURCES			
Difference in expected and actual pension experience	186,017	104,372	290,389
Total Deferred Inflows of Resources	186,017	104,372	290,389
NET POSITION			
Net investment in capital assets	45,756,066	32,264,793	78,020,859
Restricted for:			
General government	1,317,511	-	1,317,511
Judicial	247,763	-	247,763
Public safety	58,269	-	58,269
Community support services	174,923	-	174,923
Cultural and recreational	284,274	-	284,274
Debt service	144,852	934,127	1,078,979
Unrestricted	(3,967,160)	(2,716,212)	(6,683,372)
Total Net Position	$ 44,016,498	$ 30,482,708	$ 74,499,206

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

CITY OF CORSICANA, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Activities	Total
Function/Programs:							
Primary government:							
Governmental activities:							
General government	$ 2,815,422	$ 163,424	$ 367,271	$ 28,359	$ (2,256,368)	$ -	$ (2,256,368)
Judicial	531,183	-	-	-	(531,183)	-	(531,183)
Public safety	9,514,100	423,888	10,542	16,259	(9,063,411)	-	(9,063,411)
Community support services	516,407	349,988	-	-	(166,419)	-	(166,419)
Public works	4,801,131	842,467	-	-	(3,958,664)	-	(3,958,664)
Cultural and recreational	2,369,467	291,049	90,230	57,412	(1,930,776)	-	(1,930,776)
Building and vehicle maintenance	453,732	-	-	-	(453,732)	-	(453,732)
Interest on long-term debt	765,951	-	-	-	(765,951)	-	(765,951)
Total governmental activities	21,767,393	2,070,816	468,043	102,030	(19,126,504)	-	(19,126,504)
Business-type activities:							
Utility operations	12,256,022	15,691,253	14,686	70,730	-	3,520,647	3,520,647
Sanitation	2,880,234	3,869,133	10,029	-	-	998,928	998,928
Emergency medical services	2,663,910	2,645,266	443,515	-	-	424,871	424,871
Total business-type activities	17,800,166	22,205,652	468,230	70,730	-	4,944,446	4,944,446
Total primary government	$ 39,567,559	$ 24,276,468	$ 936,273	$ 172,760	(19,126,504)	4,944,446	(14,182,058)
General revenues:							
Property taxes					8,109,922	-	8,109,922
Sales taxes					6,359,457	-	6,359,457
Franchise taxes					2,017,440	-	2,017,440
Hotel occupancy taxes					472,337	-	472,337
Alcoholic beverage taxes					48,679	-	48,679
Investment earnings					29,487	6,169	35,656
Gain on sale of capital asset					5,568	26,940	32,508
Miscellaneous					190,370	-	190,370
Transfers					1,335,328	(1,335,328)	-
Total general revenues and transfers					18,568,588	(1,302,219)	17,266,369
Change in net position					(557,916)	3,642,227	3,084,311
Net position - beginning, as restated					44,574,414	26,840,481	71,414,895
Net position - ending					$ 44,016,498	$ 30,482,708	$ 74,499,206

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

CITY OF CORSICANA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,597,168	$ 131,248	$ 9,349,728	$ 13,078,144
Receivables (net of allowance for uncollectibles)	2,985,032	114,655	411,347	3,511,034
Intergovernmental receivables	126	-	-	126
Due from other funds	280,285	-	-	280,285
Inventories	15,654	-	6,426	22,080
Prepaid items	91,051	-	13,692	104,743
Total assets	$ 6,969,316	$ 245,903	$ 9,781,193	$ 16,996,412
LIABILITIES				
Accounts payable and other current liabilities	$ 814,373	$ 8,664	$ 1,713,988	$ 2,537,025
Accrued payroll payable	572,689	-	12,573	585,262
Due to other funds	-	-	244,135	244,135
Total liabilities	1,387,062	8,664	1,970,696	3,366,422
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property tax	313,469	92,387	-	405,856
Unavailable revenue-court fines	579,760	-	-	579,760
Unavailable revenue-other	-	-	187,498	187,498
Total deferred inflows of resources	893,229	92,387	187,498	1,173,114
FUND BALANCES				
Nonspendable:				
Inventories	15,654	-	6,426	22,080
Prepaid items	91,051	-	13,692	104,743
Restricted:				
Tourism	-	-	176,086	176,086
Economic development	-	-	1,141,425	1,141,425
Municipal court	-	-	247,763	247,763
Police	-	-	51,365	51,365
Fire	-	-	6,890	6,890
Cemetery	-	-	137,099	137,099
Airport	-	-	99,285	99,285
Parks and recreation	-	-	184,989	184,989
Other purposes	-	-	37,838	37,838
Debt service	-	144,852	-	144,852
Capital projects	-	-	5,153,692	5,153,692
Committed:				
Streets	-	-	548,614	548,614
Assigned:				
Public works	80,000	-	58,832	138,832
Cultural and recreational	2,018	-	-	2,018
Unassigned	4,500,302	-	(240,997)	4,259,305
Total fund balances	4,689,025	144,852	7,622,999	12,456,876
Total liabilities, deferred inflows of resources and fund balances	$ 6,969,316	$ 245,903	$ 9,781,193	$ 16,996,412

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

CITY OF CORSICANA, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2016

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

Total fund balances - governmental funds (page 25)		$ 12,456,876
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		65,064,581
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,173,114
Deferred outflows of resources are not reported in the governmental funds:		
Deferred charges on refunding	$ 76,882	
Changes in actuarial assumptions	405,655	
Pension contributions after measurement date	791,288	
Difference in projected and actual earnings on pension assets	2,248,951	3,522,776
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(94,822)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Due within one year	(2,310,364)	
Due in more than one year	(35,609,646)	(37,920,010)
Deferred inflows of resources are not reported in the governmental funds:		
Difference in expected and actual pension experience		(186,017)
Net position of governmental activities (page 23)		$ 44,016,498

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

CITY OF CORSICANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Fiscal Year Ended September 30, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 5,703,463	$ 2,190,790	$ 166,667	$ 8,060,920
Sales taxes	6,359,457	-	-	6,359,457
Franchise taxes	2,017,440	-	-	2,017,440
Hotel occupancy taxes	-	-	472,337	472,337
Alcoholic beverage taxes	48,679	-	-	48,679
Licenses and permits	266,116	-	-	266,116
Fines and forfeitures	277,440	-	115,727	393,167
Charges for current services	160,835	-	1,119,820	1,280,655
Investment earnings	16,133	335	13,018	29,486
Miscellaneous	210,278	1,913	146,217	358,408
Intergovernmental	144,348	-	326,187	470,535
Contributions and donations	14,690	-	175,592	190,282
Total revenues	15,218,879	2,193,038	2,535,565	19,947,482
EXPENDITURES				
Current:				
General government	1,943,598	-	640,425	2,584,023
Judicial	497,872	-	107,095	604,967
Public safety	8,436,025	-	12,444	8,448,469
Community support services	475,490	-	158,928	634,418
Public works	2,414,663	-	1,735,750	4,150,413
Cultural and recreational	1,844,139	-	681,295	2,525,434
Building and vehicle maintenance	373,926	-	-	373,926
Debt service:				
Principal retirement	173,508	1,490,347	161,445	1,825,300
Interest and fiscal charges	4,469	630,073	24,492	659,034
Bond issuance costs	-	100,592	79,732	180,324
Capital outlay:				
General government	-	-	114,119	114,119
Public safety	-	-	557,283	557,283
Community support services	-	-	1,362	1,362
Public works	-	-	2,945,392	2,945,392
Cultural and recreational	-	-	1,362	1,362
Total expenditures	16,163,690	2,221,012	7,221,124	25,605,826
Excess (deficiency) of revenues over (under) expenditures	(944,811)	(27,974)	(4,685,559)	(5,658,344)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,069,501	-	2,009,965	4,079,466
Transfers out	(2,119,185)	-	(624,953)	(2,744,138)
Refunding bonds issued	-	4,675,000	-	4,675,000
General obligation bonds issued	-	-	3,835,000	3,835,000
Premium on bonds issued	-	334,595	255,196	589,791
Payment to refunded bond escrow agent	-	(4,997,351)	-	(4,997,351)
Capital leases	-	-	267,787	267,787
Note proceeds	366,124	-	-	366,124
Sale of capital assets	12,478	-	150,575	163,053
Total other financing sources (uses)	328,918	12,244	5,893,570	6,234,732
Net change in fund balances	(615,893)	(15,730)	1,208,011	576,388
Fund balances - beginning, as restated	5,304,918	160,582	6,414,988	11,880,488
Fund balances - ending	$ 4,689,025	$ 144,852	$ 7,622,999	$ 12,456,876

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

CITY OF CORSICANA, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

Amounts reported for governmental activities in the statement of activities (page 24) are different because:

Net Change in Fund Balances - total governmental funds (page 27)		$ 576,388
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		4,651,452
The net effect of various miscellaneous transactions involving capital assets (i.e., asset retirements/disposals) is to decrease net position.		(162,135)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(1,530,851)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bonds issued	$ (8,510,000)	
Deferred charge on refunding	67,350	
Bond premiums/discounts	(589,791)	
Bond principal retirement	6,029,374	
Amortization of deferred charge on refunding	(5,924)	
Amortization of bond premiums/discounts	59,684	
Note payable issued	(366,124)	
Note payable retirement	2,932	
Amortization of discount on note payable	(1,462)	
Line of credit retirement	109,826	
Capital leases issued	(267,787)	
Capital leases retirement	613,168	(2,858,754)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		21,105
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(74,256)
Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension amounts.		
Changes in actuarial assumptions	405,655	
Pension contributions after measurement date	30,645	
Difference in projected and actual earnings on pension assets	1,755,567	
Difference in expected and actual pension experience	(166)	2,191,701
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	110,270	
Net pension liability	(3,482,836)	(3,372,566)
Change in net position of governmental activities (page 24)		$ (557,916)

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

CITY OF CORSICANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Fiscal Year Ended September 30, 2016

	Budget Amounts		**Actual**	**Variance with Final Budget - Over (Under)**
	Original	**Final**	**Amounts**	**Budget**
REVENUES				
Property taxes	$ 5,829,708	$ 5,829,708	$ 5,703,463	$ (126,245)
Sales taxes	6,065,000	6,065,000	6,359,457	294,457
Franchise taxes	2,135,750	2,135,750	2,017,440	(118,310)
Alcoholic beverage taxes	50,000	50,000	48,679	(1,321)
Licenses and permits	190,410	190,410	266,116	75,706
Fines and forfeitures	375,700	375,700	277,440	(98,260)
Charges for current services	150,543	150,543	160,835	10,292
Investment earnings	5,052	5,052	16,133	11,081
Miscellaneous	162,045	162,045	210,278	48,233
Intergovernmental	95,100	95,100	144,348	49,248
Contributions and donations	-	-	14,690	14,690
Total revenues	15,059,308	15,059,308	15,218,879	159,571
EXPENDITURES				
Current:				
General government:				
Administration:				
Mayor and council	27,139	27,139	35,109	7,970
Administration	272,628	326,019	298,937	(27,082)
Human resources	104,138	106,295	107,724	1,429
Civil service	76,169	77,671	74,516	(3,155)
Tax	140,750	140,750	138,874	(1,876)
Finance	555,805	568,248	531,405	(36,843)
Health services	42,000	42,000	42,000	-
Total administration	1,218,629	1,288,122	1,228,565	(59,557)
Non departmental	254,000	295,000	715,033	420,033
Total general government	1,472,629	1,583,122	1,943,598	360,476
Judicial:				
Legal	114,815	116,474	177,767	61,293
Municipal court	317,589	325,884	320,105	(5,779)
Total judicial	432,404	442,358	497,872	55,514
Public safety:				
Police	4,882,323	5,078,909	4,654,848	(424,061)
Fire	3,351,145	3,409,943	3,494,311	84,368
Emergency management	19,640	19,640	14,180	(5,460)
Animal control	120,132	124,292	117,492	(6,800)
Animal shelter	161,127	163,623	155,194	(8,429)
Total public safety	8,534,367	8,796,407	8,436,025	(360,382)

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

CITY OF CORSICANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (continued)
For the Fiscal Year Ended September 30, 2016

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under) Budget
Community support services:				
Inspections	$ 158,996	$ 162,656	$ 159,058	$ (3,598)
Planning and zoning	63,988	65,403	54,635	(10,768)
Code compliance	191,707	194,594	261,797	67,203
Total community support services	414,691	422,653	475,490	52,837
Public works:				
Information technology	125,961	127,624	101,510	(26,114)
Engineering	495,237	504,388	427,388	(77,000)
Streets	2,053,785	2,160,362	1,885,765	(274,597)
Total public works	2,674,983	2,792,374	2,414,663	(377,711)
Cultural and recreational:				
Parks and recreation	1,047,005	1,061,221	1,092,387	31,166
Lakes and grounds	97,143	97,975	111,708	13,733
Senior activity center	98,192	101,063	108,145	7,082
Swimming pool	90,146	90,146	90,492	346
Library	439,696	450,060	441,407	(8,653)
Total cultural and recreational	1,772,182	1,800,465	1,844,139	43,674
Building and vehicle maintenance:				
K. Wolens BIC	32,537	32,537	29,734	(2,803)
Maintenance service center	233,251	238,243	155,952	(82,291)
Municipal buildings	208,717	210,380	188,240	(22,140)
Total building and vehicle maintenance	474,505	481,160	373,926	(107,234)
Debt service:				
Principal retirement	180,388	180,388	173,508	(6,880)
Interest and fiscal charges	3,187	3,187	4,469	1,282
Total debt service	183,575	183,575	177,977	(5,598)
Total expenditures	15,959,336	16,502,114	16,163,690	(338,424)
Excess (deficiency) of revenues over (under) expenditures	(900,028)	(1,442,806)	(944,811)	497,995
OTHER FINANCING SOURCES (USES)				
Transfers in	2,070,645	2,070,645	2,069,501	(1,144)
Transfers out	(1,190,000)	(2,025,000)	(2,119,185)	(94,185)
Note proceeds	-	-	366,124	366,124
Sale of capital assets	30,000	30,000	12,478	(17,522)
Total other financing sources (uses)	910,645	75,645	328,918	253,273
Net change in fund balances	10,617	(1,367,161)	(615,893)	751,268
Fund balances - beginning, as restated	4,868,973	5,305,097	5,304,918	(179)
Fund balances - ending	$ 4,879,590	$ 3,937,936	$ 4,689,025	$ 751,089

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

CITY OF CORSICANA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

	Business-type Activities - Enterprise Funds			
	Utility Operations	**Sanitation**	**Emergency Medical Services**	**Total**
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1,701,373	$ 856,576	$ 55,007	$ 2,612,956
Restricted cash and cash equivalents	19,171	-	-	19,171
Receivables (net of allowance for uncollectibles)	2,394,636	658,294	1,004,775	4,057,705
Intergovernmental receivable	30,321	-	-	30,321
Inventories	-	1,260	-	1,260
Prepaid items	116,055	153	4,250	120,458
Total current assets	4,261,556	1,516,283	1,064,032	6,841,871
Noncurrent assets:				
Restricted cash and cash equivalents	1,607,379	219,014	-	1,826,393
Capital assets (net, where applicable of accumulated depreciation)	54,527,626	5,581,643	519,406	60,628,675
Total noncurrent assets	56,135,005	5,800,657	519,406	62,455,068
Total assets	60,396,561	7,316,940	1,583,438	69,296,939
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	455,678	-	-	455,678
Changes in actuarial assumptions	153,857	50,330	5,110	209,297
Pension contributions after measurement date	212,983	69,671	176,537	459,191
Difference in projected and actual earnings on pension assets	662,527	208,897	468,737	1,340,161
Total deferred outflows of resources	1,485,045	328,898	650,384	2,464,327
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	509,656	160,981	14,913	685,550
Accrued payroll payable	167,189	51,563	97,870	316,622
Due to other funds	36,150	-	-	36,150
Compensated absences	71,665	25,034	45,519	142,218
Customer deposits payable	621,900	-	-	621,900
Accrued interest payable	128,607	875	-	129,482
Bonds payable	3,175,000	20,626	-	3,195,626
Capital lease payable	211,661	226,004	10,071	447,736
Unearned revenue	30,321	-	25,250	55,571
Current liabilities payable from restricted assets:				
Accounts payable	19,171	-	-	19,171
Total current liabilities	4,971,320	485,083	193,623	5,650,026
Noncurrent liabilities:				
Compensated absences	365,095	127,535	231,354	723,984
Bonds payable	24,505,473	230,143	-	24,735,616
Capital lease payable	493,425	824,791	14,632	1,332,848
Landfill closure liability	-	1,844,387	-	1,844,387
Net pension liability	2,439,663	798,063	3,649,599	6,887,325
Total noncurrent liabilities	27,803,656	3,824,919	3,895,585	35,524,160
Total liabilities	32,774,976	4,310,002	4,089,208	41,174,186
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension experience	81,314	21,370	1,688	104,372
Total deferred inflows of resources	81,314	21,370	1,688	104,372
NET POSITION (DEFICIT)				
Net investment in capital assets	27,490,011	4,280,079	494,703	32,264,793
Restricted for debt service	715,113	219,014	-	934,127
Unrestricted	820,192	(1,184,627)	(2,351,777)	(2,716,212)
Total net position (deficit)	$ 29,025,316	$ 3,314,466	$ (1,857,074)	$ 30,482,708

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

CITY OF CORSICANA, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Fiscal Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Utility Operations	**Sanitation**	**Emergency Medical Services**	**Total**
Operating revenues:				
Water	$ 9,789,398	$ -	$ -	$ 9,789,398
Sewer	5,381,109	-	-	5,381,109
Tap fees	43,085	-	-	43,085
Other charges	477,661	29,215	17,409	524,285
Garbage collection fees	-	1,287,950	-	1,287,950
Landfill	-	2,551,968	-	2,551,968
Emergency medical services	-	-	2,627,857	2,627,857
Total operating revenues	15,691,253	3,869,133	2,645,266	22,205,652
Operating expenses:				
Costs of sales and services	8,587,725	2,557,967	2,520,778	13,666,470
Administration	789,857	19,293	19,792	828,942
Depreciation and amortization	1,845,178	277,827	122,990	2,245,995
Total operating expenses	11,222,760	2,855,087	2,663,560	16,741,407
Operating income (loss)	4,468,493	1,014,046	(18,294)	5,464,245
Nonoperating revenue (expenses):				
Intergovernmental	-	-	443,515	443,515
Investment earnings	4,675	1,405	89	6,169
Gain on disposal of assets	19,440	-	7,500	26,940
Interest and fiscal charges	(1,033,262)	(25,147)	(350)	(1,058,759)
Total nonoperating revenue (expenses)	(1,009,147)	(23,742)	450,754	(582,135)
Income (loss) before contributions and transfers	3,459,346	990,304	432,460	4,882,110
Capital contributions	85,416	10,029	-	95,445
Transfer in	624,953	-	385,000	1,009,953
Transfer out	(1,751,458)	(563,348)	(30,475)	(2,345,281)
Change in net position	2,418,257	436,985	786,985	3,642,227
Total net position (deficit) - beginning, as restated	26,607,059	2,877,481	(2,644,059)	26,840,481
Total net position (deficit) - ending	$29,025,316	$3,314,466	$(1,857,074)	$30,482,708

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

CITY OF CORSICANA, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Utility Operations	**Sanitation**	**Emergency Medical Services**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 15,755,669	$ 3,645,545	$ 3,621,213	$ 23,022,427
Payments to suppliers	(6,635,854)	(1,451,084)	(938,945)	(9,025,883)
Payments to employees	(2,975,523)	(920,969)	(2,321,223)	(6,217,715)
Net cash provided by (used for) operating activities	6,144,292	1,273,492	361,045	7,778,829
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	6,358	-	-	6,358
Repayment of advances from other funds	-	-	(982,386)	(982,386)
Transfers from other funds	624,953	-	385,000	1,009,953
Transfers to other funds	(1,751,458)	(563,348)	(30,475)	(2,345,281)
Operating grants	-	-	443,515	443,515
Net cash provided by (used for) noncapital financing activities	(1,120,147)	(563,348)	(184,346)	(1,867,841)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	85,416	10,029	-	95,445
Acquisition and construction of capital assets	(1,734,606)	(548,073)	(260,266)	(2,542,945)
Principal paid on bond maturities	(3,245,000)	(23,274)	-	(3,268,274)
Interest paid on bond maturities	(1,163,233)	(8,569)	-	(1,171,802)
Proceeds from capital leases	409,600	554,800	30,475	994,875
Principal paid on leased assets	(290,684)	(216,674)	(5,943)	(513,301)
Interest paid on leased assets	(12,240)	(18,643)	(350)	(31,233)
Proceeds from the sale of capital assets	19,440	-	7,500	26,940
Net cash provided by (used for) capital and related financing activities	(5,931,307)	(250,404)	(228,584)	(6,410,295)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	4,675	1,405	89	6,169
Net cash provided by investing activities	4,675	1,405	89	6,169
Net change in cash and cash equivalents	(902,487)	461,145	(51,796)	(493,138)
Cash and cash equivalents October 1	4,230,410	614,445	106,803	4,951,658
Cash and cash equivalents September 30	$ 3,327,923	$ 1,075,590	$ 55,007	$ 4,458,520
Reported on Statement of Net Position				
Cash and cash equivalents	$ 1,701,373	$ 856,576	$ 55,007	$ 2,612,956
Restricted cash and cash equivalents	1,626,550	219,014	-	1,845,564
Total cash and cash equivalents	$ 3,327,923	$ 1,075,590	$ 55,007	$ 4,458,520
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 4,468,493	$ 1,014,046	$ (18,294)	$ 5,464,245
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,845,178	277,827	122,990	2,245,995
(Increase) decrease in accounts receivable	27,283	(229,905)	14,424	(188,198)
(Increase) decrease in intergovernmental receivables	14,516	6,317	961,523	982,356
(Increase) decrease in inventories	-	1,709	-	1,709
(Increase) decrease in prepaid items	30,447	(98)	6,153	36,502
(Increase) decrease in pension related deferred outflows	(640,943)	(237,238)	(210,067)	(1,088,248)
Increase (decrease) in accounts payable	(218,735)	(23,355)	(12,402)	(254,492)
Increase (decrease) in accrued payroll payable	17,374	27,135	31,555	76,064
Increase (decrease) in compensated absences	15,652	31,154	37,376	84,182
Increase (decrease) in pension related deferred inflows	(5,234)	642	269	(4,323)
Increase (decrease) in unearned revenue	(21,686)	(6,318)	(401,799)	(429,803)
Net increase in customer deposits	22,617	-	-	22,617
Increase in landfill closure liability	-	56,657	-	56,657
Increase (decrease) in net pension liability	589,330	354,919	(170,683)	773,566
Total adjustments	1,675,799	259,446	379,339	2,314,584
Net cash provided by (used for) operating activities	$ 6,144,292	$ 1,273,492	$ 361,045	$ 7,778,829
Schedule of non-cash transactions:				
Capital assets purchased on account	$ 19,171	$ -	$ -	

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Corsicana, Texas (the "City") was incorporated July 11, 1848, while the City's Home Rule Charter was adopted in 1917 and last updated by election in 2007. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general and administrative, water and wastewater services.

The City applies the criteria set forth in GASB Statement No. 61, The Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected official's accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City presently has no component units included within its reporting entity.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of presentation – government-wide financial statements (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's utility operations, sanitation and emergency medical services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the accumulation of resources for the payment of general debt principal, interest and related costs. The revenue source is principally ad valorem taxes levied by the City.

The City reports the following major proprietary funds:

The *utility operations fund* accounts for the activities of the water and wastewater operations that are intended to be self-supporting through user charges.

The *sanitation fund* accounts for the sanitation operations that are intended to be self-supporting through user charges.

The *emergency medical services* fund accounts for the emergency medical service operations that are intended to be self-supporting through user charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation – fund financial statements (continued)

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

F. Budgetary information

1. *Budgetary basis of accounting*

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The annual budgets for the proprietary funds are prepared on the budgetary basis of accounting. Appropriations in all budgeted funds lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Investments*

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexSTAR. In accordance with state law, TexPool and TexSTAR operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexSTAR qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool and TexSTAR are subject to regulatory oversight by the State Treasurer, although they are not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing Participant Services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a $1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pool cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, are governed by the Texas Public Funds Investment Act, and are in full compliance with the Act.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAm by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

J.P. Morgan Investment Management Inc. ("JPMIM" or the "investment manager") and Hilltop Securities Inc. ("HTS") serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (the "Board"). JPMIM provides investment management services, and First Southwest, a Division of HTS, provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. ("BFDS" or the "Transfer Agent"). Each of JPMIM, HTS, BFDS, and JPMorgan Chase Bank, N.A. may provide certain services, including those described herein, through the use of subcontractors or delegates.

The City also invests in a government money market fund managed by Wells Fargo Asset Management which seeks current income, while preserving capital and liquidity. It invests in high-quality, short-term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. The fund seeks to maintain a $1.00 value per share. The fund is rated AAAm by Standard & Poor's. The weighted average maturities of the fund cannot exceed 45 days, with the maximum maturity of any investment limited to 95 days.

3. *Restricted assets*

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account.

4. *Inventories and prepaid items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. *Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of one year.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The amount of interest capitalized depends on the specific circumstances. Certificates of obligation were issued in the prior year to finance utility fund projects. Accordingly, the interest was capitalized in the amount of $77,656.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	20-50
Machinery and equipment	3-20
Infrastructure	20-50
Improvements	10-40

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan, (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (3) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit plan, and (4) deferred charge on refunding. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 3.84 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for the difference between expected and actual experience data used by the actuary. This deferred inflow of resources is attributed to pension expense over a total of 3.84 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, *unavailable revenue* from property taxes, court fines, and other are reported in the governmental funds balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. *Long-term obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Net position flow assumption*

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. *Fund balance flow assumption*

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance —amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

Restricted fund balance —amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance —amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance —amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance— amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

10. *Deficit fund equity*

As of September 30, 2016, the Tax Increment Financing District fund, a nonmajor capital projects fund, had a deficit fund balance of $240,997. The deficit fund balance will be covered with the collection of the special assessment within the District.

H. Revenues and expenditures/expenses

1. *Program revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property taxes*

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Navarro Central Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Navarro County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

3. *Compensated absences*

The City's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Vacation leave shall be taken during the year following its accumulation.

4. *Proprietary funds operating and nonoperating revenues and expenses*

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

5. Pensions

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

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2016. At year end, the bank balance of the City's deposits was $10,890,564. Of the bank balance, $978,799 was covered by federal depository insurance and the remaining balance, $9,911,765, was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately $13,276,000.

B. Investments

Public funds of the City of Corsicana, Texas may be invested in the following: (1) obligations of the United States or its agencies with stated maturity not to exceed two years, (2) direct obligations of the State of Texas or its agencies with a stated maturity not to exceed two years, (3) 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 its agencies, including obligations that are fully insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States and with stated maturity not to exceed two years, (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent along with a stated maturity not to exceed two years, (5) certificates of deposit issued by state and national banks having an office in Texas, (6) no-load money market mutual fund, and (7) eligible Investment Pools as defined in Section 2256.016 of the Texas Government Code.

As of September 30, 2016, the City had the following investments:

Investment Type	**Fair Value**	**Credit Rating [1]**
TexPool	$ 3,253,523	AAAm
TexSTAR	3,549,439	AAAm
Governmental money market fund	269,465	AAAm
	$ 7,072,427	

[1] Per Standard & Poor's

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Investments (continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool, TexSTAR, and governmental money market fund are considered cash equivalents on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial

C. Restricted assets

The balances of the restricted asset accounts in the proprietary fund are as follows:

Revenue bond construction account	$ 911,437
Revenue bond debt service account	35,641
Revenue bond reserve account	898,486
	$ 1,845,564

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service, nonmajor governmental, utility, sanitation and emergency medical service funds, including the applicable allowances for uncollectible accounts:

	General	Debt Service	Nonmajor Governmental	Utility Operations	Sanitation	Emergency Medical Services
Receivables:						
Taxes	$ 1,976,021	$ 118,936	$ 775	$ -	$ -	$ -
Court fines	1,656,456	-	-	-	-	-
Accounts	-	-	-	1,848,151	743,796	3,800,527
Other	1,259,560	13,559	410,572	866,137	-	1,509
Gross receivables	4,892,037	132,495	411,347	2,714,288	743,796	3,802,036
Less: allowance for uncollectibles	(1,907,005)	(17,840)	-	(319,652)	(85,502)	(2,797,261)
Net total receivables	$ 2,985,032	$ 114,655	$ 411,347	$ 2,394,636	$ 658,294	$ 1,004,775

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets

Capital asset activity for the year ended September 30, 2016, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 39,712,480	$ 795,940	$ (157,908)	$ 40,350,512
Construction in progress	3,029,642	3,076,217	(4,382,908)	1,722,951
Total capital assets not being depreciated	42,742,122	3,872,157	(4,540,816)	42,073,463
Capital assets being depreciated:				
Buildings	18,054,184	1,043,225	-	19,097,409
Machinery, equipment, and vehicles	8,074,973	515,078	(85,909)	8,504,142
Infrastructure	29,661,376	3,603,900	(8,748)	33,256,528
Totals capital assets being depreciated	55,790,533	5,162,203	(94,657)	60,858,079
Less accumulated depreciation for:				
Buildings	(15,112,396)	(263,106)	-	(15,375,502)
Machinery, equipment, and vehicles	(5,426,282)	(390,064)	81,682	(5,734,664)
Infrastructure	(15,887,862)	(877,681)	8,748	(16,756,795)
Total accumulated depreciation	(36,426,540)	(1,530,851)	90,430	(37,866,961)
Total capital assets, being depreciated, net	19,363,993	3,631,352	(4,227)	22,991,118
Governmental activities capital assets, net	$ 62,106,115	$ 7,503,509	$ (4,545,043)	$ 65,064,581

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

Governmental activities:

General government	$ 305,966
Public safety	240,224
Community support services	24,601
Public works	795,833
Cultural and recreational	92,618
Building and vehicle maintenance	71,609
Total depreciation expense - governmental activities	$ 1,530,851

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets (continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 3,628,703	$ -	$ -	$ 3,628,703
Construction in progress	2,142,526	1,062,484	(720,413)	2,484,597
Total capital assets not being depreciated	5,771,229	1,062,484	(720,413)	6,113,300
Capital assets being depreciated:				
Buildings	4,392,546	-	-	4,392,546
Machinery, equipment, and vehicles	26,878,007	1,066,437	(269,402)	27,675,042
Improvements	58,517,500	1,234,587	-	59,752,087
Total capital assets being depreciated	89,788,053	2,301,024	(269,402)	91,819,675
Less accumulated depreciation for:				
Buildings	(3,227,874)	(52,239)	-	(3,280,113)
Machinery, equipment, and vehicles	(15,455,106)	(1,083,405)	266,078	(16,272,433)
Improvements	(16,641,403)	(1,110,351)	-	(17,751,754)
Total accumulated depreciation	(35,324,383)	(2,245,995)	266,078	(37,304,300)
Total capital assets being depreciated, net	54,463,670	55,029	(3,324)	54,515,375
Business-type capital assets, net	$ 60,234,899	$ 1,117,513	$ (723,737)	$ 60,628,675

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-type activities:	
Utility operations	$ 1,845,178
Sanitation	277,827
Emergency medical services	122,990
Total depreciation expense - business-type activities	$ 2,245,995

F. Construction commitments

The City has active construction projects as of September 30, 2016. The projects include infrastructure improvements and utility system improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining commitment
Infrastructure and utility system improvements	$ 1,522,629	$ 3,794,888
Utility system improvements	296,140	105,000
	$ 1,818,769	$ 3,899,888

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Construction commitments (continued)

The infrastructure improvements projects are commitments of the City's capital projects funds. The projects are being funded by certificates of obligation.

The utility system improvements projects are a commitment of the Utility Operations fund. The projects are being funded by certificates of obligation.

G. Other significant commitments

Tax Increment Financing ("TIF") Reinvestment Zone Number 1 - As set forth in Ordinance No. 2289, dated August 21, 2001, the City created Tax Increment Financing ("TIF") Reinvestment Zone Number 1 (the "Zone") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in the Zone. Pursuant to Resolution No. 1028, approved on December 18, 2001, the City authorized the execution of a development agreement with Corsicana-Navarro County Developers, L.L.C. ("Company"). Under the agreement, the Company was to design and construct public improvements including the extension of water and fire protection services, the extension of sanitary sewer services, earthwork and street construction in the Zone. Following completion of the public improvements with funding provided by the Company, the City shall acquire the public improvements and reimburse the acquisition funding by the use of TIF increment funds.

Subject to the terms of the agreement, the City agrees to reimburse the Company in the amount of $250,000 in any fiscal year, not to exceed 75% of the total funds deposited into the Tax Increment Financing District fund in any one fiscal year unless authorized by the TIF District Board of Directors. As of September 30, 2016, the unreimbursed costs due the Company totaled $1,699,347.

Retail Center Development Agreement – On February 3, 2004, the City, along with Navarro County, executed a retail center development agreement with The Corsicana Industrial Foundation, Inc. ("Foundation"). Under the agreement, the City and County agrees to grant to the Foundation 50% to 100% of the sales tax generated by businesses located in a retail center. The Foundation agrees to use all of the moneys from the grant solely for the purpose of repayment of debt associated with the funding incentives offered to a business located in the center. This agreement shall terminate upon repayment of the debt associated with the incentive package or should the public purpose for the use of the funds cease to exist. Grants paid to the Foundation under the agreement for the year ended September 30, 2016 totaled $41,209 by the City and $13,736 by the County. The City and the County are not contractually liable for the debt owed by the Foundation, and are not privy to the details of the loan document or the remaining balance owed.

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Other significant commitments (continued)

Tax Increment Financing ("TIF") Reinvestment Zone Number 2 - On March 9, 2015, the City created Tax Increment Financing Reinvestment Zone Number 2, City of Corsicana ("Zone 2") to fund a series of infrastructure improvements which are needed to incentivize and accelerate the rate of development in Zone 2. On May 18, 2015, the City authorized the execution of a development agreement with Lots 102 Holdings, LLC ("Lots 102 Holdings") with a term of 20 years, or until $13,918,989 in public infrastructure expenses, listed in the approved Project Plan and Financing Plan, have been reimbursed to the developer, whichever occurs first. Under the agreement the Lots 102 Holdings was to design and construct public improvements including the extension of water and fire protection services, the extension of sanitary sewer services, earthwork and street construction in Zone 2. Following completion of the public improvements with funding by Lots 102 Holdings, the City will acquire the public improvements and reimburse the acquisition funding by the use of Zone 2 TIF increment funds.

Subject to the terms of the agreement, the City agreed to reimburse the Lots 102 Holdings to coincide with the frequency and amount of payments made by the City, Navarro County and Navarro College into the Tax Increment Fund from fiscal year to fiscal year, not to exceed 100% of the total funds deposited into the Zone 2 TIF fund in any on fiscal year.

As of March 24, 2017 the developer has not signed the development agreement with the City, Navarro County and Navarro College. Until the development agreement is fully executed, Tax Increment Financing Reinvestment Zone Number 2, City of Corsicana ("Zone 2") is on hold. The TIFRZ Board dissolved Zone 2 at its meeting held December 13, 2016

Water Contract - On June 30, 1959, as amended July 16, 1965, the City contracted with the Trinity River Authority for 90% of the yield from the water conservation space in Navarro Mills Reservoir, on an entitlement of 17.460 acre feet of the 19,400 acre feet of water available to the authority. The Trinity River Authority (TRA) is a governmental agency, which is controlled by directors appointed by the governor.

The City's annual payments for maintenance and operation to the Authority, constituting an operating expense on the City's utility operating fund, are estimated to be $400,000 annually, subject to adjustment as required by the Authority to cover actual cost incurred. Actual payments for the year ended September 30, 2016 were $451,259.

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

I. Capital lease obligations

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases range from 1.24-5.75%.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-type Activities
Machinery and equipment	$ 2,150,593	$ 2,553,971
Less: accumulated depreciation	(568,459)	(577,814)
Total	$ 1,582,134	$ 1,976,157

Annual debt service requirements to maturity are as follows –

	Capital Lease Obligations			
	Governmental Activities		Business-type Activities	
Year Ending September 30	Principal	Interest	Principal	Interest
2017	$ 529,158	$ 29,309	$ 447,736	$ 31,371
2018	332,562	20,710	380,115	23,827
2019	210,897	14,597	368,931	16,791
2020	152,965	10,458	227,776	10,559
2021	99,369	7,128	97,020	7,048
2022	256,596	9,599	259,006	14,030
	$ 1,581,547	$ 91,801	$ 1,780,584	$ 103,626

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition, construction and maintenance of major capital facilities. Certificates of obligation have been issued for business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding at September 30, 2016 are as follows:

Business-Type Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2007	$ 17,000,000	2/15/2027	4.0-5.75	$ 9,400,000
2009	1,935,000	2/15/2028	0.148-3.018	1,335,000
2010	3,705,000	2/15/2030	3.56	2,905,000
2011	3,205,000	2/15/2031	2.0-4.25	2,605,000
Total				$ 16,245,000

The debt service requirements for the City's certificates of obligation are as follows:

	Certificates of Obligation Business-Type Activities	
Year Ending September 30	Principal	Interest
2017	$ 910,000	$ 611,314
2018	1,145,000	575,745
2019	1,185,000	534,148
2020	1,225,000	490,196
2021	1,275,000	443,105
2022-2026	7,170,000	1,410,237
2027-2031	3,335,000	215,450
	$ 16,245,000	$ 4,280,195

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2016 are as follows:

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2008	$ 3,400,000	2/15/2028	3.79	$ 2,375,000
2010 - Refunding	1,290,000	8/15/2020	2.25-4.0	425,000
2011	3,205,000	2/15/2031	2.0-4.25	2,605,000
2013	3,400,000	2/15/2033	2.75-4.0	3,055,000
2015 - Refunding	4,243,066	2/15/2045	3.0-5.0	4,058,692
2016 - Refunding	8,510,000	2/15/2036	2.0-3.0	8,510,000
Total				$ 21,028,692

Business-type Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2010 - Refunding	$ 11,035,000	8/15/2020	2.25-4.0	$ 3,435,000
2015 - Refunding	3,285,000	2/15/2025	3.0-5.0	2,910,000
2015 - Refunding	251,934	2/15/2026	3.0-5.0	231,308
Total				$ 6,576,308

The debt service requirements for the City's general obligation bonds are as follows:

	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
Year Ending September 30	Principal	Interest	Principal	Interest
2017	$ 1,289,374	$ 715,510	$ 1,515,626	$ 227,578
2018	1,280,847	622,263	1,404,153	192,331
2019	1,319,374	585,086	915,626	138,935
2020	1,362,900	546,744	952,100	105,194
2021	1,302,901	505,951	327,099	68,495
2022-2026	7,033,296	1,855,390	1,461,704	134,160
2027-2031	4,435,000	831,388	-	-
2032-2036	2,040,000	328,714	-	-
2037-2041	495,000	136,431	-	-
2042-2045	470,000	36,161	-	-
	$ 21,028,692	$ 6,163,638	$ 6,576,308	$ 866,693

Revenue Bonds

The City also issued bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at September 30, 2016 are as follows:

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

Business-Type Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2007 - Refunding	$ 7,000,000	8/15/2022	4.0-4.125	$ 4,610,000
Total				$ 4,610,000

The debt service requirements for the City's revenue bonds are as follows:

Year Ending September 30	Revenue Bonds Business-Type Activities Principal	Interest
2017	$ 770,000	$ 188,129
2018	710,000	157,329
2019	735,000	128,929
2020	765,000	98,794
2021	800,000	67,238
2022-2026	830,000	34,238
	$ 4,610,000	$ 674,657

Notes Payable

Notes payable currently outstanding and reported as liabilities of the City’s governmental activities are:

In fiscal year 2008, the City executed a contract and agreement relating to an economic development program with the Texas Department of Agriculture's Rural Economic Development Division. Under the terms of the contract and agreement the City agreed to repay to the Texas Department of Agriculture an amount up to $703,700 for the purchase of land and an existing building to help create jobs in an economic development area. The note is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5.00%. Payments will be made in two hundred forty equal monthly installments up to a maximum of $2,932 each beginning June 2008 and ending May 2028. As of September 30, 2016, the outstanding balance is $483,794.

The City received a loan from Bauer Farms & Land, LLC for $366,124 to fund the purchase of land in September2016. The loan will be repaid in 20 semi-annual installments, with the first principal payment due in March 2017. Interest payments are to be made semi-annually beginning March 2017 at an interest rate of 4%. As of September 30, 2016, the outstanding balance is $366,124.

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

The debt service requirements for the City's notes payable are as follows:

Year Ending September 30	Notes Payable Governmental Activities Principal	Notes Payable Governmental Activities Interest
2017	$ 65,623	$ 14,344
2018	66,853	13,114
2019	68,132	11,835
2020	69,463	10,504
2021	70,848	9,119
2022-2026	377,054	22,780
2027-2028	131,945	-
Total note payments	849,918	$ 81,696
Unamortized discount	(134,442)	
Present value of note payments	$ 715,476	

Line of Credit

The City has a nonrevolving line of credit from a local bank with a total authorized balance of $1,158,000, of which $192,823 is outstanding as of September 30, 2016. The line of credit matures May 19, 2018 with an interest rate of 5.00%.

Annual principal and interest requirements are as follows:

Year Ending September 30	Line of Credit Governmental Activities Principal	Line of Credit Governmental Activities Interest
2017	$ 105,862	$ 15,368
2018	86,961	10,138
	$ 192,823	$ 25,506

Advance Refunding

The City issued $4,675,000 in general obligation bonds with interest rates ranging from 2.0% to 3.0%. The proceeds were used to advance refund $4,930,000 of outstanding 2006 Series certificates of obligation and 2006 Series general obligation bonds which had interest rates ranging from 3.5% to 4.25%. The net proceeds of $4,997,351 (including a $334,595 premium, $101,875 transfer from prior debt service funds, and payment of $114,119 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, 2006 Series certificates of obligation and 2006 Series general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At September 30, 2016, $0 of defeased bonds remain outstanding.

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

The reacquisition price exceeded the net carrying amount of the old debt by $67,351. This amount is amortized over the remaining life of the refunding debt. The City advance refunded 2006 Series certificates of obligation and 2006 Series general obligation bonds to reduce its total debt service payments over 11 years by $711,732 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $624,604.

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Utility Operations Fund, Sanitation Fund, Emergency Medical Services Fund and nonmajor governmental funds based on the assignment of an employee at termination.

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	$ 3,300,000	$ -	$ (3,300,000)	$ -	$ -
General obligation bonds	15,248,066	8,510,000	(2,729,374)	21,028,692	1,289,374
Less deferred amounts:					
For issuance premium	541,150	589,791	(59,684)	1,071,257	-
Total bonds payable	19,089,216	9,099,791	(6,089,058)	22,099,949	1,289,374
Notes payable	486,726	366,124	(2,932)	849,918	65,623
Less discount on note payable	(135,904)	-	1,462	(134,442)	(17,866)
Line of credit	302,649	-	(109,826)	192,823	105,862
Capital leases	1,926,928	267,787	(613,168)	1,581,547	529,158
Compensated absences	2,170,160	456,336	(566,606)	2,059,890	338,213
Net pension liability	7,787,489	3,482,836	-	11,270,325	-
Governmental activity Long-term liabilities	$ 31,627,264	$ 13,672,874	$ (7,380,128)	$ 37,920,010	$ 2,310,364

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

General obligation bonds, note payable, line of credit, and capital leases issued for governmental activity purposes are liquidated by the general debt service funds. Governmental compensated absences and net pension liability will be liquidated by the general fund and nonmajor governmental funds.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Certificates of obligation	$ 17,315,000	$ -	$ (1,070,000)	$ 16,245,000	$ 910,000
General obligation bonds	8,026,934	-	(1,450,626)	6,576,308	1,515,626
Revenue bonds	5,355,000	-	(745,000)	4,610,000	770,000
Less deferred amounts:					
For issuance discount	(74,017)	-	8,500	(65,517)	-
For issuance premium	673,581	-	(108,130)	565,451	-
Total bonds payable	31,296,498	-	(3,365,256)	27,931,242	3,195,626
Landfill closure	1,787,730	56,657	-	1,844,387	-
Capital leases	1,299,012	994,875	(513,303)	1,780,584	447,736
Compensated absences	782,020	334,572	(250,390)	866,202	142,218
Net pension liability	6,113,759	773,566	-	6,887,325	-
Business-type activity Long-term liabilities	$ 41,279,019	$ 2,159,670	$ (4,128,949)	$ 39,309,740	$ 3,785,580

Certificates of obligations, general obligation bonds, revenue bonds, landfill closure, capital leases, compensated absences and net pension liability issued for business-type activities are repaid from those activities.

K. Fund Balance

Minimum fund balance policy. The City Council has adopted a financial policy to maintain a fund balance in the General Fund equal to twenty-five percent (25.0%) of the operating budget. The City will appropriate at least $100,000 or one percent (1.0%) of each year's General Fund operating budget to a fund balance until the identified goal is met.

L. Interfund receivables and payables

The composition of interfund balances as of September 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 244,135
General	Utility Operations	36,150
		$ 280,285

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

L. Interfund receivables and payables (continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

M. Interfund transfers

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

	Transfer In:				
Transfer out:	**General**	**Nonmajor Governmental**	**Utility Operations**	**Emergency Medical Services**	**Total**
General	$ -	$ 1,734,185	$ -	$ 385,000	$ 2,119,185
Nonmajor Governmental	-	-	624,953	-	624,953
Utility Operations	1,510,953	240,505	-	-	1,751,458
Sanitation	558,548	4,800	-	-	563,348
Emergency Medical Services	-	30,475	-	-	30,475
Total	$ 2,069,501	$ 2,009,965	$ 624,953	$ 385,000	$ 5,089,419

Transfers are primarily used for::

- General fund to Nonmajor Governmental funds for subsidy for other programs in the City.
- General Fund to Emergency Medical Services fund for subsidy for ambulance services.
- Nonmajor Governmental funds to Utility Operations fund for subsidy of utility projects from donations to the Tax Increment Financing Fund and GO Bond proceeds.
- Utility Operations fund to General fund for subsidy for administrative expenditures and payment in lieu of franchise tax.
- Utility Operations fund to Nonmajor Governmental funds to recognize Utility Fund assets purchased with combined lease purchase proceeds.
- Sanitation fund to General fund for subsidy for administrative expenditures and payment in lieu of franchise tax.

N. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

O. Related party

During the year, businesses owned by City employees provided services for the City in the amount of $13,576.

P. Closure and postclosure care cost

State and federal laws and regulations require the City to place a final cover on its Corsicana Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, in compliance with GASB Statement 18, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $1,844,387 reported to date is based on the use of 25.22 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $5,469,751 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. The landfill has an estimated remaining life of 100 years, with an expected closure date of 2116. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City's current financial policy requires 10% of its estimated landfill closure costs be contributed and maintained in a separate cash or investment account. The Landfill Closure reserve is adequately funded with a balance of $193,603 at September 30, 2016. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Q. Subsequent events

Subsequent to year end, the City:

- Entered into construction contracts relating to the Lake Halbert spillway rehabilitation project totaling $1,115,135.
- Sold an emergency medical services vehicle for $10,141.
- Authorized a three year and a ten year capital lease/purchase financing contract for various vehicles, equipment and accessories not to exceed $703,100 and $1,180,000, respectively.
- Purchased equipment in the amount of $58,440 with lease proceeds.
- Awarded a contract for the design and construction of the Historic Downtown Corsicana Gateway in the amount of $63,851, a contract for street improvements in the amount of $174,525, a contract for professional services for analysis and audit of franchise tax reporting and collection.

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Q. Subsequent events (continued)

- Approved the issuance of general obligation refunding bonds in the amount of $7,895,000, maturing February 15, 2027 with an interest rate of 2.29% for the refunding of the 2007 combination tax and revenue certificates of obligation.

R. Prior period adjustment

Reclassifications have been made to the governmental funds' fund balance in the fund financial statements due to the reclassification of major governmental and nonmajor governmental funds. Corrections have been made to the business-type activities beginning net position in the government-wide financial statements and proprietary fund beginning net position in the fund financial statements due to the overstatement of assets, understatement of liabilities and net position. The changes to the beginning net position as of October 1, 2015 are summarized as follows:

	Government-wide Financial Statements	Fund Financial Statements		
	Governmental Activities	General	Debt Service	Other Governmental Funds
As previously reported, October 1, 2015	$ 44,763,418	$ 6,077,611	$ -	$ 5,802,877
Correct overstatement of capital assets	(37,642)	-	-	-
Correct understatement of compensated absences	(151,362)	-	-	-
Reclassification of major governmental fund	-	-	160,582	(160,582)
Reclassification of nonmajor governmental fund	-	(772,693)	-	772,693
Restated, October 1, 2015	$ 44,574,414	$ 5,304,918	$ 160,582	$ 6,414,988
Effect of restatement on operations for the year ended September 30, 2015	$ (189,004)	$ -	$ -	$ -

	Government-wide Financial Statements	Fund Financial Statements		
	Business-type Activities	Utility Operations	Sanitation	Emergency Medical Services
As previously reported, October 1, 2015	$ 26,981,804	$ 26,634,143	$ 2,909,943	$ (2,562,282)
Correct overstatement of capital assets	(33,456)	(27,084)	-	(6,372)
Correct understatement of landfill closure payable	(32,462)	-	(32,462)	-
Correct understatement of compensated absences	(75,405)	-	-	(75,405)
Restated, October 1, 2015	$ 26,840,481	$ 26,607,059	$ 2,877,481	$ (2,644,059)
Effect of restatement on operations for the year ended September 30, 2015	$ (141,323)	$ (27,084)	$ (32,462)	$ (81,777)

NOTE 3 - DEFINED BENEFIT PENSION PLANS

1. Texas Municipal Retirement System

A. Plan description

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

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

B. Benefits provided

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

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

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

	Plan Provisions
Employee deposit rate	7%
Municipal current matching ratio	2 - 1
Updated service credits:	
Rate (%)	50 T
Year effective	2011R
Increase benefits to retirees:	
Rate (%) [1]	50
Year effective	2011R
Military service credit effective date	10-89
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	1-96
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	Removed

[1] For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.
T — Includes Transfer Credits.
R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	142
Inactive employees entitled to but not yet receiving benefits	83
Active employees	163
	388

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

C. Contributions

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

Employees for the City of Corsicana, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Corsicana, Texas were 14.00% and 14.01% in calendar years 2016 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were $1,225,933, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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

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

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

Asset Class	Target Allocation	Long-Term Expected
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.0%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	$48,122,531	$41,800,926	$ 6,321,605
Changes for the year:			
Service cost	1,267,264	-	1,267,264
Interest	3,337,570	-	3,337,570
Difference between expected and actual experience	(117,414)	-	(117,414)
Changes of assumptions	831,486	-	831,486
Contributions - employer	-	1,245,047	(1,245,047)
Contributions - employee	-	622,079	(622,079)
Net investment income	-	61,680	(61,680)
Benefit payments, including refunds of employee contributions	(2,153,179)	(2,153,179)	-
Administrative expense	-	(37,569)	37,569
Other changes	-	(1,856)	1,856
Net Changes	$ 3,165,727	$ (263,798)	$ 3,429,525
Balance at 12/31/2015	**$51,288,258**	**$41,537,128**	**$ 9,751,130**

Sensitivity of the net pension liability to changes in the discount rate -

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	$ 16,722,769	$ 9,751,130	$ 4,006,671

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled $91,778.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2016, the City recognized pension expense of $1,863,756.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in actuarial assumptions	$ 614,952	$ -
Contributions subsequent to the measurement date	851,273	-
Difference between projected and actual investment earnings	2,596,243	-
Differences between expected and actual economic experience	-	290,389
Total	$ 4,062,468	$ 290,389

$851,273 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2016	$ 768,277
2017	768,277
2018	811,375
2019	572,877
Total	$ 2,920,806

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

2. Corsicana Firefighter's Relief and Retirement Fund

A. Plan description

The City contributes to the retirement plan for firefighters in the Corsicana Fire Department known as the Corsicana Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Corsicana Firemen's Relief and Retirement Fund. The city does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Corsicana Firemen's Relief and Retirement Fund at 200 N. 12th Street, Corsicana, Texas 75110. See that report for all information about the plan fiduciary net position.

B. Benefits provided

Firefighters in the Corsicana Fire Department are covered by the Corsicana Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service with 75% vesting after 15 years of service, grading to 100% with 20 years. Firefighters become eligible for normal service retirement at age 50 with 20 years of service. If a terminated firefighter has a vested benefit but is not eligible for normal retirement, he is entitled to a deferred benefit starting at age 55 with 15 years of service, age 54 with 16 years, age 53 with 17 years, age 52 with 18 years, age 51 with 19 years, and age 50 with 20 or more years. The present plan effective August 1, 2007 provides a monthly normal service retirement benefit, payable in a Joint and 75% to Spouse form of annuity, equal to 53% of Highest 60-Month Average Salary plus $90 for each year of service in excess of 20.

A retiring firefighter over age 51.5 with more than 21.5 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the age 51.5 and 21.5 years of service requirements and the date 36 months preceding the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

2. Corsicana Firefighter's Relief and Retirement Fund (continued)

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

C. Members covered by the fund

In the December 31, 2014 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	1
Active employees	60
	97

D. Funding policy

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

The funding policy of the Corsicana Firemen’s Relief and Retirement Fund requires contributions equal to 14% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The city contributes 14% of payroll according to a city ordinance and has since 2007. The Fund’s December 31, 2014 actuarial valuation includes the assumption that the city contribution rate will be 14% for at least as long as the UAAL amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund’s assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2015, the money-weighted rate of return on pension plan investments was -2.19%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

2. Corsicana Firefighter's Relief and Retirement Fund (continued)

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

E. Net Pension Liability

The City of Corsicana's net pension liability was measured as December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of December 31, 2014 and rolled forward to December 31, 2015.

Total pension liability	$16,528,138
Plan fiduciary net position	8,121,618
City's net pension liability	$ 8,406,520
Plan fiduciary net position as a percentage of the total pension liability	49.10%

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.5%, plus promotion, step and longevity increases that vary by service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

2. Corsicana Firefighter's Relief and Retirement Fund (continued)

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 3.9%) and by adding expected inflation (3.5%). In addition, the final 7.5% assumption was selected by rounding up to 7.5%. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities:		
Large cap domestic	26%	5.3%
Small/mid cap domestic	9%	5.8%
International developed	20%	5.8%
Emerging markets	5%	7.3%
Fixed Income:		
Domestic core	35%	0.1%
Alternatives:		
Commodities	5%	3.8%
Cash	0%	0.0%
Total	100%	
Weighted Average		3.9%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the December 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 24 years. Because of the 24-year amortization period of the UAAL, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

2. Corsicana Firefighter's Relief and Retirement Fund (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -

The following presents the net pension liability of the City of Corsicana, calculated using the discount rate of 7.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	$ 10,440,257	$ 8,406,520	$ 6,708,290

Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled $20,176.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

2. Corsicana Firefighter's Relief and Retirement Fund (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Amounts as of September 30, 2015 [1]	$15,741,031	$ 8,161,618	$ 7,579,413
Changes for the year:			
Service cost	538,114	-	538,114
Interest	1,185,805	-	1,185,805
Contributions - employer	-	555,435	(555,435)
Contributions - employee	-	555,332	(555,332)
Net investment income	-	(180,420)	180,420
Benefit payments, including refunds of employee contributions	(936,812)	(936,812)	-
Administrative expense	-	(33,535)	33,535
Net Changes	$ 787,107	$ (40,000)	$ 827,107
Amounts as of September 30, 2016 [2]	**$16,528,138**	**$ 8,121,618**	**$ 8,406,520**

[1] Measurements for the fiscal year ended September 30, 2015 were taken as of December 31, 2014.
[2] Measurements for the fiscal year ended September 30, 2016 were taken as of December 31, 2015.

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2016, the city's GASB 68 pension expense was $862,504. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in Pension Expense in Future Years

	Deferred Outflow of Resources	**Deferred Inflow of Resources**
Contributions subsequent to the measurement date	$ 399,206	$ -
Net difference between projected and actual investment earnings	992,869	-
Total	$ 1,392,075	$ -

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

2. Corsicana Firefighter's Relief and Retirement Fund (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2017	$ 277,769
2018	277,769
2019	277,769
2020	159,562
Total	$ 992,869

$399,206, the total of the contributions by the City to the Fund contributed subsequent to the measurement date of the net pension liability, December 31, 2015, through September 30, 2016 is a deferred outflow of resources that will be recognized as a reduction in the net pension liability in the fiscal year ending September 30, 2017.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com.*

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

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

The City’s contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were $20,409, $19,384 and $19,149, respectively, which equaled the required contributions each year.

APPENDIX D

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

[ISSUE DATE]

CITY OF CORSICANA, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2018
DATED MAY 8, 2018
IN THE AGGREGATE PRINCIPAL AMOUNT OF $6,670,000

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

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

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

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 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 if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering 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, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

Proposed Form of Opinion of Bond Counsel

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

[ISSUE DATE]

CITY OF CORSICANA, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2018
DATED MAY 8, 2018
IN THE PRINCIPAL AMOUNT OF $1,810,000

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

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Commission of the Issuer relating to the issuance of the Certificates, including the Ordinance and other documents authorizing and relating to the issuance of the Certificates; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Certificates (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered, all 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, or by general principles of equity which permit the exercise of judicial discretion, the Certificates will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from surplus revenues of the Issuer's Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the Net Revenues of the Issuer's Waterworks and Sewer System, all as provided in the Ordinance.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

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

Respectfully,

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company