HTS Continuing Disclosure Services
A Division of Hilltop Securities
(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

OFFICIAL STATEMENT

Dated June 13, 2018

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

NEW ISSUE - Book-Entry-Only

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

$53,635,000
CITY OF FRISCO, TEXAS
(Collin and Denton Counties)
GENERAL OBLIGATION BONDS, SERIES 2018

Dated Date: June 1, 2018
Interest Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the $53,635,000 City of Frisco, Texas General Obligation Bonds, Series 2018 (the "Bonds") will accrue from the date of initial delivery to the purchaser there of (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2019, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapter 1331, as amended, and Chapter 1371, and are direct obligations of the City of Frisco, Texas (the "City"), payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance ("Bond Ordinance") adopted June 5, 2018. In the Bond Ordinance, the City Council delegated to a designated officer of the City pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Bonds (see "The Bonds - Authority for Issuance" and "The Bonds – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) constructing and improving streets and roads, bridges and intersections, (ii) constructing and improving and equipping public safety facilities, including fire department facilities and the acquisition of fire trucks and equipment,; and (iii) to pay the costs of issuance associated with the sale of the Bonds.

MATURITY SCHEDULE - BONDS

See page 2

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Frisco, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018" (the "Certificates"), under a common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Purchaser 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., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company on July 17, 2018.

MATURITY SCHEDULE **CUSIP Prefix [1]: 358776**

Principal Amount	Maturity 2-15	Interest Rate	Price or Yield	CUSIP Suffix [1]
$ 1,530,000	2019	5.000%	1.490%	RA2
1,790,000	2020	5.000%	1.730%	RB0
1,880,000	2021	5.000%	1.890%	RC8
1,975,000	2022	5.000%	2.020%	RD6
2,080,000	2023	5.000%	2.140%	RE4
2,185,000	2024	5.000%	2.260%	RF1
2,295,000	2025	5.000%	2.410%	RG9
2,410,000	2026	5.000%	2.540%	RH7
2,535,000	2027	5.000%	2.630%	RJ3
2,655,000	2028	4.000%	2.860% [2]	RK0

Principal Amount	Maturity 2-15	Interest Rate	Price or Yield	CUSIP Suffix [1]
$ 2,750,000	2029	3.125%	3.000% [2]	RL8
2,835,000	2030	3.125%	3.125%	RM6
2,930,000	2031	3.250%	3.250%	RN4
3,025,000	2032	3.375%	3.350% [2]	RP9
3,135,000	2033	3.500%	3.450% [2]	RQ7
3,250,000	2034	4.000%	3.210% [2]	RR5
3,385,000	2035	4.000%	3.250% [2]	RS3
3,520,000	2036	4.000%	3.290% [2]	RT1
3,665,000	2037	4.000%	3.310% [2]	RU8
3,805,000	2038	3.500%	$98.500	RV6

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield shown is yield to first call date, February 15, 2027.

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 – Optional Redemption").

HTS Continuing Disclosure Services
A Division of Hilltop Securities
(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

OFFICIAL STATEMENT

Dated June 13, 2018

Ratings:
Moody's: "Aaa"
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 thereof, subject to the matters described under "Tax Matters" herein.

$14,705,000
CITY OF FRISCO, TEXAS
(Collin and Denton Counties)
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: June 1, 2018 **Due: February 15, as shown below**
Interest Accrues from Delivery Date

PAYMENT TERMS . . . Interest on the $14,705,000 City of Frisco, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018 (the "Certificates") will accrue from the date of initial delivery to the purchaser here of (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2019, and 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 New York, New York ("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. **No physical delivery of the Certificates will be made to the owners thereof.** Principal 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 The Bank of New York Mellon Trust Company, N.A., 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") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code, as amended, ("Chapter 1371") and constitute direct obligations of the City of Frisco, Texas (the "City"), payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance"). In the Certificate Ordinance adopted June 5, 2018, the City Council delegated to a designated officer of the City pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Certificates and to establish certain terms related to the issuance and sale of the Certificates. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Certificates (see "The Certificates - Authority for Issuance" and "The Certificates – Security and Source of Payment").

PURPOSE . . . Proceeds of the Certificates are expected to be used for (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's combined waterworks and sewer systems; and (ii) to pay the costs associated with the issuance of the Certificates.

MATURITY SCHEDULE - CERTIFICATES

See page 4

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Frisco, Texas, General Obligation Bonds, Series 2018" (the "Bonds"), and such Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations". The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Preliminary Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Purchaser 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., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of The Depository Trust Company on July 17, 2018.

MATURITY SCHEDULE **CUSIP Prefix [1]: 358776**

Principal Amount	Maturity 2-15	Interest Rate	Price or Yield	CUSIP Suffix [1]	Principal Amount	Maturity 2-15	Interest Rate	Price or Yield	CUSIP Suffix [1]
$ 475,000	2019	3.000%	1.450%	RW4	$ 750,000	2029	4.000%	2.820% [2]	SG8
530,000	2020	3.000%	1.700%	RX2	775,000	2030	3.000%	3.060%	SH6
540,000	2021	3.000%	1.870%	RY0	800,000	2031	3.000%	3.150%	SJ2
555,000	2022	3.000%	1.990%	RZ7	830,000	2032	3.125%	3.260%	SK9
575,000	2023	3.000%	2.100%	SA1	850,000	2033	3.250%	3.360%	SL7
600,000	2024	5.000%	2.230%	SB9	880,000	2034	3.250%	$98.000	SM5
630,000	2025	5.000%	2.370%	SC7	910,000	2035	3.500%	3.500%	SN3
665,000	2026	5.000%	2.500%	SD5	940,000	2036	3.500%	3.540%	SP8
695,000	2027	4.000%	2.580%	SE3	975,000	2037	3.500%	3.560%	SQ6
720,000	2028	4.000%	2.660% [2]	SF0	1,010,000	2038	3.500%	3.580%	SR4

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield shown is yield to first call date, February 15, 2027.

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 – Optional Redemption").

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation, promise or guarantee of the Financial Advisor.

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

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

The cover pages of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.

The agreements of the City and others related to the Obligations are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Obligations is to be construed as constituting an agreement with the purchaser of the Obligations. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The 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.

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

THE CITY .... The City of Frisco (the "City") is a political subdivision and municipal corporation of the State, located in Collin and Denton Counties, Texas. The City covers approximately 70 square miles (see "Introduction - Description of the City").

THE BONDS .... The $53,635,000 General Obligation Bonds, Series 2018 are to mature on February 15 in the years 2019 through 2038 (see "The Obligations - Description of The Obligations").

THE CERTIFICATES .... The $14,705,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018 are to mature on February 15 in the years 2019 through 2038 (see "The Obligations - Description of the Obligations").

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the Delivery Date, 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" and "The Obligations - Optional Redemption").

AUTHORITY FOR ISSUANCE.......... The Bonds are issued pursuant to the general laws of the State, including particularly, Texas Government Code, Chapters 1331 and 1371, and the ordinance (the "Bond Ordinance") adopted by the City Council (the "Council") of the City in which the Council delegated to a designated officer of the City authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Bonds (see "The Obligations - Authority for Issuance").

The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, and the ordinance (the "Certificate Ordinance") adopted by the Council in which the Council delegated to a designated officer of the City authority to complete the sale of the Certificates. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Certificates (see "The Obligations - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance (see "The Obligations - Security and Source of Payment").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct and voted obligations of the City, payable from a combination of (i) a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the surplus net revenues of the City's Waterworks and Sewer System (see "The Obligations - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem the Obligations of either series 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 – Optional Redemption").

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 "Tax Matters" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for (i) constructing and improving streets and roads, bridges and intersections, (ii) constructing and improving and equipping public safety facilities, including fire department facilities and the acquisition of fire trucks and equipment, and (iii) to pay the costs of issuance associated with the sale of the Bonds.

Proceeds of the Certificates are expected to be used for (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's combined waterworks and sewer systems; and (ii) to pay the costs associated with the issuance of the Certificates.

RATINGS .... The Obligations and the presently outstanding general obligation debt of the City are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by S&P Global Ratings ("S&P"), a division of S&P Global Inc.

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Net Tax Supported Debt at End of Year	Per Capita Net Tax Supported Debt	Ratio Net Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2014	142,990	$15,922,401,858 (1)	$111,353	$274,899,560	$ 1,923	1.73%	103.43%
2015	151,030	18,092,532,439 (2)	119,794	284,393,320	1,883	1.57%	103.48%
2016	160,092	20,891,502,221 (3)	130,497	308,761,134	1,929	1.48%	103.49%
2017	161,170	24,283,388,226 (4)	150,669	335,969,997	2,085	1.38%	105.22%
2018	176,232	26,532,839,613 (5)	150,556	365,409,997 (6)	2,073	1.38%	102.00% (7)

(1) Includes tax incremental value of approximately $948,269,733 that is not available for the City's general use.
(2) Includes tax incremental value of approximately $1,024,191,586 that is not available for the City's general use.
(3) Includes tax incremental value of approximately $1,128,830,510 that is not available for the City's general use.
(4) Includes tax incremental value of approximately $1,215,252,841 that is not available for the City's general use.
(5) Includes tax incremental value of approximately $1,658,228,652 that is not available for the City's general use.
(6) Projected, includes the Bonds, excludes the Certificates and self-supporting obligations.
(7) Collections through April 1, 2018.

For additional information regarding the City, please contact:

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

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Jeff Cheney Mayor	10 Years	May, 2020	Real Estate Executive
Shona Huffman Mayor Pro Tem, Place 2	2 Years	May, 2019	Director of Governmental Affairs, Frisco Chamber of Commerce
John Keating (1) Deputy Mayor Pro Tem, Place 1	7 Years	May, 2021	Community Volunteer
Will Sowell Council Member, Place 3	6 Years	May, 2021	President and Chief Operating Officer
Bill Woodard Council Member, Place 4	2 Years	May, 2019	Financial Advisor
Tim Nelson Council Member, Place 5	7 Years	May, 2020	Real Estate Executive
Brian Livingston Council Member, Place 6	1 Year	May, 2020	Business Owner

(1) Mr. Keating served as Place 4 council member from 2010-2016. In February 2017, he was elected as Place 1 council member to fill that vacant position, and he was re-elected in May 2018; he has approximately seven combined years of service to the City.

SELECTED ADMINISTRATIVE STAFF

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

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Weaver and Tidwell, L.L.P.
Dallas, Texas

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

Financial Advisor .... Hilltop Securities Inc.
Fort Worth, Texas

OFFICIAL STATEMENT

RELATING TO

$53,635,000	**$14,705,000**
GENERAL OBLIGATION BONDS,	**COMBINATION TAX AND SURPLUS REVENUE**
SERIES 2018	**CERTIFICATES OF OBLIGATION, SERIES 2018**

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $53,635,000 City of Frisco, Texas, General Obligation Bonds, Series 2018, (the "Bonds") and $14,705,000 City of Frisco, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018 (the "Certificates" and together with the Bonds, the "Obligations"). The Bonds and the Certificates are separate and distinct securities offerings authorized for issuance under separate ordinances (the "Bond Ordinance" and the "Certificate Ordinance", respectively, each as defined below, and collectively the "Ordinances"), adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

There follow 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. ("HilltopSecurities"), Fort Worth, Texas.

DESCRIPTION OF THE CITY . . . The City of Frisco, Texas (the "City") is a political subdivision located in Collin and Denton Counties operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1987, and last amended May 8, 2010. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The 2010 census population for the City was 116,989. The 2018 population is estimated to be 176,232. The City covers approximately 70 square miles.

THE OBLIGATIONS

USE OF PROCEEDS . . . Proceeds from the sale of the Bonds will be used for (i) constructing and improving streets and roads, bridges and intersections, (ii) constructing and improving and equipping public safety facilities, including fire department facilities and the acquisition of fire trucks and equipment, and (iii) to pay the costs of issuance associated with the sale of the Bonds.

Proceeds from the sale of the Certificates are expected to be used for (i) constructing, installing, acquiring and equipping additions, extension and improvements to the City's combined waterworks and sewer systems; and (ii) to pay the costs associated with the issuance of the Certificates.

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated June 1, 2018 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 and page 4 hereof. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2019, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal 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 "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly, Texas Government Code, Chapters 1331 and 1371, and the Bond Ordinance.

The Certificates are issued pursuant to the Constitution and general laws of the State particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code, as amended, and constitute direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus net revenues of the City's Waterworks and Sewer System, as provided in the Certificate Ordinance.

SOURCES AND USES OF FUNDS

Sources of Funds	The Bonds	The Certificates
Par Amount	$ 53,635,000.00	$ 14,705,000.00
Premium Bid	3,068,172.98	388,449.32
Total Sources of Funds	$ 56,703,172.98	$ 15,093,449.32
Uses of Funds		
Deposit to Construction Fund	$ 56,490,000.00	$ 15,000,000.00
Cost of Issuance	213,172.98	93,449.32
Total Uses of Funds	$ 56,703,172.98	$ 15,093,449.32

SECURITY AND SOURCE OF PAYMENT . . .

The Bonds . . . The principal of and interest on the Bonds is payable from a direct and continuing ad valorem tax levied by the City within the limits prescribed by law upon all taxable property in the City as provided in the Bond Ordinance.

The Certificates . . . The principal of and interest on the Certificates is payable from a direct and continuing ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City as provided in the Certificate Ordinance. Additionally, the Certificates are payable from a pledge of the surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

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

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

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

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. If an Obligation (or any portion of its principal sum) shall have been duly called for redemption and any other condition to redemption satisfied, then upon the redemption date such Obligation (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys 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, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Obligations to pay principal, interest and redemption price thereon by depositing with an eligible place of payment (paying agent) for obligations of the City amounts sufficient to provide for the payment and/or redemption of the Obligations; provided that such deposits may be invested and reinvested, as selected by the Chief Financial Officer of the City at the time of such deposit, only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Obligations. If any of such Bonds are to be redeemed prior to their date of maturity, provision must have been made for giving notice of redemption as provided in the respective ordinance authorizing the series of obligations.

Upon making such a deposit described above, such Obligations shall no longer be deemed outstanding obligations payable from the proceeds of an ad valorem tax but will be payable solely from the cash and securities deposited with the place of payment and will not be considered outstanding debt of the City for purposes of applying any limitation on the City's ability to issue debt or for any other purpose; provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Obligations, to call for redemption, at an earlier date, those Obligations which have been defeased to their maturity date, if the City: (i) in the proceedings providing for 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 arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

DTC, New York, New York, 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 for each maturity will be issued for the Obligations in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and

Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively as the "Participants". DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com .

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 a Beneficial Owner. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to 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 MMI 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).

All 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 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, Obligation certificates are required to be printed and delivered.

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

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

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

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

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

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 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 their stated maturity or earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar. 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.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the 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 Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations - Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the 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 registered owner of an Obligation to be paid on the Special Payment Date that appears 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.

REMEDIES . . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on any of the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Obligations, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, each of the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the applicable Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but it may not be arbitrarily refused. There is no acceleration of maturity of any 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 the Obligations upon any failure of the City to perform in accordance with the terms of the respective Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W. 3d 325 (2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Furthermore, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages outside of Chapter 1371, holders of the Obligations may not be able to bring such a suit against the City for breach of the covenants in the Obligations or in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, including holders of the 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Obligations will be Cede & Co., the nominee of DTC. See "The Obligations - Book-Entry-Only System" above for a description of the duties of DTC with regard to ownership of the Obligations.

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

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

The Frisco Economic Development Corporation (the "EDC") currently has six promissory notes outstanding in the amounts of $5,676,987, $6,134,049, $5,593,267, $10,595,030, $7,650,000 and $1,696,940 It also has outstanding its Sales Tax Revenue Bonds, Taxable Series 2007, which currently are outstanding in the aggregate principal amount of $7,960,000, with principal installment payments in each of the years 2019 through 2030, Sales Tax Revenue Bonds, Taxable Series 2012, currently outstanding in the aggregate principal amount of $22,170,000, with principal installment payments in each of the years 2019 through 2032, and Sales Tax Revenue Bonds, Taxable Series 2014, currently outstanding in the aggregate principal amount of $21,205,000, with principal installment payments in each of the years 2019 through 2034 (collectively, the "EDC Bonds"). The City entered into agreements with the EDC pursuant to which the EDC annually will contribute to the City, after providing for the payment of the annual debt service on the EDC Bonds, an amount sufficient to pay debt service of approximately $1.6 million per year on the City's outstanding general obligation debt (the "EDC Contribution"). **The EDC Contribution is not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the EDC Contribution.** No assurances can be made by the City that the City will receive all or any portion of the EDC Contribution in any year or that the EDC Contribution, if received, will be used to defray a portion of the debt service obligations of the City with respect to outstanding general obligation debt.

The Frisco Community Development Corporation (the "CDC") currently has one promissory note outstanding in the amount of $11,446,765, and its Sales Tax Revenue Bonds, Series 2016A, currently outstanding in the aggregate principal amount of $20,990,000, with principal installment payments due on February 15 in each of the years 2019 through 2037; Sales Tax Revenue Bonds, Taxable Series 2016B, currently outstanding in the aggregate principal amount of $14,620,000, with principal installment payments due on February 15 in each of the years 2019 through 2037; Sales Tax Revenue Bonds, Taxable Series 2015, currently outstanding in the aggregate principal amount of $5,300,000, with principal installment payments in each of the years 2019 through 2035 , and its Sales Tax Revenue Bonds, Taxable Series 2012, currently outstanding in the aggregate principal amount of $20,930,000, with principal installment payments in each of the years 2019 through 2032 (the "CDC Bonds"). The City entered into agreements with the CDC pursuant to which the CDC annually will contribute to the City, after providing for payment of the CDC Bonds, an amount sufficient to pay debt service of approximately $8 million per year on the City's outstanding general obligation debt (the "CDC Contribution"). The CDC Contribution is not pledged in support of the City's outstanding general obligation debt or the Obligations, and the holders of the Obligations have no claim on the CDC Contribution. No assurances can be made by the City that the City will receive all or any portion of the CDC Contribution in any year or that the CDC Contribution, if received, will be used to defray a portion of the debt service obligations of the City with respect to outstanding general obligation debt. See Table 14 - Municipal Sales Tax History, for a discussion of the historical sales tax collections within the City.

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

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

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

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

TAX INFORMATION

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

State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value the preceding year plus (b) the property's appraised value in the preceding year plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board within each Appraisal District, consisting of members appointed by the Board of Directors of each respective Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the appropriate Appraisal Review Board.

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

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

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

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

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

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

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

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

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

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

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

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

The City also may enter into tax abatement agreements to encourage economic development. Under tax abatement agreement, a property owner typically agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and 2 tax increment financing zones for tax increment financing purposes. See "TAX INFORMATION - Tax Abatement Policy" and "- Tax Increment Financing" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

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

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

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

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

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

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

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

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

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

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

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $80,000; the disabled are also granted an exemption of $80,000.

The City has granted an additional exemption of 7.5% of the market value of residence homesteads; minimum exemption of $5,000.

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

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

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

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

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

The City does not tax freeport property.

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

The City does tax goods in transit.

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The City has granted several abatements. Currently, the City has an agreement for the development of thirty-six (36) acres into an urban mixed use community consisting of residential units, a 4-star hotel and a Class A high rise office. The developer will receive rebates of incremental City property taxes paid on the improvements. The maximum grant amount of rebates for the improvements has a principal balance of $3,000,000 bearing an interest rate of 4.75%, being repayable in three (3) annual installments of interest only and twenty-two (22) successive amortized annual installments of principal and interest. During fiscal year 2017-18, the City has rebated a total of $193,920 for the property tax increment payment for 2018. The cumulative amount rebated to date is $1,356,393.

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

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

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

CHAPTER 380 AGREEMENTS

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

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

For more detailed information concerning the City's Chapter 380 Agreements, see APPENDIX B, "Excerpts from the City's Comprehensive Annual Financial Report", Note 9, page 81 (also see "Table 14 - Municipal Sales Tax History" herein).

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/18 Market Valuation Established by Collin and Denton Appraisal District (excluding totally exempt property)		$30,447,246,142
Less Exemptions/Reductions at 100% Market Value:		
Over 65 and Disabled Homestead Exemption	$ 496,288,267	
Disabled Veterans/Person Exemption	97,104,265	
Homestead Exemption	1,164,253,754	
Agricultural Land Use Reductions	1,804,906,907	
Homestead Cap Adjustment	292,214,125	
Pollution Exemption	3,175,438	
Historical Exemption	1,005,999	
Solar	3,004,425	
Freeport	52,453,349	3,914,406,529
2017/18 Taxable Assessed Valuation		$26,532,839,613
2017/18 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number One		1,658,228,652
2017/18 Taxable Assessed Valuation available for General Fund Obligations and Debt of City		$24,874,610,961
Debt Payable from Ad Valorem Taxes (as of 4/1/18) [1]		
General Obligation Bonds	$ 457,815,000	
Combination Tax and Revenue Certificates of Obligation	252,975,000	
The Certificates	14,705,000	
The Bonds	53,635,000	
Debt Payable from Ad Valorem Taxes		$ 779,130,000
Less Self-Supporting Debt: [2]		
Water and Sewer System Certificates of Obligation	$ 146,570,003 [3]	
Community Development Corporation Certificates of Obligation	69,360,000	
Economic Development Corporation Certificates of Obligation	12,225,000	
Tax and TIRZ Revenue Certificates of Obligation (TIRZ)	160,042,358	
Public Improvement District Certificates of Obligation	1,805,000	
Hotel/Motel Tax Certificates of Obligation	20,965,000	
Management District Contribution Certificates of Obligation	2,752,642	413,720,003
Net Funded Debt Payable From Ad Valorem Taxes		$ 365,409,997
Interest and Sinking Fund as of 4/1/18		$ 14,253,370
Ratio Tax Supported Debt to Taxable Assessed Valuation		3.13%
Ratio Net Tax Supported Debt to Taxable Assessed Valuation		1.47%

2018 Estimated Population - 176,232
Per Capita Taxable Assessed Valuation - $141,147
Per Capita Funded Debt - $4,421
Per Capita Net Funded Debt - $2,073

(1) The above statement of indebtedness does not include $20,990,000 Frisco Community Development Corporation Sales Tax Revenue Bonds, Series 2016A, $14,620,000 Frisco Community Development Corporation Sales Tax Revenue Bonds, Taxable Series 2016B, $5,300,000 Frisco Community Development Corporation Sales Tax Revenue Bonds, Taxable Series 2015, $20,930,000 Frisco Community Development Corporation Sales Tax Revenue Bonds, Taxable Series 2012, $7,960,000 Frisco Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2007, $22,170,000 Frisco Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2012, $21,205,000 Frisco Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2014, the Frisco Economic Development Corporation six promissory notes outstanding in the amounts of $5,676,987, $6,134,049, $5,593,267, $10,595,030, $7,650,000 and $1,696,940or the $11,446,765 Frisco Community Development Corporation Promissory Note, as these Bonds and Notes are payable solely from the receipts of a 1/2 of 1% local sales and use tax collected for the benefit of each of the Frisco Economic Development Corporation and Frisco Community Development Corporation, respectively.

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

(3) Includes the Certificates.

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	$ 19,587,844,014	64.33%	$ 17,358,109,645	64.33%	$ 14,947,042,753	64.36%
Real, Residential, Multi Family	1,734,121,579	5.70%	1,346,452,619	4.99%	1,061,830,996	4.57%
Real, Vacant Lots/Tracts	414,321,232	1.36%	411,645,699	1.53%	344,379,023	1.48%
Real, Acreage (Land Only)	1,806,758,133	5.93%	1,758,005,880	6.52%	1,710,566,899	7.37%
Real, Farm and Ranch Improvements	522,132,978	1.71%	571,074,972	2.12%	409,344,975	1.76%
Real, Commercial and Industrial	4,528,466,743	14.87%	3,937,953,554	14.59%	3,396,404,723	14.62%
Real, Inventory	539,861,987	1.77%	416,109,238	1.54%	270,308,825	1.16%
Real and Intangible Personal, Utilities	177,523,565	0.58%	147,993,999	0.55%	141,022,480	0.61%
Tangible Personal, Business	1,077,945,682	3.54%	977,855,188	3.62%	908,332,505	3.91%
Tangible Personal, Other	218,505	0.00%	185,706	0.00%	186,309	0.00%
Special Inventory	58,051,724	0.19%	56,381,991	0.21%	35,985,225	0.15%
Total Appraised Value Before Exemptions	$ 30,447,246,142	100.00%	$ 26,981,768,491	100.00%	$ 23,225,404,713	100.00%
Less: Total Exemptions/Reductions	(3,914,406,529)		(2,698,380,265)		(2,333,902,492)	
Taxable Assessed Value	$ 26,532,839,613 (1)		$ 24,283,388,226 (2)		$ 20,891,502,221 (3)	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 12,779,315,676	63.76%	$ 11,109,877,097	63.18%
Real, Residential, Multi Family	912,231,775	4.55%	766,155,119	4.36%
Real, Vacant Lots/Tracts	342,692,609	1.71%	235,667,426	1.34%
Real, Acreage (Land Only)	1,485,540,625	7.41%	1,298,209,556	7.38%
Real, Farm and Ranch Improvements	302,002,805	1.51%	259,963,743	1.48%
Real, Commercial	2,980,653,254	14.87%	2,739,187,504	15.58%
Real and Tangible Personal, Utilities	254,322,323	1.27%	254,397,072	1.45%
Tangible Personal, Commercial	121,578,361	0.61%	108,113,414	0.61%
Tangible Personal, Mobile Homes	830,671,170	4.14%	785,336,014	4.47%
Tangible Personal, Other	192,586	0.00%	162,389	0.00%
Special Inventory	33,901,313	0.17%	26,057,049	0.15%
Total Appraised Value Before Exemptions	$ 20,043,102,497	100.00%	$ 17,583,126,383	100.00%
Less: Total Exemptions/Reductions	(1,950,570,058)		(1,660,724,525)	
Taxable Assessed Value	$ 18,092,532,439 (4)		$ 15,922,401,858 (5)	

(1) Includes tax incremental value of approximately $1,658,228,652 that is not available for the City's general use.
(2) Includes tax incremental value of approximately $1,215,252,841 that is not available for the City's general use.
(3) Includes tax incremental value of approximately $1,128,830,510 that is not available for the City's general use.
(4) Includes tax incremental value of approximately $1,024,191,586 that is not available for the City's general use.
(5) Includes tax incremental value of approximately $948,269,733 that is not available for the City's general use.

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Net Tax Supported Debt Outstanding at End of Year	Ratio of Net Tax Supported Debt to Taxable Assessed Valuation	Net Tax Supported Debt Per Capita
2014	142,990	$ 15,922,401,858 (1)	$ 111,353	$ 274,899,560	1.73%	$ 1,923
2015	151,030	18,092,532,439 (2)	119,794	284,393,320	1.57%	1,883
2016	160,092	20,891,502,221 (3)	130,497	308,761,134	1.48%	1,929
2017	161,170	24,283,388,226 (4)	150,669	335,969,997	1.38%	2,085
2018	176,232	26,532,839,613 (5)	150,556	365,409,997 (6)	1.38%	2,073

(1) Includes tax incremental value of approximately $948,269,733 that is not available for the City's general use.
(2) Includes tax incremental value of approximately $1,024,191,586 that is not available for the City's general use.
(3) Includes tax incremental value of approximately $1,128,830,510 that is not available for the City's general use.
(4) Includes tax incremental value of approximately $1,215,252,841 that is not available for the City's general use.
(5) Includes tax incremental value of approximately $1,658,228,652 that is not available for the City's general use.
(6) Includes the Bonds and excludes the Certificates and self-supporting obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections (1)	% Total Collections (1)
2014	$ 0.46191	$ 0.282626	$ 0.179284	$ 75,218,433	102.10%	103.43%
2015	0.46000	0.286791	0.173209	83,429,459	101.14%	103.48%
2016	0.46000	0.297064	0.162936	95,635,773	101.14%	103.49%
2017	0.45000	0.294052	0.155948	108,900,105	102.44%	105.22%
2018	0.44660	0.290435	0.156165	111,090,013	100.61% (2)	102.00% (2)

(1) Includes rollback collections.
(2) Collections through April 1, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2017/18 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Stonebriar Mall LP	Mall Development	$ 294,907,713	1.21%
BPR Shopping Center	Retail Development	138,882,043	0.57%
Blue Star HQ Inc	Entertainment Complex	107,787,786	0.44%
PPF AMLI Parkwood Boulevard	Apartments	95,635,986	0.39%
Hall Office Portfolio DB LLC	Commercial Office	88,457,954	0.36%
Specified Properties LP	Real Estate	76,809,660	0.32%
Tenet Frisco Ltd.	Healthcare Real Estate	64,816,269	0.27%
Eldorado Marketplace Associates LLC	Retail Development	59,626,516	0.25%
Cypress Lake LLC Trustee of Sypress Lake Grantor Trust	Real Estate Trust	54,551,982	0.22%
Columbia Medical Center of Plano	Hospital	54,000,000	0.22%
		$ 1,035,475,909	4.26%

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 Principal and Interest Requirements	$ 39,139,731
$0.1574 Tax Rate at 100% Collection Produces	$ 39,152,638
Average Annual Principal and Interest Requirements, 2018 - 2038	$ 25,193,863
$0.1013 Tax Rate at 100% Collection Produces	$ 25,197,981
Maximum Principal and Interest Requirements, 2019	$ 42,729,874
$0.1718 Tax Rate at 100% Collection Produces	$ 42,734,582

(1) Includes the Bonds and the Certificates. Net of 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 Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt As of 4-1-18	Authorized But Unissued Debt As Of 4-1-18
City of Frisco	$ 26,532,839,613	$0.450000	$ 365,409,997 [1]	100.00%	$ 365,409,997 [1]	$ 76,000,000
Frisco Independent School District	33,597,718,766	1.460000	1,884,538,851	71.66%	1,350,460,541	170,000,000
Lewisville Independent School District	33,021,892,315	1.407500	1,219,767,216	3.65%	44,521,503	535,025,000
Little Elm Independent School District	3,345,743,154	1.540000	284,959,189	13.55%	38,611,970	85,000,000
Prosper Independent School District	6,197,023,840	1.670000	624,173,641	9.68%	60,420,008	200,500,000
Collin County	124,035,906,716	0.192200	301,610,000	12.98%	39,148,978	45,800,000
Collin County Community College District	110,609,710,642	0.081222	248,840,000	12.98%	32,299,432	350,000,000
Denton County	88,330,714,230	0.237800	645,305,000	10.98%	70,854,489	57,165,554
Total Direct and Overlapping Tax Supported Debt					$ 2,001,726,919	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					7.54%	
Per Capita Overlapping Tax Supported Debt					$ 12,419.97	

(1) Includes the Bonds and the Certificates. Net of self-supporting debt.

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Bonds (1) Principal	The Bonds (1) Interest	The Bonds (1) Total	The Certificates (2) Principal	The Certificates (2) Interest	The Certificates (2) Total
2018	$ 52,490,000	$ 32,468,038	$ 84,958,038	$ -	$ -	$ -	$ -	$ -	$ -
2019	55,010,000	30,029,320	85,039,320	1,530,000	2,341,214	3,871,214	475,000	558,964	1,033,964
2020	55,800,000	27,587,360	83,387,360	1,790,000	2,086,500	3,876,500	530,000	503,038	1,033,038
2021	58,390,000	24,980,620	83,370,620	1,880,000	1,994,750	3,874,750	540,000	486,988	1,026,988
2022	57,350,000	22,413,785	79,763,785	1,975,000	1,898,375	3,873,375	555,000	470,563	1,025,563
2023	59,955,000	19,779,131	79,734,131	2,080,000	1,797,000	3,877,000	575,000	453,613	1,028,613
2024	46,880,000	17,290,276	64,170,276	2,185,000	1,690,375	3,875,375	600,000	429,988	1,029,988
2025	45,050,000	15,161,599	60,211,599	2,295,000	1,578,375	3,873,375	630,000	399,238	1,029,238
2026	36,845,000	13,251,709	50,096,709	2,410,000	1,460,750	3,870,750	665,000	366,863	1,031,863
2027	32,715,000	11,644,434	44,359,434	2,535,000	1,337,125	3,872,125	695,000	336,338	1,031,338
2028	27,790,000	10,307,661	38,097,661	2,655,000	1,220,650	3,875,650	720,000	308,038	1,028,038
2029	27,230,000	9,125,911	36,355,911	2,750,000	1,124,581	3,874,581	750,000	278,638	1,028,638
2030	28,445,000	7,931,739	36,376,739	2,835,000	1,037,316	3,872,316	775,000	252,013	1,027,013
2031	29,430,000	6,714,131	36,144,131	2,930,000	945,406	3,875,406	800,000	228,388	1,028,388
2032	30,140,000	5,462,314	35,602,314	3,025,000	846,747	3,871,747	830,000	203,419	1,033,419
2033	31,420,000	4,175,309	35,595,309	3,135,000	740,838	3,875,838	850,000	176,638	1,026,638
2034	24,040,000	3,054,125	27,094,125	3,250,000	620,975	3,870,975	880,000	148,525	1,028,525
2035	22,485,000	2,114,131	24,599,131	3,385,000	488,275	3,873,275	910,000	118,300	1,028,300
2036	17,730,000	1,282,311	19,012,311	3,520,000	350,175	3,870,175	940,000	85,925	1,025,925
2037	13,200,000	671,982	13,871,982	3,665,000	206,475	3,871,475	975,000	52,413	1,027,413
2038	7,265,000	273,793	7,538,793	3,805,000	66,588	3,871,588	1,010,000	17,675	1,027,675
2039	1,165,000	106,313	1,271,313	-	-	-	-	-	-
2040	1,205,000	64,838	1,269,838	-	-		-	-	-
2041	1,250,000	21,875	1,271,875	-	-		-	-	-
	$ 763,280,000	$ 265,912,704	$ 1,029,192,704	$ 53,635,000	$ 23,832,489	$ 77,467,489	$ 14,705,000	$ 5,875,558	$ 20,580,558

Fiscal Year Ended 9/30	Total Outstanding Debt	Economic Development Self-Supporting Requirements	Water and Sewer Self-Supporting Requirements (3)	Community Development Self-Supporting Requirements	TIRZ Self-Supporting Requirements	Hotel/Motel Self-Supporting Requirements	PID Self-Supporting Requirements	Management District Self-Supporting Requirements	Total Debt Less Self-Supporting Requirements	% of Total Outstanding Principal Retired
2018	$ 84,958,038	$ 1,637,361	$ 16,064,067	$ 8,042,221	$ 16,666,834	$ 2,510,317	$ 377,651	$ 519,857	$ 39,139,731	
2019	89,944,499	1,640,567	17,076,564	8,040,389	17,058,226	2,507,899	371,150	519,831	42,729,874	
2020	88,296,897	1,647,795	16,981,638	7,558,518	17,053,577	2,505,511	368,788	520,125	41,660,946	
2021	88,272,358	1,653,675	16,977,250	7,570,058	17,081,730	2,502,937	364,700	519,010	41,602,998	
2022	84,662,723	1,210,285	15,807,643	7,561,575	17,092,788	2,505,185	369,944	520,447	39,594,857	34.67%
2023	84,639,744	1,214,927	15,811,738	7,568,053	17,090,731	2,506,397	364,288	518,447	39,565,164	
2024	69,075,638	858,119	14,074,737	6,592,608	12,418,541	1,322,189	187,769	385,003	33,236,674	
2025	65,114,211	858,491	13,004,937	5,552,834	12,422,334	1,319,643	-	385,124	31,570,848	
2026	54,999,321	559,926	11,951,589	4,277,392	9,850,103	1,061,309	-	-	27,299,002	
2027	49,262,897	552,907	10,298,563	3,590,804	9,876,225	1,062,283	-	-	23,882,116	63.06%
2028	43,001,349	555,076	7,112,066	3,597,115	9,876,230	1,061,137	-	-	20,799,725	
2029	41,259,130	561,127	7,114,132	3,606,847	9,882,717	1,057,792	-	-	19,036,516	
2030	41,276,067	561,173	7,105,169	3,610,801	9,902,376	1,057,510	-	-	19,039,039	
2031	41,047,925	559,923	7,102,525	3,616,510	9,654,993	1,055,518	-	-	19,058,456	
2032	40,507,479	562,326	7,110,543	3,618,804	9,666,912	1,056,791	-	-	18,492,103	82.43%
2033	40,497,784	558,828	7,095,350	3,619,636	9,678,552	1,055,760	-	-	18,489,659	
2034	31,993,625	564,356	5,314,219	2,557,526	5,822,928	1,057,490	-	-	16,677,106	
2035	29,500,706	563,940	4,305,781	2,559,338	5,830,344	1,057,500	-	-	15,183,803	
2036	23,908,411	562,683	3,267,322	2,566,959	5,422,970	1,055,790	-	-	11,032,687	
2037	18,770,869	565,476	2,033,500	2,570,168	5,436,241	1,057,253	-	-	7,108,232	98.11%
2038	12,438,055	347,055	1,027,675	1,740,379	5,451,359	-	-	-	3,871,587	
2039	1,271,313	-	-	-	1,271,312	-	-	-	-	
2040	1,269,838	-	-	-	1,269,838	-	-	-	-	
2041	1,271,875	-	-	-	1,271,875	-	-	-	-	100.00%
	$ 1,127,240,751	$ 17,796,011	$ 206,637,008	$ 100,018,535	$ 237,049,734	$ 30,376,208	$ 2,404,287	$ 3,887,844	$ 529,071,124	

(1) Average life of the issue - 11.459 years. Interest on the Bonds has been calculated at the rates stated on page 2 hereof.
(2) Average life of the issue - 11.312 years. Interest on the Certificates has been calculated at the rates stated on page 4 hereof.
(3) Includes the Certificates.

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

Budgeted Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/18		$ 64,229,859 [(1)]
Budgeted Interest and Sinking Fund Balance as of 9/30/17	5,810,940	
Budgeted Interest and Sinking Fund Tax Levy	39,139,734	
Budgeted Interest Income	30,000	
Budgeted Transfers and Contributions	24,127,812	69,108,486
Budgeted Estimated Balance, 9/30/18		$ 4,878,627

(1) Source: City's Annual Budget for Fiscal Year 2017/18; does not include debt service on the Obligations, debt service supported by waterworks and sewer system revenues or a portion of debt service supported by community development corporation revenues.

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

Waterworks and Sewer System	
Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-17	$ 84,647,008
Less: Revenue Bonds Requirements, 2018 Fiscal Year	-
Balance Available for Other Purposes	$ 84,647,008
System General Obligation Bond Requirements, 2018 Fiscal Year	16,064,067
Balance	$ 68,582,941
Percentage of System General Obligation Bonds, Self-Supporting	100.00%
Tax Increment Reinvestment Zone Number One	
Budgeted Revenue Available for Debt Service from Tax Increment Reinvestment Zone Revenue (TIRZ), for Fiscal Year Ended 9-30-17	$ 41,149,423
Tax and TIRZ Revenue Certificates of Obligation Requirements, 2018 Fiscal Year	16,666,834
Balance	$ 24,482,589
Percentage of TIRZ General Obligation Bonds, Self-Supporting	100.00%
Economic Development Corporation	
Available for Debt Service from Economic Development Corporation, Fiscal Year Ended 9-30-17	$ 20,517,490
Less: Revenue Bonds Requirements, 2018 Fiscal Year	4,839,975
Balance Available for Other Purposes	$ 15,677,515
Economic Development Corporation General Obligation Bond Requirements, 2018 Fiscal Year	1,637,361
Balance	$ 14,040,155
Percentage of System General Obligation Bonds, Self-Supporting	100.00%
Community Development Corporation	
Available for Debt Service from Community Development Corporation, Fiscal Year Ended 9-30-17	$ 24,456,553
Less: Revenue Bonds Requirements, 2018 Fiscal Year	3,736,886
Balance Available for Other Purposes	$ 20,719,667
Community Development Corporation General Obligation Bond Requirements, 2018 Fiscal Year	8,042,221
Balance	$ 12,677,446
Percentage of System General Obligation Bonds, Self-Supporting	100.00%

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

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Amount Being Issued [2]	Unissued Balance
Library	5/13/2006	$ 8,000,000	$ -	$ -	$ 8,000,000 [1]
Senior Citizen Center	5/13/2006	2,500,000	-	-	2,500,000 [1]
Municipal Court Facility	5/13/2006	1,000,000	-	-	1,000,000 [1]
Cultural Arts Facilities	5/13/2006	5,000,000	3,000,000	-	2,000,000
Grand Park	5/13/2006	22,500,000	12,000,000	-	10,500,000
Police and Fire	5/9/2015	41,500,000	30,010,000	11,490,000	-
Streets and Roads	5/9/2015	125,000,000	80,000,000	45,000,000	-
Municipal Building	5/9/2015	37,000,000	5,000,000	-	32,000,000
Grand Park	5/9/2015	10,000,000	-	-	10,000,000
Performing Arts	5/9/2015	10,000,000	-	-	10,000,000
		$ 262,500,000	$ 130,010,000	$ 56,490,000	$ 76,000,000

(1) The City will not issue these authorizations.
(2) Includes the premium of the Bonds being issued.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City anticipates the issuance of approximately $50,000,000 of additional general obligation debt in the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

The City has no unfunded debt outstanding as of September 30, 2017.

PENSION FUND . . . The City of Frisco participates as one of 872 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. See APPENDIX B – Excerpts from the City's Comprehensive Annual Report", Note 11, page 84 for a detailed description of the Pension Fund.

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 one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. A summary of plan provisions for the City are as follows:

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

As of the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	140
Inactive Employees Entitled to But Not Yet Receiving Benefits	398
Active Employees	1,080
	1,618

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

Employees for the City of Frisco were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.13% and 14.29% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were $11,367,240 and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used, with male 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, 2016, 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 estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
None-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

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 was assumed that employee contributions 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 payment to determine the total pension liability.

	Increase (Decrease)		
	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 188,699,350	$ 150,189,214	$ 38,510,136
Changes for the year:			
Service cost	13,533,172	-	$ 13,533,172
Interest	13,102,946	-	13,102,946
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,645,340	-	1,645,340
Changes of assumptions	-	-	-
Contributions - employer	-	10,375,914	(10,375,914)
Contributions - employee	-	5,187,963	(5,187,963)
Net investment income	-	10,161,230	(10,161,230)
Benefit payments, including refunds of employee contributions	(2,696,424)	(2,696,424)	-
Administrative expense	-	(114,632)	114,632
Other changes	-	(6,176)	6,176
Net changes	25,585,034	22,907,875	2,677,159
Balance at 12/31/2016	$ 214,284,384	$ 173,097,089	$ 41,187,295

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% Decrease in Discount Rate (5.75%)	Discount Rate 6.75%	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	$80,251,579	$41,187,295	$ 9,866,550

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2017, the City recognized pension expense of $13,401,196; $13,133,172 for the primary government and $268,024 for the component units.

The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	240,919	$ -
Changes in actuarial assumptions used	-	(1,061,051)
Difference between projected and actual investments earnings	6,260,929	-
Contributions subsequent to the measurement date	8,450,264	-
Total	$14,952,112	$(1,061,051)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $8,450,264, with $169,005 contributed for the component units, will be recognized as a reduction of the net pension liability for measurement year ending December 31, 2017 (i.e. recognized in the City's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows

Measurement Year	Primary Government	Component Units	At December 31
2016	$ 1,930,605	$ 39,400	$ 1,970,005
2017	1,930,605	39,400	1,970,005
2018	1,627,831	33,221	1,661,052
2019	(221,685)	(4,524)	(226,209)
2020	(156,047)	(3,185)	(159,232)
Thereafter	220,672	4,504	225,176
Total	$ 5,331,981	$ 108,816	$ 5,440,797

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FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
Revenues:	2017	2016	2015	2014	2013
Program Revenues					
Charges for Services	$ 32,701,765	$ 30,090,277	$ 28,725,444	$ 26,396,837	$ 25,316,561
Operating Grants and Contributions	4,305,641	4,944,360	3,236,153	4,666,348	2,549,183
Capital Grants and Contributions	87,384,164	199,150,396	122,651,198	49,626,979	58,872,983
General Revenues					
Ad Valorem Tax	112,456,629	97,716,101	85,412,246	75,849,283	69,014,412
Sales Tax	40,408,821	37,826,251	36,003,036	34,196,948	29,158,661
Franchise Tax	10,126,891	9,366,054	9,338,941	9,041,655	7,909,763
Other Taxes	5,678,518	5,278,619	5,019,906	4,565,581	3,998,236
Intergovernmental	28,275,708	18,109,962	37,600,247	26,077,693	18,540,374
Investment Earnings	2,717,226	1,805,611	859,102	222,548	495,129
Total Revenues	$ 324,055,363	$ 404,287,631	$ 328,846,273	$ 230,643,872	$ 215,855,302
Expenses:					
General Government	$ 71,141,026	$ 56,719,612	$ 53,318,813	$ 50,945,132	$ 42,629,757
Public Safety	75,124,144	66,878,782	57,906,328	52,340,573	48,074,351
Public Works	44,655,377	46,082,286	39,730,064	32,827,619	30,648,669
Culture and Recreation	35,598,228	33,135,218	29,483,819	28,062,191	26,110,474
Interest on Long-Term Debt	19,087,970	17,577,838	18,443,803	18,631,848	17,005,242
Total Expenses	$ 245,606,745	$ 220,393,736	$ 198,882,827	$ 182,807,363	$ 164,468,493
Increase (Decrease) in Net Position before Transfers	$ 78,448,618	$ 183,893,895	$ 129,963,446	$ 47,836,509	$ 51,386,809
Transfers	2,034,334	2,358,417	306,393	573,076	1,117,421
Increase (Decrease) in Net Position	$ 80,482,952	$ 186,252,312	$ 130,269,839	$ 48,409,585	$ 52,504,230
Net Position - October 1	1,157,425,099	971,172,787	861,245,040	812,835,455 [(1)]	764,273,482
Prior Period Adjustments			(20,342,092)	-	-
Net Position - September 30	$ 1,237,908,051	$ 1,157,425,099	$ 971,172,787	$ 861,245,040	$ 816,777,712

(1) Restated.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues	2017	2016	2015	2014	2013
Taxes	$ 119,924,855	$ 106,759,512	$ 96,147,368	$ 86,736,103	$ 75,467,315
Fees and Services	27,409,637	21,960,163	20,665,946	20,080,578	17,645,854
Fines and Warrants	2,044,426	2,123,120	2,204,495	2,172,664	2,376,846
Contributions and Donations	92,598	3,541,995	103,285	255,460	143,452
Interest and Penalties	637,180	588,173	277,759	78,094	92,730
Miscellaneous	402,894	432,408	1,933,514	1,854,487	2,255,177
Total Revenues	$ 150,511,590	$ 135,405,371	$ 121,332,367	$ 111,177,386	$ 97,981,374
Expenditures					
General Government	$ 45,161,328	$ 33,886,816	$ 33,748,034	$ 32,047,031	$ 25,215,566
Public Safety	66,798,740	59,257,996	51,644,445	45,276,993	42,027,753
Public Works	11,863,531	10,117,253	8,694,316	8,156,935	7,078,839
Culture and Rereation	18,422,451	17,296,258	14,838,311	13,777,432	12,917,182
Capital Outlay	4,696,566	5,961,002	3,314,955	2,505,659	2,692,240
Debt Service	-	-	-	-	-
Total Expenditures	$ 146,942,616	$ 126,519,325	$ 112,240,061	$ 101,764,050	$ 89,931,580
Excess (Deficiency) of Revenues Over Expenditures	$ 3,568,974	$ 8,886,046	$ 9,092,306	$ 9,413,336	$ 8,049,794
Other Financing Sources (Uses):					
Budgeted Transfers In	$ 749,000	$ 1,539,080	$ 5,751,010	$ 1,332,781	$ 729,498
Budgeted Transfers Out	(258,407)	(1,409,004)	(717,281)	(1,612,981)	(6,043,503)
Sale of Assets	324,033	428,358	115,537	1,203,437	76,962
Total Other Financing Sources (Uses)	$ 814,626	$ 558,434	$ 5,149,266	$ 923,237	$ (5,237,043)
Excess (Deficiency) of Revenues and Other Financing Sources	$ 4,383,600	$ 9,444,480	$ 14,241,572	$ 10,336,573	$ 2,812,751
Beginning Fund Balance	69,433,840	59,989,360	45,747,788	35,411,215	32,598,464
Ending Fund Balance	$ 73,817,440	$ 69,433,840	$ 59,989,360	$ 45,747,788	$ 35,411,215

TABLE 14 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	1% City Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2014	$ 34,196,948	45.46%	$ 0.2148	$ 239.16
2015	36,003,036	43.15%	0.1990	238.38
2016	37,826,251	39.55%	0.1811	236.28
2017	40,371,602	37.07%	0.1663	250.49
2018 (1)	21,611,530	19.45%	0.0815	122.63

(1) Collections through April 1, 2018.

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

Fiscal Year Ended 9/30	4A Sales Tax Collected	4B Sales Tax Collected
2014	$ 17,098,474	$ 17,098,474
2015	18,001,518	18,001,518
2016	18,913,126	18,913,126
2017	20,185,801	20,185,801
2018 (1)	10,805,765	10,805,765

(1) Collections through April 1, 2018.

The sales tax breakdown for the City is as follows:

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

FINANCIAL POLICIES

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities , including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the Public Funds Investment Act; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State; (9) bankers’ acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

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

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

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

TABLE 15 - CURRENT INVESTMENTS

As of April 1, 2018, the City's investable funds were invested in the following categories:

Description	Percent	Amount
TexPool	16.36%	$ 81,888,481
TexStar	23.55%	117,870,947
Investments	59.07%	295,595,000
Certificates of Deposit	1.01%	5,053,940
	100.00%	$ 500,408,368

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

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

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

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TAX MATTERS

TAX EXEMPTION . . .

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) the 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 to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations. See Appendix C -- Forms of Bond Counsel's Opinions.

In rendering its opinion, 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 application 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 opinion of Bond Counsel to the City is conditioned on 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 property financed or refinanced with proceeds of the Obligations. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the owners 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 principal 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 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 Obligations should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

Collateral Federal Income Tax Consequences . . . 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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, 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 AND FROM 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 bonds" 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 bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the 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.

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

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 such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the EMMA system. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in APPENDIX B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2018. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2018. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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

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

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

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

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

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

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

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

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "Aaa" by Moody's and "AA+" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

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

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of each series of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and Initial Certificate of each series 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, including the alternative minimum tax on corporations.. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sales and Bidding Instructions, the Official Bid Forms and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Notice of Sales and Bidding Instructions, the Official Bid Forms and the Official Statement to verify that such information conforms to the provisions of the Certificate Ordinance. Although it may represent the Financial Advisor or Initial Purchaser from time to time in matters unrelated to the issuance of the Obligations, McCall, Parkhurst & Horton L.L.P. represents only the City. 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. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

The various 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 the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from 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. (“HilltopSecurities”) 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. HilltopSecurities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASERS OF THE OBLIGATIONS

After requesting competitive bids for the Bonds, the City accepted the bid of SAMCO Capital Markets(the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium (if any) of $3,068,172.98. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

After requesting competitive bids for the Certificates, the City accepted the bid of BOK Financial Securities, Inc.(the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium (if any) of $388,449.32. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

The Ordinances authorized the issuance of the Obligations and 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 Initial Purchasers.

NELL LANGE
Pricing Officer
City of Frisco, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION . . . The City of Frisco is located is located in west central Collin County and east central Denton County, approximately 25 miles north of downtown Dallas at the intersection of the Dallas North Tollway (DNT) and State Highway 121, now known as Sam Rayburn Tollway (SRT). US Highway 380 is the northern border for the City. Frisco is readily accessible via SRT from the Dallas Fort Worth International Airport or via the DNT from Love Field Airport in Dallas. The City currently encompasses (incorporated and unincorporated) 70 square miles which is approximately 66% developed

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

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

The Frisco Economic Development Corporation (FEDC) completed a new Comprehensive Economic Development Strategy in 2017. The report identified the following target clusters: Advanced Technology, Sports & Digital Gaming, and Professional & Information Services. Each target cluster encompasses several niche sectors. With this strategy, the FEDC will continue to facilitate new projects moving forward, building on the results of the past.. For FY 2018, the FEDC facilitated 15 new projects, potentially filling or adding 988,600 square feet, with a potential capital investment exceeding $200,115,000 and potentially creating/retaining over 1,178 jobs.

FEDC assisted four companies with relocating their corporate headquarters or regional headquarter operations to Frisco during 2017: Skinny IT, KidZania USA, Powersecure, Inc. and Argon Medical Devices. Several existing companies also announced expansions of Frisco office space: Steward Energy II, LLC; TTS, LLC; 4Web, Inc.; and F A Peinado, LLC.

New development was also facilitated during the year. Texas Health Resources kicked off construction on Texas Health Hospital Frisco located along the Dallas North Tollway at Cobb Hill Road. The new medical campus will include an 8-story 80-bed acute care hospital, a medical office building with additional square footage for clinic space, a four-story parking garage, and a 24/7 emergency room. It will provide women's services and neonatal ICU care as well. The facility is expected to open in 2019.

Invest Group Oversees began construction on The Gate, a 41-acre mixed-use development along the Dallas North Tollway & John Hickman Parkway. The 2.3 million square foot development includes two 10-story luxury condos, 980 luxury apartment units, a luxury 150 room boutique hotel and four 8-story Class-A office buildings totaling 876,000 square feet. HALL Group neared completion on its Building 17 in HALL Park, a 162-acre office campus. The 12-story, speculative, Class A Office building offering 300,000 square feet of new office space is expected to open in early 2018. Texas Scottish Rite Hospital for Children continued work on its North Campus located on 40 acres in Frisco, also located along the Dallas North Tollway. The ambulatory care center will include a conference center and 30 acres of parks & sports fields. The facility is expected to open in 2018

The FEDC continued development of a new business park to help meet the demand for tech/flex office space and to offer an option for companies looking to own and occupy their buildings. Frisco Park 25's site plan is designed to be a high-end commercial development that includes 14 lots of 216 acres zoned for industrial and commercial use. The building uses in Frisco Park 25 will range from corporate and regional headquarters to light manufacturing, showroom, warehouse, and distribution operations.

In 2017, the Dallas Cowboys anchored the development of The Star. The Star saw several retail projects come online including the 300 room Omni Hotel and many additional new restaurants and retail stores. Construction also continued for the nine-story, 300,000 square foot Baylor Scott & White Sports Therapy & Research Center with a structured parking garage for 1,063 cars. The facility is expected to open in early 2018.

The development partners of Frisco Station completed work on a seven-story, speculative, class A office building offering 228,000 square feet of new office space. Work began on an innovative, four-brand, 600-room lifestyle hotel campus and multi-family urban living development called 'Station House' in Frisco Station during 2017.

Two major projects were also kicked off in 2017 at Stonebriar Centre. Work for the Hyatt Regency Hotel, a 15-story luxury hotel with 303 rooms, meeting space and an 800 space parking garage is underway. The project is expected to be completed in 2019. Also, at Stonebriar Centre, KidZania USA began work on an educational & entertainment 'job role-play' center for children ages 4-12, which will be the first of its kind in the United States and serve as their U.S. Corporate Headquarters.

Our housing development continues to be robust with 1,936 new single family permits issued in 2017. At December 31, 2017, there is a 48 month supply of residential lots that are planned, with 6,661 of the lots being in 24 different development communities. There were 8 new multi-family and urban living development permits issues in 2017. With 5,293 units under construction and 4,929 units in the pipeline, the housing development will continue. Major commercial permits issued included the parking towers at Wade Park and the two new hospitals that are now under construction, with a combined value of over $370 million. New commercial permits value total over $676 million for all permits issued.

Frisco continues to be a destination location with venues and attractions that generate significant economic benefits to Frisco retailers, restaurants and hotels. On December 20, 2017, Frisco welcomed the DXL Frisco Bowl NCAA football game to Toyota Stadium. The inaugural teams were Southern Methodist University – Dallas, representing the American Athletic Conference, and Louisiana Tech University, representing Conference USA. On January 6, 2018, Frisco welcomed back the NCAA Division I Football Championship Game (FCS) at Toyota Stadium hosted by the Southland Conference, Hunt Sports Group and the City of Frisco. Toyota Stadium and The Star were also the location of several concerts and festivals during the year.

MAJOR BUSINESSES AND INDUSTRIES LOCATED IN FRISCO

Name	Product	Number of Employees
Frisco ISD	Independent School District	6,970
City of Frisco	Municipal government	1,508
Amerisource Bergen Specialty Group	Pharmaceutical Product Distribution	1,450
Conifer	Healthcare Management	1,150
T-Mobile USA	Telecommunications	760
Baylor Medical Center	Hospital	642
Mario Sinacola & Sons	Excavation	603
Oracle USA	Information Technology	500
Baylor Scott White/Centennial Hospital	Hospital	490
Collin College	Community College	429

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

EDUCATIONAL FACILITIES . . . The Frisco Independent School District is a progressive, growing system that consists of 42 Elementary Schools, 17 Middle Schools and 10 High Schools and 3 special program centers. The District is fully accredited by the Texas Education Agency. Frisco ISD's student enrollment as of October 2017 was 58,461 students. School enrollment is projected to reach 66,000 students by 2021.The District endeavors to help every student achieve their highest potential. SAT scores are above the State average and approximate the national average. The Board of Trustees and Staff is continuously evaluating the curriculum, developing improved programs and maintaining the best possible educational opportunities for the students of Frisco.

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

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

The entire District includes the original McKinney Campus, Spring Creek Campus in east Plano, Preston Ridge Campus in Frisco, Allen Center in Allen, Collin Higher Education Center in McKinney and the Courtyard Center in Southwest Plano.

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

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

University of Texas at Dallas Dallas, Texas

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

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

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

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APPENDIX B

EXCERPTS FROM THE

CITY OF FRISCO, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the City of Frisco, Texas Annual Financial Report for the Year Ended September 30, 2017, 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 City Council
City of Frisco, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Frisco, Texas (the City) as of and for the year ended September 30, 2017, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and TIRZ #1 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; Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions; and the notes to the required supplementary information on pages 19 through 30 and 97 through 98 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's basic financial statements. The combining and individual fund statements and schedules and other information such as the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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 February 26, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 26, 2018

FRISCO

PROGRESS IN MOTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

…

CITY OF FRISCO, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

As management of the City of Frisco, (the City), we offer this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2017. In the broadest context, the financial well being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so the City's tax base, service levels, City assets and the City's desirability will be maintained; not just for the current year, but well into the future.

Financial reporting is limited in its ability to provide this "big picture", but rather focuses on financial position and changes in said financial position. In other words, are revenues and or expenses/expenditures higher or lower than the previous year? Has net position (containing both short and long term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages 1 - 8 of this report) and the statistical section (pages 135-164), as well as information on the City Council's Strategic Goals, the Annual Budget and other community information found on the City's website at www.friscotexas.gov.

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

FINANCIAL HIGHLIGHTS

- The assets of the City of Frisco exceeded its liabilities at the close of the most recent fiscal year by $1,590,188,498 (net position). The majority of the City's assets are invested in capital assets or restricted for specific purposes. The remaining $94,660,002 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's net position for governmental activities increased by $80,482,952 as a result of this year's operations. Net position of the City's business-type activities increased as a result of this year's operations by $25,470,931.
- As of the close of the current fiscal year, the City of Frisco's governmental funds reported a combined ending fund balance of $307,626,878. Approximately 20 percent of this total is available for spending at the City's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $62,523,640 or 43 percent of total general fund expenditures.
- The City of Frisco's total debt increased by $6,774,207, .8 percent during the current fiscal year. This change was due to new bond issues being slightly higher than bond debt maturities during the year.

- The ad valorem rate for the City was $.45 for fiscal year 2017. This tax rate supports debt service, operations and maintenance, and bond programs to construct infrastructure and city facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Reporting the City's Most Significant Funds

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

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

  The City of Frisco maintains sixteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, tax increment refinancing zone fund (TIRZ), capital projects fund, and the debt service fund all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements starting on page 105 of this report.

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

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

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

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

THE CITY AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and assets by category may serve over time as a useful indicator of the government's financial position. In the case of the City of Frisco, assets exceeded liabilities by $1,590,188,498 as of September 30, 2017.

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

City of Frisco Net Position
September 30, 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 391,360,201	$ 422,286,761	$ 147,295,933	$ 141,531,591	$ 538,656,134	$ 563,818,352
Capital assets	1,580,157,257	1,489,632,290	369,465,043	344,208,334	1,949,622,300	1,833,840,624
Total assets	1,971,517,458	1,911,919,051	516,760,976	485,739,925	2,488,278,434	2,397,658,976
Deferred outflow of resources	27,031,909	29,344,296	6,119,504	6,792,836	33,151,413	36,137,132
Long term liabilities	652,900,203	650,850,027	146,058,924	142,422,982	798,959,127	793,273,009
Other liabilities	106,849,929	130,731,147	24,392,560	22,924,083	131,242,489	153,655,230
Total liabilities	759,750,032	781,581,174	170,451,484	165,347,065	930,201,516	946,928,239
Deferred inflow of resources	891,284	2,257,074	148,549	376,180	1,039,833	2,633,254
Net investment in capital assets	1,123,429,533	1,051,389,064	271,084,999	249,009,918	1,394,514,532	1,300,398,982
Restricted	69,106,670	62,763,394	31,907,294	29,954,906	101,013,964	92,718,300
Unrestricted	45,371,848	43,272,641	49,288,154	47,844,692	94,660,002	91,117,333
Total net position	$ 1,237,908,051	$ 1,157,425,099	$ 352,280,447	$ 326,809,516	$ 1,590,188,498	$ 1,484,234,615

An additional portion of the City's net position (6 percent) represents resources that are subject to external restrictions on how they may be used, including bond covenants. The remaining balance of unrestricted net position $94,660,002 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

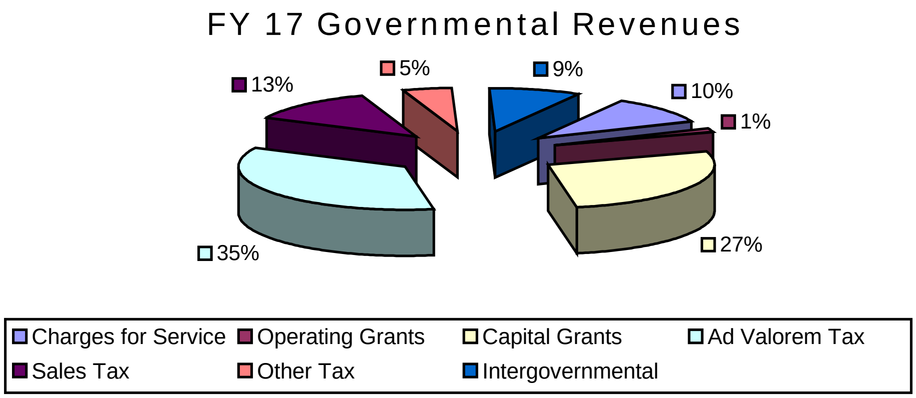
As of September 30, 2017, the City is able to report positive balances in all three categories, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal years.

Analysis of the City's Operations – Overall the City had an increase in net position of $105,953,883.

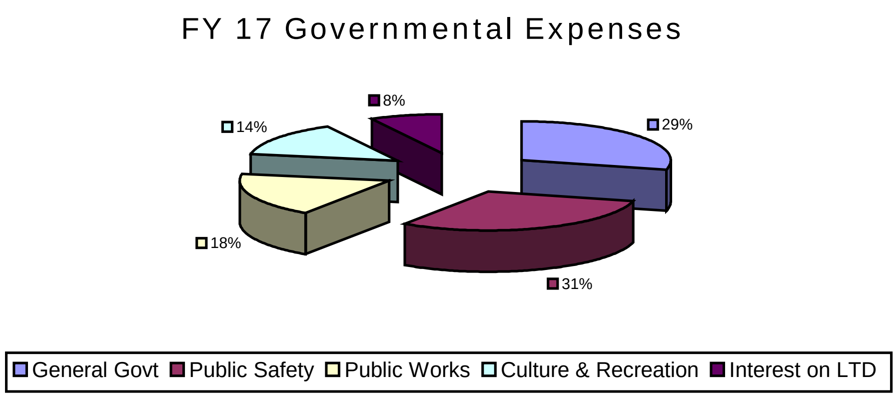
Governmental activities: Governmental activities increased the total net position by $80,482,952 or 76% of the total growth. Net investment in capital assets increased by $72,040,469 due to increases in capital investment (or projects completed during the year), net of increases in debt. Unrestricted net position showed an increase of $2,099,207. Restricted net position increased by $6,343,276, primarily due to increases in capital projects and restricted fees to fund the projects.

Total revenues for governmental activities decreased when compared to the prior year by $80,232,268. General revenue had an increase of $29,561,195, while program revenues had a decrease of $109,793,463. These were primarily due to the following factors:

> General revenues: Property tax revenue includes an increase of $14.7 million and is due to a combination of the increased value in existing property and the value generated by new improvements and annexations. Sales taxes increased $2.6 million due to an increase in retail sales for the entire year. Franchise taxes and other taxes also had a slight increase. Intergovernmental revenues increased $10.2 million due to increases in contributions from the component units for projects within the City.
>
> Program revenues: Charges for services increased during the year due to higher collections for various fees including recreational fees and building permits. Grants and contributions reflect a slight decrease this fiscal year. Significant decreases were seen in capital contributions due in part to the contributions recognized for several major capital projects in the prior year.



Total expenses for governmental activities increased $25.2 million or 11 percent. This increase is attributed to increases to provide services to the growing population. General government expenses include a payment of $13.8 million to Frisco Independent School District as part of the agreement with the TIRZ to provide property tax revenue generated in the TIRZ for school district construction expenses. Incurred expenses of $75.1 million were to provide public safety to the citizens of Frisco. These expenses were somewhat offset by the collection of revenues from various sources, including grant income and charges for services. Public works is a significant expense and provides roadway repairs and traffic control/signals for the citizens and expenses of $44.7 million were incurred. These expenses include depreciation for City infrastructure. Total salaries and benefits for the governmental activities totaled approximately $99.5 million or 41% of the total, while depreciation expense totaled $56.0 million or 23%.



<u>Business-type activities</u>: Net position from business-type activities increased by $25,470,931 accounting for the remaining total growth. Program revenues of the City's business-type activities were $136,882,832 for the fiscal year. Operating expenses totaled $110,290,266. The increase is affected by several factors, including the following:

The City's water and sewer system recorded charges for services of $84,814,386 and impact fees and contributions of $34,847,451. Revenues showed an increase during the year due to capital contributions, and the growth of the customer base and fee increases are also contributing factors. Total operating expenses were $95,527,532. The most significant expenses of the water and sewer fund were $25,652,225 to purchase water, $22,408,747 for the cost of sewage treatment, $22,054,778 for depreciation and $16,089,860 for salaries and benefits.

City of Frisco's Changes in Net Position
For the year ended
September 30, 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	$ 32,701,765	$ 30,090,277	$101,898,381	$ 95,602,598	$ 134,600,146	$ 125,692,875
Operating grants and contributions	4,305,641	4,944,360	142,500	67,965	4,448,141	5,012,325
Capital grants and contributions	87,384,164	199,150,396	34,841,951	32,233,793	122,226,115	231,384,189
Total program revenues	124,391,570	234,185,033	136,882,832	127,904,356	261,274,402	362,089,389
General revenues						
Ad valorem tax	112,456,629	97,716,101	-	-	112,456,629	97,716,101
Sales tax	40,408,821	37,826,251	-	-	40,408,821	37,826,251
Franchise tax	10,126,891	9,366,054	-	-	10,126,891	9,366,054
Other tax	5,678,518	5,278,619	-	-	5,678,518	5,278,619
Intergovernmental	28,275,708	18,109,962	124,048	446,978	28,399,756	18,556,940
Investment earnings	2,717,226	1,805,611	788,651	451,606	3,505,877	2,257,217
Total general revenues	199,663,793	170,102,598	912,699	898,584	200,576,492	171,001,182
Total revenues	324,055,363	404,287,631	137,795,531	128,802,940	461,850,894	533,090,571
Expenses						
General government	71,141,026	56,719,612	-	-	71,141,026	56,719,612
Public safety	75,124,144	66,878,782	-	-	75,124,144	66,878,782
Public works	44,655,377	46,082,286	-	-	44,655,377	46,082,286
Culture and recreation	35,598,228	33,135,218	-	-	35,598,228	33,135,218
Interest	19,087,970	17,577,838	-	-	19,087,970	17,577,838
Water and sewer	-	-	95,527,532	78,892,654	95,527,532	78,892,654
Other enterprise funds	-	-	14,762,734	13,713,061	14,762,734	13,713,061
Total expenses	245,606,745	220,393,736	110,290,266	92,605,715	355,897,011	312,999,451
Increase in net position before transfers	78,448,618	183,893,895	27,505,265	36,197,225	105,953,883	220,091,120
Transfers	2,034,334	2,358,417	(2,034,334)	(2,358,417)	-	-
Increase in net position	80,482,952	186,252,312	25,470,931	33,838,808	105,953,883	220,091,120
Net position, October 1	1,157,425,099	971,172,787	326,809,516	292,970,708	1,484,234,615	1,264,143,495
Net position, September 30	$1,237,908,051	$1,157,425,099	$352,280,447	$326,809,516	$1,590,188,498	$1,484,234,615

THE CITY'S FUNDS

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

At the close of the City's fiscal year on September 30, 2017, the governmental funds of the City reported a combined fund balance of $307,626,878, a decrease of $532,517 in comparison with the prior year. Unassigned fund balance, which is available for spending at the government's discretion, constitutes $62,523,640 of this balance. The remainder of fund balance is non-spendable, restricted, committed or assigned. 1) Non-spendable fund balances $1,416,504 includes prepaids and inventories held by the government, 2) Restricted balances includes bond proceeds restricted for capital projects $160,967,145, reserves to pay debt service $5,847,513, impact fee revenues restricted for capital project funding $57,255,538, TIRZ #1 balances for other purposes $4,710,796, and other special revenues restricted for a specific purpose $4,371,214, 3) Committed funds included commitments made by resolution by the governing body for insurance reserves $6,351,871, workforce housing programs $569,303 and the capital reserve fund $3,613,354.

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 $62,523,640, while total fund balance reached $73,817,440. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43% of total general fund expenditures, while total fund balance represents 50% of that same amount. The fund balance of the City's general fund increased $4,383,600 during the current fiscal year attributed mainly to increases in actual revenues collected for sales tax, property tax, permits and recreation fees, while expenditures for most functional areas were less than originally budgeted.

The TIRZ #1 fund has a total fund balance of $4,710,796. This amount is restricted for future projects within the zone.

The capital projects fund has a total fund balance of $161,456,079, $488,934 non-spendable for prepaid expenses and inventories. The fund balance represents unspent bond proceeds and intergovernmental revenue for roads, facilities and parks that has been received but not yet spent or recognized on specific capital projects. The decrease in fund balance is due to expenditures for capital projects during the fiscal year. The only revenue recognized is for interest earnings on bond proceeds and intergovernmental/developer agreements for shared costs projects.

The debt service fund has a total fund balance of $5,847,513, all restricted for retirement of City debt.

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

Unrestricted Net Position of the enterprise funds at September 30, 2017 totaled $49,288,154. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

For FY 2017, the City Council approved a final appropriation in September 2017 with the total amount of the appropriation equaling $158.1 million including transfers out to other city funds.

Amendments were made to reallocate funds appropriated to more accurately account for estimated revenues and expenditures.

With the budget amendments made during the fiscal year, the actual expenditures on a budgetary basis were $149.8 million compared to the re-estimated (revised) budget amount of $157.3 million. The $7.5 million variance in total expenditures (excluding transfers out) is attributed to savings in the general fund for operational dollars budgeted but not required or expended by September 30.

The actual (on a budgetary basis excluding transfers in) revenues were $150.5 million as compared to the re-estimated (revised) budget amount of $147.2 million excluding transfers. The $3.3 million variance in total revenues is attributed to increases over projections in property tax, sales tax, permit fees, interest earnings and charges for services collections, with decreases under projections in franchise tax collections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At the end of the year, the City had $2,696,530,819 invested in a broad range of capital assets, including land, buildings, park facilities, roads, bridges, water & sewer lines, police and fire equipment, and public works operating equipment and machinery. This amount represents a net increase (including additions and deductions) of $192,310,513 over the prior fiscal year. Total accumulated depreciation for September 30, 2017, was $746,908,519 for net capital assets of $1,949,622,300.

Capital Assets for the Year Ended September 30, 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Land	$ 248,463,147	$ 243,818,559	$ 10,422,839	$ 10,168,306	$ 258,885,986	$ 253,986,865
Buildings & improvements	629,660,645	351,047,036	10,123,598	10,123,598	639,784,243	361,170,634
Machinery & equipment	66,415,516	60,303,211	9,030,279	8,726,487	75,445,795	69,029,698
Construction in progress	120,592,621	348,136,913	40,201,013	38,459,034	160,793,634	386,595,947
Improvements other than buildings	1,096,063,060	1,012,608,620	465,558,101	420,828,542	1,561,621,161	1,433,437,162
Total capital assets	2,161,194,989	2,015,914,339	535,335,830	488,305,967	2,696,530,819	2,504,220,306
Less accumulated depreciation	(581,037,732)	(526,282,049)	(165,870,787)	(144,097,633)	(746,908,519)	(670,379,682)
Total	$1,580,157,257	$1,489,632,290	$ 369,465,043	$ 344,208,334	$1,949,622,300	$1,833,840,624

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

The City's 2018 Capital Project Multi-Year Budget calls for a continuation of the Capital Project Plan. Funding for several major roadway projects, Grand Park and other community parks, fire equipment, facility expansions and new construction and utility system infrastructure are included in the 2018 Plan.

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

Election May 13, 2006	Voted Bonds	Issued Prior Years	Issued FY 2017	Unissued Balance
Branch Library (Prop 5)	$ 8,000,000	$ -	$ -	$ 8,000,000
Senior Center (Prop 7)	2,500,000	-	-	2,500,000
Community Cultural Arts (Prop 8)	5,000,000	3,000,000	-	2,000,000
Grand Park (Prop.12)	22,500,000	12,000,000	-	10,500,000
Remaining	**38,000,000**	**15,000,000**	**-**	**23,000,000**
Election May 9, 2015				
Public Safety (Prop. 1)	41,500,000	18,010,000	12,000,000	11,490,000
Street Improvements (Prop.2)	125,000,000	55,000,000	25,000,000	45,000,000
City Hall Expansion (Prop. 4)	37,000,000	5,000,000	-	32,000,000
Parks, Trails and Rec Facilities (Prop. 6)	32,000,000	20,000,000	12,000,000	-
Grand Park (Prop. 7)	10,000,000	-	-	10,000,000
Community Cultural Arts (Prop 8)	10,000,000	-	-	10,000,000
Remaining	**255,500,000**	**98,010,000**	**49,000,000**	**108,490,000**
Total Authorized/Unissued Bonds	**$293,500,000**	**$113,010,000**	**$ 49,000,000**	**$131,490,000**

Additional information regarding capital assets can be found in Note 6 beginning on page 75 of the CAFR.

Debt administration. At year-end, the City had $815,843,246 in debt outstanding as compared to $809,069,039 at the end of the prior fiscal year, an increase of .8 percent – as shown below.

Outstanding Debt, September 30, 2017

	Governmental Activities		**Business-type Activities**		**Total Primary Government**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
General obligation bonds	$477,748,965	$468,046,042	$ 69,796,969	$ 76,173,629	$547,545,934	$544,219,671
Certificates of obligation bonds	186,123,039	192,838,087	82,174,273	72,011,281	268,297,312	264,849,368
Totals	$663,872,004	$660,884,129	$151,971,242	$148,184,910	$815,843,246	$809,069,039

In June 2017, the City issued General Obligation Bonds, Series 2017, in the amount of $45,510,000 with a net premium of $4,091,889. Proceeds from the sale of bonds will be used for constructing and improving streets and roads, bridges and intersections; constructing, improving and equipping public safety facilities, including fire department facilities and the acquisition of fire trucks and equipment; constructing, improving and equipping parks, trails and recreational facilities and to construct and equip a maintenance and administration building for the Parks and Recreation Department, and the acquisition of land and interests in land for parks and recreational facilities; and to pay the costs of issuance associated with the sale of the bonds.

In June 2017, the City issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017, in the amount of $14,455,000 with a net premium of $967,777. Proceeds from the sale of the certificates are expected to be used for constructing, installing, acquiring and equipping additions, extensions and improvements to the City's combined waterworks and sewer systems; and to pay the costs associated with the issuance of the certificates.

Additional information regarding the City's outstanding debt can be found in Note 8 beginning on page 78 of the CAFR.

The City's assigned ratings for general obligation bonds and certificates of obligation bonds were as follows in FY 2017:

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

This rating has been assigned to the City's tax-supported debt. The City is permitted by state law and provisions to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of general obligation debt to assessed value of all taxable property is 2.23%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget appropriation, tax rates, and fees that will be charged for the business-type activities.

Current economic indicators were taken into account when adopting the general fund budget. The FY 2018 combined budget appropriation totaled $155 million. This represents a decrease of $2.2 million from the FY 2017 revised budgets, attributed to a one time capital project expense.

The general fund's largest revenue source is property tax receipts. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Central Appraisal District of Collin County and Central Appraisal District of Denton County and the tax rate established by the Frisco City Council. For the new fiscal year, we saw an increase in valuations of 9.26%. We saw gains in new improvements of 6.2%, and a gain on existing property of 3.06%. According to final figures received from the CAD's, the total certified assessed property value for FY 2018 is $26.5 billion. Council approved a tax rate of $0.44660 per $100 of valuation a decrease from the FY 2017 tax rate of $0.45. Council also approved a 7.5% homestead tax exemption to be effective for FY 2018.

As for the City's business-type activities, City projections indicate that the water and sewer fund unassigned net position will be approximately $38.4 million. A fee increase for water sales and sewer services was approved and effective in January 2018. Appropriations are to be used for capital projects in the utility construction projects fund, operating expenses, and bond interest and fiscal charges.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at 6101 Frisco Square Boulevard, 4th Floor Finance Office, Frisco, Texas 75034. The Finance Department also presents the Popular Annual Financial Report, a condensed version of the financial position presented in the CAFR, on line at the city's website www.friscotexas.gov.

BASIC FINANCIAL STATEMENTS

PROGRESS IN MOTION

Statement of Net Position
September 30, 2017

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 180,708,888	$ 26,841,272	$ 207,550,160	$ 41,470,828
Cash held for land purchase	-	-	-	42,224,284
Investments	159,173,150	21,920,003	181,093,153	41,908,531
Receivables (net of allowance for uncollectibles)	17,907,859	12,070,206	29,978,065	7,463,402
Inventories	889,217	670,818	1,560,035	-
Prepaids	527,287	84,418	611,705	90,225
Notes receivable	3,030,000	-	3,030,000	-
Restricted assets:				
Cash and cash equivalents	-	33,846,150	33,846,150	4,682,915
Investments	-	51,863,066	51,863,066	3,800,000
Notes receivable - noncurrent	29,123,800	-	29,123,800	1,258,571
Land held for resale	-	-	-	55,119,377
Capital assets:				
Land	248,463,147	10,422,839	258,885,986	69,930,454
Buildings and improvements	629,660,645	10,123,598	639,784,243	20,146,829
Improvements other than buildings	1,096,063,060	465,558,101	1,561,621,161	18,603,502
Machinery and equipment	66,415,516	9,030,279	75,445,795	603,978
Construction in progress	120,592,621	40,201,013	160,793,634	215,053
Accumulated depreciation	(581,037,732)	(165,870,787)	(746,908,519)	(26,942,460)
Total assets	1,971,517,458	516,760,976	2,488,278,434	280,575,489
DEFERRED OUTFLOW OF RESOURCES				
Pension contributions and investment experience	12,559,774	2,093,295	14,653,069	299,043
Deferred charge on bond refunding	14,472,135	4,026,209	18,498,344	1,035,778
Total deferred outflow of resources	27,031,909	6,119,504	33,151,413	1,334,821
LIABILITIES				
Accounts and retainage payable	20,880,624	5,843,197	26,723,821	2,412,053
Accrued liabilities	1,537,863	632,986	2,170,849	67,891
Accrued liabilities - pollution remediation	-	-	-	2,059,405
Accrued interest payable	3,523,341	786,141	4,309,482	782,319
Customer deposits	-	3,887,813	3,887,813	76,118
Unearned revenue	3,856,500	-	3,856,500	5,000
Monies held in escrow	20,506,803	108,076	20,614,879	-
Non-current liabilities:				
Due within one year:				
Compensated absences	6,455,058	971,161	7,426,219	126,029
Notes payable	-	-	-	7,163,586
Bonds payable	50,089,640	12,163,186	62,252,826	5,625,228
Due in more than one year:				
Compensated absences	4,520,511	484,647	5,005,158	65,085
Pension	34,597,328	5,766,221	40,363,549	823,746
Notes payable	-	-	-	77,926,681
Bonds payable	613,782,364	139,808,056	753,590,420	114,944,008
Total liabilities	759,750,032	170,451,484	930,201,516	212,077,149
DEFERRED INFLOW OF RESOURCES				
Pension actuarial experience	891,284	148,549	1,039,833	21,218
Total deferred inflow of resources	891,284	148,549	1,039,833	21,218
NET POSITION				
Net investment in capital assets	1,123,429,533	271,084,999	1,394,514,532	(358,833)
Restricted for:				
Capital projects	57,255,538	31,907,294	89,162,832	-
Tax increment reinvestment zone	4,710,796	-	4,710,796	-
Other purposes	4,371,214	-	4,371,214	-
Debt service	2,769,122	-	2,769,122	7,700,596
Unrestricted	45,371,848	49,288,154	94,660,002	62,470,180
Total net position	$ 1,237,908,051	$ 352,280,447	$ 1,590,188,498	$ 69,811,943

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

Statement of Activities
For the year ended September 30, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	$ 71,141,026	$ 22,097,082	$ 424,557	$ 10,268,521
Public safety	75,124,144	4,451,318	2,741,831	167,708
Public works	44,655,377	123,470	-	60,416,189
Culture and recreation	35,598,228	6,029,895	1,139,253	16,531,746
Interest on long-term debt	19,087,970	-	-	-
Total governmental activities	245,606,745	32,701,765	4,305,641	87,384,164
Business-type activities:				
Water and sewer	95,527,532	84,814,386	5,500	34,841,951
Non-major enterprise funds	14,762,734	17,083,995	137,000	-
Total business-type activities	110,290,266	101,898,381	142,500	34,841,951
Total primary government	$ 355,897,011	$ 134,600,146	$ 4,448,141	$ 122,226,115
Component units:				
Community development	$ 23,161,714	$ 900,652	$ 19,844	$ 1,168,298
Economic development	17,862,711	-	44,076	-
Charitable foundation	3,081	-	1,578	-
Total component units	$ 41,027,506	$ 900,652	$ 65,498	$ 1,168,298

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

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (38,350,866)	$ -	$ (38,350,866)	
(67,763,287)	-	(67,763,287)	
15,884,282	-	15,884,282	
(11,897,334)	-	(11,897,334)	
(19,087,970)	-	(19,087,970)	
(121,215,175)	-	(121,215,175)	
-	24,134,305	24,134,305	
-	2,458,261	2,458,261	
-	26,592,566	26,592,566	
$ (121,215,175)	$ 26,592,566	$ (94,622,609)	
			$ (21,072,920)
			(17,818,635)
			(1,503)
			$ (38,893,058)
112,456,629	-	112,456,629	-
40,408,821	-	40,408,821	40,273,288
10,126,891	-	10,126,891	-
5,678,518	-	5,678,518	-
28,275,708	124,048	28,399,756	1,685,415
2,717,226	788,651	3,505,877	882,471
2,034,334	(2,034,334)	-	-
201,698,127	(1,121,635)	200,576,492	42,841,174
80,482,952	25,470,931	105,953,883	3,948,116
1,157,425,099	326,809,516	1,484,234,615	65,863,827
$ 1,237,908,051	$ 352,280,447	$ 1,590,188,498	$ 69,811,943

PROGRESS IN MOTION

Balance Sheet
Governmental Funds
September 30, 2017

	General	TIRZ #1	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 50,078,294	$ 6,803,290	$ 96,130,764	$ 5,676,737	$ 22,019,803	$ 180,708,888
Investments	25,060,534	-	91,441,459	-	42,671,157	159,173,150
Receivables						
(net of allowances for uncollectibles):						
Property tax	982,915	-	-	615,726	-	1,598,641
Sales tax	7,038,202	-	-	-	-	7,038,202
Franchise tax	4,758,236	-	-	-	84,215	4,842,451
Occupancy tax	-	-	-	-	455,506	455,506
Grants	-	-	-	-	159,787	159,787
Assessments	-	-	-	-	1,316,709	1,316,709
Other	1,902,068	-	300,259	-	112,677	2,315,004
Due from other funds	74,375	-	-	-	-	74,375
Inventories	400,283	-	488,934	-	-	889,217
Prepaids	358,989	-	-	-	168,298	527,287
Notes receivable	75,800	-	373,000	-	-	448,800
Total assets	$ 90,729,696	$ 6,803,290	$ 188,734,416	$ 6,292,463	$ 66,988,152	$ 359,548,017
LIABILITIES, DEFERRED INFLOWS, FUND BALANCES						
Liabilities:						
Accounts payable	$ 10,120,671	$ 13,788	$ 8,290,142	$ -	$ 507,236	$ 18,931,837
Retainage payable	-	-	1,948,787	-	-	1,948,787
Accrued liabilities	1,466,261	-	12,555	-	59,047	1,537,863
Unearned revenue	669,811	1,804,950	-	-	1,381,739	3,856,500
Monies held in escrow	409,239	273,756	16,653,103	-	3,170,705	20,506,803
Due to other funds	-	-	-	-	74,375	74,375
Total liabilities	12,665,982	2,092,494	26,904,587	-	5,193,102	46,856,165
Deferred inflow of resources:						
Unavailable revenue	4,246,274	-	373,750	444,950	-	5,064,974
Fund balances:						
Non spendable	759,272	-	488,934	-	168,298	1,416,504
Restricted for:						
Debt service	-	-	-	5,847,513	-	5,847,513
Capital projects for future construction	-	-	160,967,145	-	57,255,538	218,222,683
Special revenue for future commitments	-	4,710,796	-	-	4,371,214	9,082,010
Committed to:						
Insurance	6,351,871	-	-	-	-	6,351,871
Workforce housing	569,303	-	-	-	-	569,303
Capital projects for future construction	3,613,354	-	-	-	-	3,613,354
Unassigned	62,523,640	-	-	-	-	62,523,640
Total fund balances	73,817,440	4,710,796	161,456,079	5,847,513	61,795,050	307,626,878
Total liabilities, deferred inflow of resources and fund balances	$ 90,729,696	$ 6,803,290	$ 188,734,416	$ 6,292,463	$ 66,988,152	$ 359,548,017

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

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
September 30, 2017

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

Total fund balances per balance sheet	$ 307,626,878
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,580,157,257
Deferred outflow of resources are not financial resources and, therefore, are not reported in the funds.	27,031,909
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are unavailable in the funds.	5,064,974
Other assets are not available to pay for current-period expenditures, and, therefore, are not included in the funds.	31,886,559
Long-term liabilities, including bonds payable, pension liabilities, compensated absences, and accrued interest payable are not due and payable in the current period and, there, are not reported in the funds.	(712,968,242)
Deferred inflow of resources are not financial resources and, therefore, are not reported in the funds.	(891,284)
Net position of governmental activities	$ 1,237,908,051

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2017

	General	TIRZ #1	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes:						
Property	$ 69,705,097	$ 5,853,834	$ -	$ 36,643,823	$ 110,736	$ 112,313,490
Sales	40,265,592	-	-	-	143,229	40,408,821
Franchise	9,104,998	-	-	-	353,536	9,458,534
Hotel/motel	-	-	-	-	4,829,350	4,829,350
Other	849,168	-	-	-	-	849,168
Licenses and permits	12,904,536	-	-	-	-	12,904,536
Intergovernmental	2,401,473	22,175,390	95,319	-	599,130	25,271,312
Charges for services	9,510,764	-	-	-	7,653	9,518,417
Fines	2,044,426	-	-	-	700,491	2,744,917
Special assessments	-	-	-	-	13,128,149	13,128,149
Rents	2,542,864	4,228,458	-	-	4,384	6,775,706
Investment earnings	637,180	41,687	1,442,569	77,294	532,756	2,731,486
Contributions, donations and grants	92,598	91,125	11,708,708	-	1,300,267	13,192,698
Payments from component units	50,000	3,601,500	12,415,807	2,448,817	-	18,516,124
Miscellaneous	402,894	-	437	-	21,437	424,768
Total revenues	150,511,590	35,991,994	25,662,840	39,169,934	21,731,118	273,067,476
EXPENDITURES:						
Current:						
General government	45,161,328	15,924,500	-	-	372,607	61,458,435
Public safety	66,798,740	-	-	-	931,526	67,730,266
Public works	11,863,531	-	-	-	46,576	11,910,107
Culture and recreation	18,422,451	-	-	-	4,157,855	22,580,306
Capital outlay (includes $3,880,230 not capitalized)	4,696,566	-	95,318,857	-	539,853	100,555,276
Debt service:						
Principal retirement	-	-	-	35,675,000	-	35,675,000
Interest and fiscal charges	-	-	632,324	25,043,535	-	25,675,859
Total expenditures	146,942,616	15,924,500	95,951,181	60,718,535	6,048,417	325,585,249
Excess (deficiency) of revenues over (under) expenditures	3,568,974	20,067,494	(70,288,341)	(21,548,601)	15,682,701	(52,517,773)
OTHER FINANCING SOURCES (USES):						
Issuance of debt	-	-	45,510,000	-	-	45,510,000
Premium on bonds issued	-	-	4,337,120	-	-	4,337,120
Discount on bonds issued	-	-	(245,231)	-		(245,231)
Proceeds from sale of assets	324,033	-	25,000	-	-	349,033
Transfers in	749,000	1,436,333	9,439,413	22,220,318	173,826	34,018,890
Transfers out	(258,407)	(20,888,004)	(15,419)	-	(10,822,726)	(31,984,556)
Total other financing sources and uses	814,626	(19,451,671)	59,050,883	22,220,318	(10,648,900)	51,985,256
Net change in fund balances	4,383,600	615,823	(11,237,458)	671,717	5,033,801	(532,517)
Fund balances, beginning	69,433,840	4,094,973	172,693,537	5,175,796	56,761,249	308,159,395
Fund balances, ending	$ 73,817,440	$ 4,710,796	$ 161,456,079	$ 5,847,513	$ 61,795,050	$ 307,626,878

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

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended September 30, 2017

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

Net change in fund balance - total governmental funds	$	(532,517)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and developer's contributions exceeded depreciation in the current period.		90,524,967
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		783,090
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.		(7,338,828)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(2,953,760)
Change in net position of governmental activities	$	80,482,952

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

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on a GAAP Basis	Adjustments- Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:						
Taxes:						
Property	$ 67,804,741	$ 68,834,322	$ 69,705,097	$ -	$ 69,705,097	$ 870,775
Sales	38,337,453	39,563,066	40,265,592	-	40,265,592	702,526
Franchise	9,944,211	9,422,775	9,104,998	-	9,104,998	(317,777)
Other	802,403	843,160	849,168	-	849,168	6,008
Licenses and permits	10,281,556	12,310,639	12,904,536	-	12,904,536	593,897
Intergovernmental	1,770,403	1,770,403	2,401,473	-	2,401,473	631,070
Charges for services	8,315,434	8,873,460	9,510,764	-	9,510,764	637,304
Fines	2,321,848	1,950,848	2,044,426	-	2,044,426	93,578
Rents	1,595,516	2,495,876	2,542,864	-	2,542,864	46,988
Investment earnings	274,750	497,015	637,180	-	637,180	140,165
Contributions, donations and grants	86,000	77,500	92,598	-	92,598	15,098
Payments from component units	50,000	50,000	50,000	-	50,000	-
Miscellaneous	798,093	505,093	402,894	-	402,894	(102,199)
Total revenues	142,382,408	147,194,157	150,511,590	-	150,511,590	3,317,433
EXPENDITURES:						
Current:						
General government	46,758,389	48,614,880	45,161,328	655,749	45,817,077	2,797,803
Public safety	68,428,860	68,377,723	66,798,740	(264,806)	66,533,934	1,843,789
Public works	12,001,625	13,921,319	11,863,531	1,122,718	12,986,249	935,070
Culture and recreation	19,246,803	19,446,932	18,422,451	(113,204)	18,309,247	1,137,685
Capital outlay	6,853,810	6,928,592	4,696,566	1,436,306	6,132,872	795,720
Total expenditures	153,289,487	157,289,446	146,942,616	2,836,763	149,779,379	7,510,067
Excess (deficiency) of revenues over (under) expenditures	(10,907,079)	(10,095,289)	3,568,974	(2,836,763)	732,211	10,827,500
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of assets	-	-	324,033	-	324,033	324,033
Transfers in	1,609,000	749,000	749,000	-	749,000	-
Transfers out	(215,000)	(792,000)	(258,407)	-	(258,407)	533,593
Total other financing sources (uses)	1,394,000	(43,000)	814,626	-	814,626	857,626
Net change in fund balances	(9,513,079)	(10,138,289)	4,383,600	(2,836,763)	1,546,837	11,685,126
Fund balances, October 1	61,621,118	69,433,840	69,433,840	(1,359,683)	68,074,157	(1,359,683)
Fund balances, September 30	$ 52,108,039	$ 59,295,551	$ 73,817,440	$ (4,196,446)	$ 69,620,994	$ 10,325,443

CITY OF FRISCO
Adjustments to Revenues, Expenditures and Other Financing Sources and Uses from GAAP Basis to Budgetary Basis For the Fiscal Year Ended September 30, 2017

	Net Change in Fund Balances
GAAP basis	$ 4,383,600
Expenditures:	
Increase due to encumbrances from prior year	1,359,683
Decrease due to encumbrances for current year	(4,196,446)
Budgetary basis	$ 1,546,837

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

TIRZ Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on a GAAP Basis	Adjustments-Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:						
Taxes:						
Property	$ 5,631,929	$ 5,853,834	$ 5,853,834	$ -	$ 5,853,834	$ -
Sales	-	-	-	-	-	-
Intergovernmental	21,397,232	21,853,682	22,175,390	-	22,175,390	321,708
Rents	4,667,177	3,867,177	4,228,458	-	4,228,458	361,281
Investment earnings	2,000	24,302	41,687	-	41,687	17,385
Contributions, donations and grants	-	-	91,125	-	91,125	91,125
Payments from component units	3,601,500	3,601,500	3,601,500	-	3,601,500	-
Total revenues	35,299,838	35,200,495	35,991,994	-	35,991,994	791,499
EXPENDITURES:						
Current:						
General government	15,191,260	16,442,869	15,924,500	-	15,924,500	518,369
Total expenditures	15,191,260	16,442,869	15,924,500	-	15,924,500	518,369
Excess of revenues over expenditures	20,108,578	18,757,626	20,067,494	-	20,067,494	1,309,868
OTHER FINANCING SOURCES (USES):						
Transfers in	1,436,333	1,436,333	1,436,333	-	1,436,333	-
Transfers out	(22,431,233)	(20,888,004)	(20,888,004)	-	(20,888,004)	-
Total other financing sources (uses)	(20,994,900)	(19,451,671)	(19,451,671)	-	(19,451,671)	-
Net change in fund balances	(886,322)	(694,045)	615,823	-	615,823	1,309,868
Fund balances, October 1	3,644,219	4,094,973	4,094,973	-	4,094,973	-
Fund balances, September 30	$ 2,757,897	$ 3,400,928	$ 4,710,796	$ -	$ 4,710,796	$ 1,309,868

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

PROGRESS IN MOTION

Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 18,226,756	$ 8,614,516	$ 26,841,272
Investments	19,630,502	2,289,501	21,920,003
Receivables -			
(net of allowance for uncollectibles):			
Utility bills	11,083,877	-	11,083,877
Other	384,251	602,078	986,329
Inventories	670,818	-	670,818
Prepaids	83,046	1,372	84,418
Restricted cash and cash equivalents	33,846,150	-	33,846,150
Restricted investments	51,863,066	-	51,863,066
Total current assets	135,788,466	11,507,467	147,295,933
Noncurrent assets:			
Capital assets:			
Land	10,422,839	-	10,422,839
Buildings and improvements	9,986,356	137,242	10,123,598
Improvements other than buildings	465,465,911	92,190	465,558,101
Machinery and equipment	7,642,891	1,387,388	9,030,279
Construction in progress	40,201,013	-	40,201,013
Accumulated depreciation	(164,982,639)	(888,148)	(165,870,787)
Total capital assets (net of accumulated depreciation)	368,736,371	728,672	369,465,043
Total noncurrent assets	368,736,371	728,672	369,465,043
Total assets	504,524,837	12,236,139	516,760,976
DEFERRED OUTFLOW OF RESOURCES			
Pension contributions and investment experience	1,794,255	299,040	2,093,295
Deferred charge on bond refunding	4,026,209	-	4,026,209
Total deferred outflow of resources	$ 5,820,464	$ 299,040	$ 6,119,504

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 5,153,522	$ 689,675	$ 5,843,197
Accrued liabilities	547,577	85,409	632,986
Accrued interest payable	786,141	-	786,141
Customer deposits payable	3,887,813	-	3,887,813
Monies held in escrow	-	108,076	108,076
Liability for compensated absences	819,806	151,355	971,161
Bonds payable	12,163,186	-	12,163,186
Current liabilities	23,358,045	1,034,515	24,392,560
Noncurrent liabilities:			
Liability for compensated absences	405,980	78,667	484,647
Pension	4,942,475	823,746	5,766,221
Bonds payable	139,808,056	-	139,808,056
Total noncurrent liabilities	145,156,511	902,413	146,058,924
Total liabilities	168,514,556	1,936,928	170,451,484
DEFERRED INFLOW OF RESOURCES			
Pension actuarial experience	127,329	21,220	148,549
Total deferred inflow of resources	127,329	21,220	148,549
NET POSITION			
Net investment in capital assets	270,356,327	728,672	271,084,999
Restricted for:			
Capital projects	31,907,294	-	31,907,294
Unrestricted	39,439,795	9,848,359	49,288,154
Total net position	$ 341,703,416	$ 10,577,031	$ 352,280,447

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

PROGRESS IN MOTION

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2017

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
OPERATING REVENUES:			
Charges for sales and services:			
Water sales	$ 45,892,291	$ -	$ 45,892,291
Sewer charges	31,893,633	-	31,893,633
Service charges	1,657,908	-	1,657,908
Sanitation charges	-	13,538,402	13,538,402
Water and sewer connections	1,404,525	-	1,404,525
Inspection fees	3,732,459	-	3,732,459
Stormwater drainage fees	-	3,495,955	3,495,955
Miscellaneous	66,192	49,638	115,830
Total operating revenues	84,647,008	17,083,995	101,731,003
OPERATING EXPENSES:			
Cost of sales and services	48,060,972	11,239,696	59,300,668
Administration	22,375,057	3,345,757	25,720,814
Depreciation	22,054,778	177,281	22,232,059
Amortization	522,261	-	522,261
Total operating expenses	93,013,068	14,762,734	107,775,802
Operating income	(8,366,060)	2,321,261	(6,044,799)
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	738,882	49,769	788,651
Intergovernmental contribution	107,182	16,866	124,048
Contributions and grants	5,500	137,000	142,500
Gain on sale of equipment	167,378	-	167,378
Interest expense	(2,514,464)	-	(2,514,464)
Total nonoperating revenues (expenses)	(1,495,522)	203,635	(1,291,887)
Income (loss) before capital contributions	(9,861,582)	2,524,896	(7,336,686)
CAPITAL CONTRIBUTIONS:			
Capital contributions	34,841,951	-	34,841,951
Income before transfers	24,980,369	2,524,896	27,505,265
TRANSFERS:			
Transfers in	300,281	-	300,281
Transfers out	(750,000)	(1,584,615)	(2,334,615)
Total transfers	(449,719)	(1,584,615)	(2,034,334)
Change in net position	24,530,650	940,281	25,470,931
Net position, beginning	317,172,766	9,636,750	326,809,516
Net position, ending	$ 341,703,416	$ 10,577,031	$ 352,280,447

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2017

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 86,001,798	$ 16,316,601	$ 102,318,399
Cash payments to suppliers for goods and services	(56,264,768)	(12,272,557)	(68,537,325)
Cash payments to employees for services	(13,422,562)	(2,218,769)	(15,641,331)
Other receipts	66,192	49,638	115,830
Net cash provided by operating activities	16,380,660	1,874,913	18,255,573
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers received from other funds	300,281	-	300,281
Transfers made to other funds	-	(1,584,615)	(1,584,615)
Contributions	112,682	137,000	249,682
Net cash provided/(used) by noncapital financing activities	412,963	(1,447,615)	(1,034,652)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(20,588,532)	(439,226)	(21,027,758)
Proceeds from sale or transfer of equipment	177,048	106,889	283,937
Principal paid on long-term debt	(9,470,000)	-	(9,470,000)
Interest and fees paid on long-term debt	(6,027,566)	-	(6,027,566)
Bond proceeds net of issuance costs	15,422,777	-	15,422,777
Intergovernmental payments for capital construction	(750,000)	-	(750,000)
Developers contributions	9,796,898	-	9,796,898
Net cash (used) by capital and related financing activities	(11,439,375)	(332,337)	(11,771,712)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(71,493,564)	(2,289,505)	(73,783,069)
Proceeds from sale and maturities of investment securities	44,656,051	2,299,572	46,955,623
Interest on investments	639,692	49,891	689,583
Net cash provided/(used) by investing activities	(26,197,821)	59,958	(26,137,863)
Net increase in cash and cash equivalents	(20,843,573)	154,919	(20,688,654)
Cash and cash equivalents, October 1	72,916,479	8,459,597	81,376,076
Cash and cash equivalents, September 30	$ 52,072,906	$ 8,614,516	$ 60,687,422
Classified as:			
Current assets	$ 18,226,756	$ 8,614,516	$ 26,841,272
Restricted assets	33,846,150	-	33,846,150
Total	$ 52,072,906	$ 8,614,516	$ 60,687,422

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

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Water and Sewer	Enterprise Funds	Total
Operating income	$ (8,366,060)	$ 2,321,261	$ (6,044,799)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	22,054,778	177,281	22,232,059
Amortization	522,261	-	522,261
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - utility bills	950,621	-	950,621
Receivables - other	392,603	(593,846)	(201,243)
Prepaid expenses and other assets	(22,359)	1,813	(20,546)
Inventories	(255,312)	-	(255,312)
Increase (decrease) in-			
Accounts payable	269,326	8,226	277,552
Accrued liabilities	58,731	(1,687)	57,044
Liability for compensated absences	50,073	43,169	93,242
Net pension liability	255,637	42,606	298,243
Deposits and escrows	470,361	(123,910)	346,451
Total adjustments	24,746,720	(446,348)	24,300,372
Net cash provided by operating activities	$ 16,380,660	$ 1,874,913	$ 18,255,573

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year, various developers made non-cash contributions of water and sewer infrastructure to the City valued at $25,045,053.

FRISCO

PROGRESS IN MOTION

Combining Statement of Net Position
Component Units
September 30, 2017

	Community Development	Economic Development	Charitable Foundation	Total
ASSETS				
Current:				
Cash and cash equivalents	$ 32,249,726	$ 9,207,016	$ 14,086	$ 41,470,828
Cash escrow held for land purchase	16,889,715	25,334,569	-	42,224,284
Investments	27,935,769	13,972,762	-	41,908,531
Receivables -				
Sales tax	3,519,101	3,519,101	-	7,038,202
Other	48,466	376,734	-	425,200
Prepaid expenses	1,432	88,793	-	90,225
Total current assets	80,644,209	52,498,975	14,086	133,157,270
Non-current:				
Notes receivable	200,000	1,058,571	-	1,258,571
Land held for resale	15,124,284	39,995,093	-	55,119,377
Capital assets:				
Land	52,650,138	17,280,316	-	69,930,454
Buildings and improvements	10,159,742	9,987,087	-	20,146,829
Improvements other than buildings	18,603,502	-	-	18,603,502
Machinery and equipment	76,269	527,709	-	603,978
Construction in progress	215,053	-	-	215,053
Accumulated depreciation	(23,373,753)	(3,568,707)	-	(26,942,460)
Restricted assets:				
Cash and cash equivalents	1,586,267	3,096,648	-	4,682,915
Investments	1,900,000	1,900,000	-	3,800,000
Total non-current assets	77,141,502	70,276,717	-	147,418,219
Total assets	157,785,711	122,775,692	14,086	280,575,489
DEFERRED OUTFLOW OF RESOURCES				
Pension contributions and investment experience	-	299,043	-	299,043
Deferred charge on bond refunding	1,035,778	-	-	1,035,778
Total deferred outflow of resources	1,035,778	299,043	-	1,334,821
LIABILITIES				
Current:				
Accounts payable	374,677	2,037,376	-	2,412,053
Accrued liabilities	10,338	57,553	-	67,891
Accrued liabilities - pollution remediation	823,764	1,235,641	-	2,059,405
Liability for compensated absences	14,716	111,313	-	126,029
Accrued interest payable	481,749	300,570	-	782,319
Deposits	76,118	-	-	76,118
Unearned revenue	5,000	-	-	5,000
Notes payable	4,654,101	2,509,485	-	7,163,586
Bonds payable	2,976,041	2,649,187	-	5,625,228
Total current liabilities	9,416,504	8,901,125	-	18,317,629
Non-current:				
Liability for compensated absences	955	64,130	-	65,085
Pension	-	823,746	-	823,746
Notes payable	40,459,210	37,467,471	-	77,926,681
Bonds payable	63,601,735	51,342,273	-	114,944,008
Total non-current liabilities	104,061,900	89,697,620	-	193,759,520
Total liabilities	113,478,404	98,598,745	-	212,077,149
DEFERRED INFLOW OF RESOURCES				
Pension actuarial experience	-	21,218	-	21,218
Total deferred inflow of resources	-	21,218	-	21,218
NET POSITION				
Net investment in capital assets	4,053,516	(4,412,349)	-	(358,833)
Restricted for debt service reserve	3,004,518	4,696,078	-	7,700,596
Unrestricted	38,285,051	24,171,043	14,086	62,470,180
Total net position	$ 45,343,085	$ 24,454,772	$ 14,086	$ 69,811,943

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

Combining Statement of Activities
Component Units
For the fiscal year ended September 30, 2017

		Program Revenues		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Component units:				
Community Development	$ 23,161,714	$ 900,652	$ 19,844	$ 1,168,298
Economic Development	17,862,711	-	44,076	-
Charitable Foundation	3,081	-	1,578	-
Total component units	$ 41,027,506	$ 900,652	$ 65,498	$ 1,168,298

General revenues:
Sales taxes
Intergovernmental
Investment income
Total general revenues

Change in net position

Net position, beginning
Net position, ending

Net (Expense) Revenue and Changes in Net Position — Component Units			
Community Development	**Economic Development**	**Charitable Foundation**	**Total**
$ (21,072,920)	$ -	$ -	$ (21,072,920)
-	(17,818,635)	-	(17,818,635)
-	-	(1,503)	(1,503)
$ (21,072,920)	$ (17,818,635)	$ (1,503)	$ (38,893,058)
20,136,644	20,136,644	-	40,273,288
1,685,415	-	-	1,685,415
545,701	336,770	-	882,471
22,367,760	20,473,414	-	42,841,174
1,294,840	2,654,779	(1,503)	3,948,116
44,048,245	21,799,993	15,589	65,863,827
$ 45,343,085	$ 24,454,772	$ 14,086	$ 69,811,943

FRISCO

PROGRESS IN MOTION

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Statement Presentation

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

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

B. Reporting Entity

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

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

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

GASB Interpretation 6 clarifies the application of modified accrual recognition of certain liabilities and expenditures in the governmental fund financial statements.

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

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

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

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

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

The following are the funds used by the City:

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

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

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

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Cash in all funds, excluding the City's payroll account, lockbox operations, police seizure accounts and Charitable Foundation account, is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

All investments are recorded at fair value based on market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Inventories and Prepaid Items

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

G. Interfund Transactions and Receivables and Payables

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

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

J. Federal and State Grants

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

K. Long-term Debt

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

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

L. Deferred Inflow and Deferred Outflow of Resources

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

	Balance 9/30/2016	Additions	Deletions	Balance 9/30/2017
Deferred outflows				
Governmental activities	$29,344,296	$7,284,829	$ 9,597,216	$27,031,909
Business-type activities	6,792,836	1,214,139	1,887,471	6,119,504
Component units	1,510,829	173,448	349,456	1,334,821
Total	$37,647,961	$8,672,416	$11,834,143	$34,486,234
Deferred inflows				
Governmental activities	$(2,257,074)	$1,365,790	$ -	$ (891,284)
Business-type activities	(376,180)	227,631	-	(148,549)
Component units	(53,738)	32,520	-	(21,218)
Total	$(2,686,992)	$1,625,941	$ -	$(1,061,051)

M. Retirement Plans

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

N. Fund Equity

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

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

of nonspendable, restricted, committed and assigned.

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

O. Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources, deferred inflows of resources and contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

Q. Encumbrances
Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting—under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as an adjustment-budgetary basis on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual. The commitments will be honored during the subsequent year.

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

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

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

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

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* is effective for periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

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

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

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is effective for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB statements No. 67, No. 68, and No. 73*, is effective for periods beginning after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for periods beginning after June 15, 2018. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will recognize a liability based on the guidance in this Statement.

GASB Statement No. 84, *Fiduciary Activities*, is effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 85, *Omnibus 2017*, is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB Statement No. 87, *Leases*, is effective for periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments through increasing the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains the "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $712,968,242 difference are as follows:

Bonds and certificates of obligation payable	$621,650,000
Bond discount (to be amortized as interest expense)	(876,898)
Bond premiums (to be amortized over the life of the bonds)	43,098,902
Accrued interest payable	3,523,341
Compensated absences	10,975,569
Net pension liability	34,597,328
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net position – governmental activities*	$712,968,242

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the $90,524,967 difference are as follows:

Capital outlay	$ 96,675,046
Developers' contributions	49,857,226
Book value of capital assets disposed/retired	(1,466)
Depreciation expense	(56,005,839)
Net adjustment to increase *net changes in fund balance – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 90,524,967

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $7,338,828 difference are as follows:

Debt issued or incurred:	
Premium amortization	$ 8,046,509
Discount amortization	(52,494)
Amortization on loss of refunding of debt	(1,405,953)
Bonds issued and refunded	(45,510,000)
Bond premium issued	(4,337,120)
Bond discount issued	245,230
Principal repayments:	
Bonds	35,675,000
Net adjustment to decrease *net changes in fund balances* – *total governmental funds* to arrive at *changes in net position of governmental activities*	$ (7,338,828)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $2,953,760 difference are as follows:

Increase in accrued interest on bonds	$ (170)
Increase in compensated absences	(1,164,133)
Increase in pension expense	(1,789,457)
Net adjustment to decrease *net changes in fund balances* – *total governmental funds* to arrive at *changes in net position of governmental activities*	$ (2,953,760)

NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgetary Information

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to $250,000 or collateralized as required by State statutes at September 30, 2017. At year-end, the carrying amount of the City's demand deposits was a balance of $14,569,408 - bank balance, $1,811,354. The carrying amount of the component unit's pooled cash was $8,783,876, - bank balance, $8,783,876. The cash on hand carrying amount totaled $27,605. Additionally, cash held in escrow for a city project was $1,750,633 and for land purchase for the component units was $42,224,284 and is being held by an independent title company. The bank balance for the primary government and the component unit's deposits and certificates of deposits was covered by collateral with a fair value of $11,963,659. The collateral is held in the City's name by the Bank of New York Mellon and the Texas Independent Banker, agents of the City's financial institution.

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

As of September 30, 2017, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity Days
Primary Government		
General Fund		
Federal Agency Notes	$ 25,060,535	160
TexPool	23,244,933	37
TexStar	28,632,969	27
CIP Funds		
Federal Agency Notes	121,375,148	259
TexPool	10,684,321	37
TexStar	98,694,955	27
Other Funds		
Federal Agency Notes	86,520,536	225
TexPool	57,579,856	37
TexStar	6,211,630	27
Total Primary Government	$458,004,883	68
Component Units		
Community Development		
Federal Agency Notes	$ 29,835,769	214
TexPool	9,141,742	37
TexStar	14,918,965	27
Economic Development		
Federal Agency Notes	15,872,762	194
Certificates of Deposit	8,526,143	183
TexPool	2,527,198	37
TexStar	2,255,819	27
Total Component Units	$ 83,078,398	
Total Government	$541,083,281	

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs-other than quoted prices included within Level 1-that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City has recurring fair value measurements as presented in the table below. Investment balances of such investments are as follows:

Primary Government	September 30, 2017	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Bank deposits	$ 14,597,013	$ -	$ -	$ -
Total cash and cash equivalents	14,597,013			
Cash held for City projects				
Bank deposits	1,750,633	-	-	-
Total cash held for City project	1,750,633	-	-	-
Investments measured at amortized costs:				
Investment pools:				
Texpool	91,509,110	-	-	-
Investments measured at net asset value (NAV), fair value:				
Investment pools:				
TexStar	133,539,554	-	-	-
Investments by fair value level:				
U.S. government agency securities:				
Federal Home Loan Bank	34,897,685	-	34,897,685	-
Federal Farm Credit Bank	45,976,670	-	45,976,670	-
Federal Home Loan Mortgage Corp	107,114,853	-	107,114,853	-
Federal National Mortgage Assn	9,986,810		9,986,810	
US Treasury Notes	34,980,201	-	34,980,201	-
Total investments	458,004,883	-	232,956,219	-
Total cash and investments	$ 474,352,529	$ -	$ 232,956,219	$ -

The component units investment balances of such investments are as follows:

Component Units	September 30, 2017	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Bank deposits	$ 8,783,876	$ -	$ -	$ -
Certificates of deposit	8,526,143	-	-	-
Total cash and cash equivalents	17,310,019	-	-	-
Cash held for land purchase:				
Bank deposits	42,224,284	-	-	-
Total cash held for land purchase	42,224,284	-	-	-
Investments measured at amortized costs:				
Investment pools:				
Texpool	11,668,940	-	-	-
Investments measured at net asset value (NAV), fair value:				
Investment pools:				
TexStar	17,174,784	-	-	-
Investments by fair value level:				
U.S. government agency securities:				
Federal Home Loan Bank	6,990,480	-	6,990,480	-
Federal Home Loan Mortgage Corp	25,750,012	-	25,750,012	-
US Treasury Notes	12,968,039	-	12,968,039	-
Total investments	74,552,255	-	45,708,531	-
Total cash and investments	$ 134,086,558	$ -	$ 45,708,531	$ -

Investment Pools are measured at amortized costs or net asset value (NAV) and are exempt from fair value reporting.

U.S. Government Agency Securities and U.S. Treasury Bonds and Notes classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool The investment pool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The *TexStar* investment pool is an external investment pool measured at NAV. The strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short term marketable securities. The City has no unfunded commitments related to the pools. TexStar has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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

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

Credit Risk – In compliance with the City's Investment Policy, and in conjunction with state law, as of September 30, 2017, the City minimized credit risk losses by limiting investment to the safest types of securities, pre-qualifying investments through our asset management company, and diversifying the investment portfolio so that potential losses on individual securities were minimized. The City also invested in certificates of deposits at local banks as applicable. The City's investments in U.S. Agency securities (FHLB, FHLMC, and FFCB) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Services. The City's investments in local government investment pools (TexPool and TexStar) are in compliance with the Public Funds Investment Act and rated AAAm by Standard & Poors. More than five percent of the City's investments are in Federal Home Loan Mortgage Corp (FHLMC), U.S. Treasury Notes, Federal Farm Credit Bank (FFCB), and Federal Home Loan Bank (FHLB). These investments are 24.56%, 8.86%, 8.50%, and 7.74% respectively, of the total investments.

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

NOTE 5. RECEIVABLES

Receivables at September 30, 2017, for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are all considered to be collected within one year and consist of the following:

Governmental Activities	General	Capital Projects	Debt Service	Other Funds	Total
Property tax	$ 1,034,648	$ -	$648,133	$ -	$ 1,682,781
Sales tax	7,038,202	-	-	-	7,038,202
Franchise tax	4,758,236	-	-	84,215	4,842,451
Occupancy tax	-	-	-	455,506	455,506
Mixed beverage	215,023	-	-	-	215,023
Accrued interest	76,946	266,912	-	6,422	350,280
Grants	-	-	-	159,787	159,787
Assessments	-	-	-	1,316,709	1,316,709
Other	3,076,060	33,347	-	106,255	3,215,662
Gross receivables	16,199,115	300,259	648,133	2,128,894	19,276,401
Less: allowance	(1,336,135)	-	(32,407)	-	(1,368,542)
Net receivables	$14,862,980	$300,259	$615,726	$ 2,128,894	$17,907,859

Business-type Activities	Water and Sewer	Other Funds	Total
Utility Bills	$13,137,691	$ -	$13,137,691
Accrued interest	167,000	8,838	175,838
Other	217,251	593,240	810,491
Gross receivables	13,521,942	602,078	14,124,020
Less: allowance	(2,053,814)	-	(2,053,814)
Net receivables	$11,468,128	$602,078	$12,070,206

Component Units	Community Development Corporation	Economic Development Corporation	Total
Sales tax	$ 3,519,101	$ 3,519,101	$ 7,038,202
Accrued interest	31,644	35,012	66,656
Other	16,822	341,722	358,544
Net receivables	$ 3,567,567	$ 3,895,835	$ 7,463,402

The Proprietary Fund accounts receivable includes unbilled charges for services rendered at September 30, 2017.

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

Notes Receivable City

The City periodically issues bonds on behalf of the Frisco Community Development Corporation and Frisco Economic Development Corporation to fund various projects of these entities. Each component unit has an agreement with the City to fund the principal and interest payments of the bonds; therefore, a note receivable is reported in the government wide financial statements of the City from each component unit equal to the face amount of the bonds outstanding. At September 30, 2017, the balance of the note receivable from the Frisco Community Development Corporation was $31,705,000.

Notes Receivable Component Units

In June, 2011, the Frisco Community Development Corporation executed a Performance Agreement and Promissory Note with a developer for $400,000 for building improvements to a public facility being leased by the developer. The loan interest rate is 0.00%, and if the developer satisfies annual performance criteria, the loan will be forgiven over a period of ten years, ending in July, 2022. This note is only recognized at the government-wide level. The loan balance as of September 30, 2017 was $200,000.

In April 2010, the Frisco Economic Development Corporation entered into an Agreement and Promissory Note for $500,000 with 5% interest due by April 26, 2011. The note was extended and modified in April 2011, for an additional year. In April 2012, the Note was amended and the due date was extended to April 2013. On April 26, 2013, the Note was extended to October 26, 2014 and the Performance Agreement was modified to forgive the loan if certain requirements are met by October 26, 2014. On October 15, 2014 the note was extended to October 26, 2016. The note was extended to October 26, 2017 on November 17, 2016. The balance of the loan at September 30, 2017 was $500,000.

On October 2, 2012, a Performance Agreement and Promissory Note were executed by the Frisco Economic Development Corporation. Those documents were amended and restated on January 15, 2013. The $750,000 loan consisted of 2 installments of $375,000 each, payable over two years, beginning with Fiscal Year 2013. The loan is eligible for forgiveness credits, based upon the company's performance through December 31, 2022. The loan balance was $425,000 at September 30, 2017.

On August 28, 2014 the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note loan to provide $300,000 in advanced economic incentives. The $300,000 was issued on December 4, 2014 at 0% interest with a maturity date of March 15, 2018. The note and performance agreement were amended on June 15, 2016 to extend the note maturity date to February 1, 2020. The loan is eligible for forgiveness credits upon completion of performance requirements. The balance of the loan on September 30, 2017 was $133,571.

NOTE 6. CAPITAL ASSETS

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

Governmental Activities	Balance 9/30/2016	Additions	Transfers	Retirements/Other Deductions	Balance 9/30/2017
Capital assets, not being depreciated:					
Land	$ 243,818,559	$ 4,644,588	$ -	$ -	$248,463,147
Construction-in-progress	348,136,913	84,307,761	(311,852,053)	-	120,592,621
Total capital assets, not being depreciated	591,955,472	88,952,349	(311,852,053)	-	369,055,768
Capital assets, being depreciated:					
Machinery and equipment	60,303,211	7,363,927	36,311	(1,287,933)	66,415,516
Buildings and improvements	351,047,036	159,254	278,454,355	-	629,660,645
Improvements other than buildings	1,012,608,620	50,056,742	33,397,698	-	1,096,063,060
Total capital assets being depreciated	1,423,958,867	57,579,923	311,888,364	(1,287,933)	1,792,139,221
Less accumulated depreciation:					
Machinery and equipment	(38,471,408)	(4,658,458)	(36,311)	1,286,467	(41,879,710)
Buildings and improvements	(144,059,177)	(14,135,823)	-	-	(158,195,000)
Improvements other than buildings	(343,751,464)	(37,211,558)	-	-	(380,963,022)
Total accumulated depreciation	(526,282,049)	(56,005,839)	(36,311)	1,286,467	(581,037,732)
Total capital assets, being depreciated, net	897,676,818	1,574,084	311,852,053	(1,466)	1,211,101,489
Governmental activities capital assets, net	$1,489,632,290	$ 90,526,433	$ -	$ (1,466)	$1,580,157,257

Business-type Activities	Balance 9/30/2016	Additions	Transfers	Retirements/Other Deductions	Balance 9/30/2017
Capital assets, not being depreciated:					
Land	$ 10,168,306	$ 254,533	$ -	$ -	$ 10,422,839
Construction-in-progress	38,459,034	20,771,642	(19,029,663)	-	40,201,013
Total capital assets, not being depreciated	48,627,340	21,026,175	(19,029,663)	-	50,623,852
Capital assets, being depreciated:					
Machinery and equipment	8,726,487	772,368	(36,311)	(432,265)	9,030,279
Buildings and improvements	10,123,598	-	-	-	10,123,598
Improvements other than buildings	420,828,542	25,699,896	19,029,663	-	465,558,101
Total capital assets being depreciated	439,678,627	26,472,264	18,993,352	(432,265)	484,711,978
Less accumulated depreciation:					
Machinery and equipment	(5,480,717)	(900,594)	36,311	422,593	(5,922,407)
Buildings and improvements	(5,652,686)	(447,879)	-	-	(6,100,565)
Improvements other than buildings	(132,964,230)	(20,883,585)	-	-	(153,847,815)
Total accumulated depreciation	(144,097,633)	(22,232,058)	36,311	422,593	(165,870,787)
Total capital assets, being depreciated, net	295,580,994	4,240,206	19,029,663	(9,672)	318,841,191
Business-type activities capital assets, net	$344,208,334	$25,266,381	$ -	$ (9,672)	$369,465,043

For the Business-type Activities, interest costs for the period charged to expense totaled $2,514,464. Capitalized interest costs recorded during the period totaled $1,361,232.

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

Governmental activities	
General government	$ 7,708,440
Public safety	5,233,390
Public works	31,218,419
Culture and recreation	11,845,590
Total depreciation expense governmental activities	$56,005,839
Business-type activities	
Water & sewer	$22,054,778
Stormwater drainage	109,124
Environmental services	68,156
Total depreciation expense business-type activities	$22,232,058

Frisco Community Development Corporation	Balance 9/30/2016	Additions	Transfers	Retirements/Other Deductions	Balance 9/30/2017
Capital assets, not being depreciated:					
Land	$52,650,138	$ -	$ -	$ -	$52,650,138
Construction-in-progress	114,273	119,624	(18,844)	-	215,053
Total capital assets not being depreciated	52,764,411	119,624	(18,844)	-	52,865,191
Capital assets, being depreciated:					
Machinery and equipment	34,658	41,611	-	-	76,269
Buildings and improvements	10,159,742	-	-	-	10,159,742
Improvements other than buildings	18,584,658	-	18,844	-	18,603,502
Total capital assets being depreciated	28,779,058	41,611	18,844	-	28,839,513
Less: accumulated depreciation	(21,972,341)	(1,401,412)	-	-	(23,373,753)
Total capital assets being depreciated, net	6,806,717	(1,359,801)	18,844	-	5,465,760
FCDC capital assets, net	$59,571,128	$ (1,240,177)	$ -	$ -	$58,330,951

Frisco Economic Development Corporation	Balance 9/30/2016	Additions	Transfers	Retirements/Other Deductions	Balance 9/30/2017
Capital assets, not being depreciated:					
Land	$17,280,316	$ -	$ -	$ -	$17,280,316
Total capital assets not being depreciated	17,280,316	-	-	-	17,280,316
Capital assets being depreciated:					
Machinery and equipment	527,709	-	-	-	527,709
Buildings and improvements	9,987,087	-	-	-	9,987,087
Total capital assets being depreciated	10,514,796	-	-	-	10,514,796
Less: accumulated depreciation	(3,071,882)	(496,825)	-	-	(3,568,707)
Total capital assets, being depreciated, net	7,442,914	(496,825)	-	-	6,946,089
FEDC capital assets, net	$24,723,230	$ (496,825)	$ -	$ -	$24,226,405

In addition to construction in progress, the City had commitments or binding contracts as of September 30, 2017. The construction commitments or binding contracts totaled $55,508,923 for the governmental capital projects fund; and $24,370,342 for the business-type activities capital projects fund. Other funds also had outstanding encumbrances totaling $5,562,680.

Governmental activities	
General fund	$ 4,196,446
Capital projects fund	55,508,923
Non-major funds	911,617
Total outstanding commitments	$ 60,616,986

Business-type activities	
Utility fund	$ 243,248
Utility fund construction	24,370,342
Non-major funds	211,369
Total outstanding commitments	$ 24,824,959

NOTE 7. NOTES PAYABLE

The following schedule summarizes notes payable as of September 30, 2017:

Frisco Community Development Corporation	Balance 9/30/2016	Additions	Deletions	Balance 9/30/2017
Note payable to City	$34,650,000	$ -	$ 2,945,000	$31,705,000
Note payable to bank	13,770,000	-	2,323,235	11,446,765
Premium	2,579,715	-	549,125	2,030,590
Discount	(74,977)	-	(5,932)	(69,045)
Total	$50,924,738	$ -	$5,811,428	$45,113,310

Frisco Economic Development Corporation	Balance 9/30/2016	Additions	Deletions	Balance 9/30/2017
Note payable to bank	$41,091,538	$ 6,791,720	$7,906,301	$39,976,957
Total	$41,091,538	$ 6,791,720	$7,906,301	$39,976,957

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

At September 30, 2017, the balance of the note payable to the City from the Community Development Corporation was $33,666,545. This includes $31,705,000 in the note balance, $2,030,590 of premium and $69,045 of discount. At September 30, 2017, the total notes payable to the City from the component units was $33,666,545.

NOTE 8. LONG-TERM DEBT

General obligation bonds and certificates of obligation mature annually in varying amounts through 2041. The interest for these bonds are payable semi-annually with interest rates ranging from 1.255 % - 7.375%. The City is in compliance with related bond covenants.

In June 2017, the City of Frisco issued General Obligation Bonds, Series 2017, in the amount of $45,510,000 with a net premium of $4,091,889. Proceeds from the sale of the bonds will be used for (i) constructing and improving streets and roads, bridges and intersections, (ii) constructing, improving and equipping public safety facilities, including fire department facilities and the acquisition of fire trucks and equipment, (iii) constructing, improving, and equipping parks, trails and recreational facilities and constructing and equipping a maintenance and administration building for the parks and recreation department, and the acquisition of land and interest in land for parks and recreational facilities; and (iv) the costs of issuance associated with the sale of the bonds.

Also in June 2017, the City issued Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017, in the amount of $14,455,000 with a net premium of $967,777. Proceeds from the sale of the certificates will be used for (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's combined waterworks and sewer systems; and (ii) to pay the costs associated with the issuance of the certificates.

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

Governmental Activities	Balance 9/30/2016	Increases	Decreases	Balance 9/30/2017	Amounts due within one year
Compensated absences	$ 9,811,436	$ 8,033,638	$ 6,869,505	$ 10,975,569	$ 6,455,058
General obligation bonds	422,110,000	45,510,000	32,020,000	435,600,000	34,495,000
Certificates of obligation	192,650,000	-	6,600,000	186,050,000	7,900,000
Premiums	46,808,291	4,337,120	8,046,509	43,098,902	7,756,785
Discounts	(684,162)	(245,230)	(52,494)	(876,898)	(62,145)
Total governmental activities	$ 670,695,565	$ 57,635,528	$ 53,483,520	$674,847,573	$56,544,698

Business-type Activities	Balance 9/30/2016	Increases	Decreases	Balance 9/30/2017	Amounts due within one year
Compensated absences	$ 1,362,566	$ 1,096,580	$ 1,003,338	$ 1,455,808	$ 971,161
General obligation bonds	68,575,000	-	4,835,000	63,740,000	7,030,000
Certificates of obligation	68,070,000	14,455,000	4,635,000	77,890,000	3,065,000
Premiums	11,872,616	1,043,870	2,190,677	10,725,809	2,095,454
Discounts	(332,706)	(76,093)	(24,232)	(384,567)	(27,268)
Total business-type activities	149,547,476	16,519,357	12,639,783	153,427,050	13,134,347
Total primary government	$ 820,243,041	$ 74,154,885	$66,123,303	$828,274,623	$69,679,045

Component Units	Balance 9/30/2016	Increases	Decreases	Balance 9/30/2017	Amounts due within one year
Compensated absences	$ 169,260	$ 123,734	$ 101,880	$ 191,114	$ 126,029
Sales tax revenue bonds	122,415,000	-	3,940,000	118,475,000	5,300,000
Notes payable – bank	54,861,538	6,791,720	10,229,536	51,423,722	3,654,162
Notes payable – City	34,650,000	-	2,945,000	31,705,000	3,030,000
Premiums	5,122,344	-	909,397	4,212,947	817,642
Discounts	(170,319)	-	(13,153)	(157,166)	(12,990)
Total component units	$217,047,823	$ 6,915,454	$ 18,112,660	$205,850,617	$12,914,843

Debt service requirements of the general obligation bonds and certificates of obligation for the governmental activities for the years subsequent to September 30, 2017, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2018	$ 42,395,000	$ 26,555,159	$ 68,950,159
2019	44,480,000	24,580,658	69,060,658
2020	44,900,000	22,609,947	67,509,947
2021	46,970,000	20,518,545	67,488,545
2022	46,605,000	18,452,298	65,057,298
2023-2027	174,365,000	64,308,874	238,673,874
2028-2032	118,030,000	34,147,816	152,177,816
2033-2037	93,020,000	10,273,486	103,293,486
2038-2041	10,885,000	466,818	11,351,818
Total	621,650,000	221,913,601	843,563,601
Plus: Unamortized bond premium	43,098,902	-	43,098,902
Less: Unamortized bond discount	(876,898)	-	(876,898)
Net debt service requirements	$ 663,872,004	$ 221,913,601	$885,785,605

Debt service requirements of the general obligation bonds and certificates of obligation for the business-type activities for the years subsequent to September 30, 2017, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2018	$ 10,095,000	$ 5,912,879	$ 16,007,879
2019	10,530,000	5,448,663	15,978,663
2020	10,900,000	4,977,413	15,877,413
2021	11,420,000	4,462,075	15,882,075
2022	10,745,000	3,961,488	14,706,488
2023-2027	47,080,000	12,818,275	59,898,275
2028-2032	25,005,000	5,393,941	30,398,941
2033-2037	15,855,000	1,024,370	16,879,370
Total	141,630,000	43,999,104	185,629,104
Plus: Unamortized bond premium	10,725,809	-	10,725,809
Less: Unamortized bond discount	(384,567)	-	(384,567)
Net debt service requirements	$151,971,242	$ 43,999,104	$195,970,346

Debt service requirements of the revenue bonds and notes payable for the Community Development Corporation component unit for the years subsequent to September 30, 2017, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2018	$ 6,834,677	$ 4,097,751	$ 10,932,428
2019	6,890,209	3,875,832	10,766,041
2020	6,497,188	3,645,876	10,143,064
2021	6,619,469	3,402,511	10,021,980
2022	13,535,223	3,039,205	16,574,428
2023-2027	27,685,000	10,723,406	38,408,406
2028-2032	25,135,000	5,561,520	30,696,520
2033-2037	14,455,000	1,389,479	15,844,479
Total	107,651,766	35,735,580	143,387,346
Plus: Unamortized bond premium	4,188,160	-	4,188,160
Less: Unamortized bond discount	(148,839)	-	(148,839)
Net debt service requirements	$ 111,691,087	$ 35,735,580	$ 147,426,667

Debt service requirements of the revenue bonds and notes payable for the Economic Development Corporation component unit for the years subsequent to September 30, 2017, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2018	$ 5,149,485	$ 3,458,636	$ 8,608,121
2019	5,703,197	3,285,790	8,988,987
2020	19,412,212	3,097,115	22,509,327
2021	4,699,206	2,422,658	7,121,864
2022	14,666,809	2,109,804	16,776,613
2023-2027	21,496,047	6,835,503	28,331,550
2028-2032	19,345,000	2,720,134	22,065,134
2033-2034	3,480,000	147,840	3,627,840
Total	93,951,956	24,077,480	118,029,436
Plus: Unamortized bond premium	24,787	-	24,787
Less: Unamortized bond discount	(8,327)	-	(8,327)
Net debt service requirements	$ 93,968,416	$ 24,077,480	$ 118,045,896

NOTE 9. TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of Frisco. This program rebates property and sales & use taxes and is authorized under Chapter 380 of the Texas Local Government Code.

The various agreements are detailed below that rebate a percentage of property and/or sales & use taxes. Agreements for rebate of property taxes generally call for rebates of 50% of taxes on incremental values for usually up to 10 years. The agreements for sales & use taxes provides for a rebate of .50% to .85% of the City1% taxes on incremental values for usually up to 10 years, with the maximum being 25 years. For fiscal year 2017, the City rebated property taxes of $286,791, or 0.2% of the total levy of $108.9 million. Sales and use taxes rebated totaled $3,358,714 or 8.3% of the General Fund collections of $40.4 million.

Retail Development Agreements
In order to promote economic development and diversity, increase employment, reduce unemployment and underemployment, expand commerce, and stimulate business and commercial activity in the State of Texas, Collin County, and the City of Frisco, Texas, the City, agreed to pay sales tax grants to certain developers. These grants require the construction of a minimum square feet of retail space and obtaining certificates of occupancy for certain major retailers within a specified time period, all of which have been met during the 2017 fiscal year.

A retail development agreement was executed in December 2005 for approximately 200,000 square feet of retail space, which opened for business during April, 2007. The developer was awarded an economic development grant in accordance with the agreement in the amount of one-half of one percent (0.5%) of retail sales generated for a period of ten years. The City paid $180,333 during the current year for this grant.

A retail agreement was executed in January 2011 for approximately 140,000 square feet of retail space which opened October 2011. The City pays one half of one percent (0.5%) of retail sales generated for a period of ten years. The City paid $353,271 during the current year of this grant.

An agreement was executed in May 2013 for a retail sales center. The City pays eighty-five percent of one percent (.85%) of all retail sales generated for a period of twenty-five years. The City paid $2,506,027 during the current year of this grant.

An agreement was executed in May 2012 in which the City pays a rebate of incremental property taxes on improvements. This agreement is for five years. The City paid $4,991 during the current year of this grant.

An agreement was executed in February 2013 for use and property tax rebates. This agreement is for eleven years. The City paid $85,444 during the current year of this grant.

An agreement was executed with the owner of an entertainment venue in April, 2013. This agreement includes a 50% rebate of property taxes for 10 years and one-half of one percent of sales and use taxes (0.50%) for five years. The City paid $21,741 during the current year of the grant.

An agreement was executed in June 2013. This agreement includes a rebate of 50% of the city's incremental property taxes on improvements for 10 years. The City paid $17,648 during the current year of the grant.

An agreement was executed in June 2014 with a residential builder for a ten year period. Payments will be calculated based on eighty percent (.80%) of the City's one percent of use tax levied on housing materials purchased. The City paid $138,215 during the current year of this grant.

An agreement was executed in August 2014 with a residential builder for a ten year period. Payments will be calculated based on eighty percent (.80%) of the City's one percent of use tax levied on housing materials purchased. The City paid $14,161 during the current year of this grant.

An agreement was executed in April 2015 with a residential builder for a ten year period. Payments will be calculated based on eighty percent (.80%) of the City's one percent of use tax levied on housing materials purchased. The City paid $42,266 during the current year of this grant.

An agreement was executed in August 2015 with a residential builder for a ten year period. Payments will be calculated based on eighty percent (.80%) of the City's one percent of use tax levied on housing materials purchased. The City paid $72,301 during the current year of this grant.

An agreement was executed with a residential homebuilder in October 2015. The agreement is for a ten year period. Payments are calculated based on eighty percent (.80%) of the City's one percent of use tax levied on housing materials. The City paid $33,542 during the current year of the grant.

Planned Development Mixed Use Agreement
The City has an agreement for the development of thirty-six (36) acres into an urban mixed use community consisting of residential units, a 4-star hotel and a Class A high rise office building. The developer will receive rebates of incremental City property taxes paid on the improvements. The maximum grant amount of rebates for the improvements has a principal balance of $3,000,000 bearing an interest rate of 4.75%, being repayable in three (3) annual installments of interest only and twenty-two (22) successive amortized annual installments of principal and interest. During the year ended September 30, 2017, the City rebated a total of $175,565 for the property tax increment payment for 2016. The cumulative amount rebated through September 30 was $1,162,472.

NOTE 10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Management Association Retirement Corporation (ICMARC). All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, and the City does have limited fiduciary responsibilities over the plan offerings and design; this plan is not reported in the financial statements of the City.

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

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description-
The City of Frisco participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

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

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

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. A summary of plan provisions for the City are as follows:

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

Employees covered by benefits terms-
At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	140
Inactive employees entitled to but not yet receiving benefits	398
Active employees	1,080
Total	1,618

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 actuarial determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Frisco were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.13% and 14.29% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were $11,367,240 and were equal to the required contributions.

Net Pension Liability-
The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used, with male 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, 2016, 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 estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	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 was assumed that employee contributions 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 payment to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2015	$188,699,350	$150,189,214	$38,510,136
Changes for the year:			
Service cost	13,533,172	-	13,533,172
Interest	13,102,946	-	13,102,946
Change in benefit terms	-	-	-
Difference between expected and actual experience	1,645,340	-	1,645,340
Change in assumptions	-	-	-
Contributions-employer	-	10,375,914	(10,375,914)
Contributions-employee	-	5,187,963	(5,187,963)
Net investment income	-	10,161,230	(10,161,230)
Benefit payments, including refunds of employee contributions	(2,696,424)	(2,696,424)	-
Administrative expense	-	(114,632)	114,632
Other changes	-	(6,176)	6,176
Net changes	25,585,034	22,907,875	2,677,159
Balance as of 12/31/2016	$214,284,384	$173,097,089	$41,187,295

Changes in Net Pension Liability Primary Government & Component Units

	Primary Government	Component Units	Totals
Balance at 12/31/2015	$37,739,933	$770,203	$38,510,136
Changes for the year:			
Service cost	13,262,510	270,662	13,533,172
Interest	12,840,887	262,059	13,102,946
Change in benefit terms	-	-	-
Difference between expected and actual experience	1,612,433	32,907	1,645,340
Change in assumptions	-	-	-
Contributions-employer	(10,168,396)	(207,518)	(10,375,914)
Contributions-employee	(5,084,204)	(103,759)	(5,187,963)
Net investment income	(9,958,005)	(203,225)	(10,161,230)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	112,339	2,293	114,632
Other changes	6,052	124	6,176
Net changes	2,623,616	53,543	2,677,159
Balance as of 12/31/2016	$40,363,549	$823,746	$41,187,295

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% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
City's NPL	$80,251,579	$41,187,295	$9,866,550

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 online at www.tmrs.com.

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

For the year ended September 30, 2017, the City recognized pension expense of $13,401,196; $13,133,172 for the primary government and $268,024 for the component units.

The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 240,919	$ -
Changes in actuarial assumptions used	-	(1,061,051)
Difference between projected and actual investments earnings	6,260,929	-
Contributions subsequent to the measurement date	8,450,264	-
Total	$14,952,112	$(1,061,051)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $8,450,264, with $169,005 contributed for the component units, will be recognized as a reduction of the net pension liability for measurement year ending December 31, 2017 (i.e. recognized in the City's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year	Primary Government	Component Units	At December 31
2016	$1,930,605	$ 39,400	$1,970,005
2017	1,930,605	39,400	1,970,005
2018	1,627,831	33,221	1,661,052
2019	(221,685)	(4,524)	(226,209)
2020	(156,047)	(3,185)	(159,232)
Thereafter	220,672	4,504	225,176
Total	$5,331,981	$108,816	$5,440,797

NOTE 12. RISK MANAGEMENT

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

During FY 2017, the City participated in a modified self-insurance program for Employee Benefits. Group medical benefits were administered by a third party insurance provider. The City offers two plans with payroll deductions set aside to cover the monthly claims. The annually negotiated stop loss provision for 2017 was $150,000 per occurrence.

The liabilities for insurance claims reported are based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims. The estimated claims incurred but not reported as of September 30, 2017 totaled $2,267,164, which are recorded as a liability in the General Fund accounts payable. Changes in the liability for the past three years:

Claim Year	Liability Beginning of Year	Current Year Claims and Changes In Estimates	Claim Payments	Liability End of Year
2015 – Health Insurance	1,388,400	11,592,196	11,409,851	1,570,745
2016 – Health Insurance	1,570,745	10,836,876	10,430,725	1,976,896
2017 – Health Insurance	1,976,896	12,984,072	12,693,804	2,267,164

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payable are considered short-term and, at September 30, 2017 consisted of the following:

	Due From	
Due to	Non-major Governmental	Total
General Fund	$ 74,375	$ 74,375
Total	$ 74,375	$ 74,375

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

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

	Transfers From					
Transfers to	General Fund	TIRZ #1	Capital Projects	Non-major Governmental	Proprietary and Non-major Proprietary	Total
General Fund	$ -	$ -	$ -	$ 134,000	$ 615,000	$ 749,000
TIRZ	-	-	-	1,436,333	-	1,436,333
Capital Projects	100,000	-	-	7,920,079	1,419,334	9,439,413
Debt Service	-	20,888,004	-	1,332,314	-	22,220,318
Non-major governmental	158,407	-	15,419	-	-	173,826
Utility Fund	-	-	-	-	300,281	300,281
Total	$258,407	$20,888,004	$ 15,419	$10,822,726	$2,334,615	$34,319,171

Transfer from fund	Transfer to fund	Amount
General Fund:		
Grant matching funds	Non-major Governmental Funds - Grants	$ 158,407
Capital outlay	Capital Projects Fund	100,000
TIRZ #1 Fund:		
Debt service funding requirements	Debt Service	20,888,004
Capital Projects Fund:		
Debt service funding requirements	Debt Service	15,419
Non-Major Governmental Funds:		
Debt service funding requirements	TIRZ	1,436,333
Debt service funding requirements	Debt Service	1,332,314
Court warrant officer funding	General Fund	84,000
Capital outlay funding	General Fund	50,000
Capital outlay funding	Capital Projects	7,920,079
Proprietary Funds:		
G&A for Environmental Services	General Fund	515,000
G&A for Stormwater Drainage	Utility Fund	65,467
G&A Stormwater Drainage	General Fund	100,000
G&A Environmental Services	Utility Fund	234,814
Capital outlay funding	Capital Projects	1,419,334
Total		$34,319,171

NOTE 14. OPERATING LEASE COMMITMENTS

The City entered into rental agreements in excess of one year during prior fiscal years. During fiscal year 2017, the City entered into additional agreement in excess of one year. The following commitments remain:

FY	At September 30
2018	$ 204,056
2019	151,065
2020	38,086

Rent paid under operating leases was approximately $167,514 for the year ended September 30, 2017.

NOTE 15. CONTINGENT LIABILITIES

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

In June 2006, the North Texas Municipal Water District issued $35,235,000 in revenue bonds, series 2006. This bond issue is for the purpose of constructing the Panther Creek Wastewater System benefiting the City of Frisco. In March 2009, an additional $20,210,000 in revenue bonds, series 2009 was issued for expansion of the system. In 2014, an additional bond issue refunded a portion of the 2006 revenue bonds. The outstanding principal of the revenue bonds at September 30, 2017 is $32,325,000. The City's contractual minimum payment is required to cover the full cost of the service including the principal and interest payments incurred related to this debt. The City of Frisco is in compliance with this agreement at September 30, 2017.

NOTE 16. LITIGATION

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

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

The City does not provide postretirement health or dental care benefits to retirees. We do provide a plan that retirees can purchase through age 65, but they are responsible for 100% of the premium costs and this plan is not part of the City's active employee plan. The City incurs no cost for providing these benefits, as retirees are included in a separate risk pool, there is an implicit rate subsidy and the City has a measurable OPEB liability, which is included in the General Fund Insurance commitment.

NOTE 18. COMPONENT UNIT REMEDIATION OBLIGATIONS

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

FRISCO

PROGRESS IN MOTION

REQUIRED SUPPLEMENTARY INFORMATION

FRISCO

PROGRESS IN MOTION

CITY OF FRISCO
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Required Supplementary Information
Last 3 Years

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
Total pension liability:			
Service cost	$ 9,985,109	$ 12,146,969	$ 13,533,172
Interest	10,863,498	12,134,224	13,102,946
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(1,557,705)	(320,688)	1,645,340
Change in assumptions	-	(1,452,583)	-
Benefit payments, including refunds of employee contributions	(2,274,946)	(2,162,276)	(2,696,424)
Net change in total pension liability	17,015,956	20,345,646	25,585,034
Total pension liability - beginning	151,337,748	168,353,704	188,699,350
Total pension liability - ending (a)	$ 168,353,704	$ 188,699,350	$ 214,284,384
Plan fiduciary net position:			
Contributions - employer	$ 7,982,625	$ 9,779,163	$ 10,375,914
Contributions - employee	4,173,145	4,790,759	5,187,963
Net investment income	6,923,943	203,262	10,161,230
Benefit payments, including refunds of employee contributions	(2,274,946)	(2,162,276)	(2,696,424)
Administrative expenses	(72,257)	(123,767)	(114,632)
Other	(5,941)	(6,113)	(6,176)
Net change in plan fiduciary net position	16,726,569	12,481,028	22,907,875
Plan fiduciary net position - beginning	120,981,617	137,708,186	150,189,214
Plan fiduciary net position - ending (b)	$ 137,708,186	$ 150,189,214	$ 173,097,089
Net pension liability - ending (a) - (b)	$ 30,645,518	$ 38,510,136	$ 41,187,295
Plan fiduciary net position as a percentage of total pension liability	81.80%	79.59%	80.78%
Covered employee payroll	$ 59,616,360	$ 68,433,626	$ 74,113,757
Net pension liability as a percentage of covered employee payroll	51.40%	56.27%	55.57%

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

CITY OF FRISCO
Schedule of Contributions
Texas Municipal Retirement System
Required Supplementary Information
Last 3 Years

	2015	2016	2017
Actuarially determined contribution	$ 9,034,646	$ 10,290,995	$ 11,367,240
Contributions in relation to the actuarially determined contribution	9,034,646	10,290,995	11,367,240
Contribution deficiency/(excess)	-	-	-
Covered employee payroll	63,590,086	64,421,645	79,650,345
Contributions as a percentage of covered employee payroll	14.21%	15.97%	14.27%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	There were no benefit changes during the year.

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

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

CITY OF FRISCO, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2018

IN THE AGGREGATE PRINCIPAL AMOUNT OF $53,635,000

AS BOND COUNSEL FOR THE CITY OF FRISCO, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the 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 Bond Number R-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, all as defined and provided in the Ordinance.

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

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

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

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

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.

Proposed Form of Opinion of Bond Counsel

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

CITY OF FRISCO, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

IN THE AGGREGATE PRINCIPAL AMOUNT OF $14,705,000

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

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a pledge of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

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

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

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

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

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

Respectfully,

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company.