

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., Dallas, Texas

By: \_\_\_\_\_

Title: \_\_\_\_\_

Address: 2001 Bryan Street, 11<sup>th</sup> Floor  
Dallas, Texas 75201

Attest:

\_\_\_\_\_

Title: \_\_\_\_\_

CITY OF CELINA, TEXAS

By: \_\_\_\_\_  
Mayor

Address: 142 North Ohio Street  
Celina, Texas 75009

Attest:

\_\_\_\_\_  
City Secretary

**EXHIBIT B**  
**PURCHASE AGREEMENT**

**\$4,110,000**  
**CITY OF CELINA, TEXAS**  
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012**

**\$4,675,000**  
**CITY OF CELINA, TEXAS**  
**TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2012**

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**PURCHASE AGREEMENT**

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May 15, 2012

City Council  
City of Celina, Texas  
142 N. Ohio Street  
Celina, Texas 75009

Ladies and Gentlemen:

The undersigned, Southwest Securities, Inc. (hereinafter sometimes called the "Underwriter"), acting on their own behalf and not acting as a fiduciary or agent for you, offers to enter into the following agreement (the "Agreement") with the City of Celina, Texas (the "Issuer"), which, upon the Issuer's written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer's written acceptance hereof on or before 10:00 p.m., Celina, Texas time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Ordinances (as defined herein) or in the Official Statement (as defined herein).

1. ***Purchase and Sale of the Obligations.*** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer's General Obligation Refunding Bonds, Series 2012 (the "Bonds") and Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012 (the "Certificates," and together with the Bonds, the "Obligations"). The Issuer acknowledges that in connection with the purchase and sale of the Obligations pursuant to this Agreement and the offering of the Obligations for sale and the discussions and negotiations relating to the terms of the Obligations set forth in this Agreement: (i) the primary role of the Underwriter is to purchase securities for resale to investors in an arms-

length commercial transaction between the Issuer and the Underwriter and that the Underwriter has financial and other interests that differ from those of the Issuer, (ii) the Underwriter is not acting as an advisor or fiduciary for, and has not assumed any advisory or fiduciary responsibility to, the Issuer with respect to the offering of the Obligations and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the Issuer on other matters), (iii) the only obligations the Underwriter has to the Issuer with respect to the offering of the Obligations hereby expressly are set forth in this Agreement and (iv) the Issuer has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the offering of the Obligations.

The principal amount of the Bonds to be issued, the maturities, sinking fund (to the extent applicable) and optional redemption provisions and interest rates per annum are set forth in **Schedule I** hereto. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the ordinance (the "Bond Ordinance") adopted by the Issuer's City Council (the "Council") on May 15, 2012.

The principal amount of the Certificates to be issued, the maturities, sinking fund (to the extent applicable) and optional redemption provisions and interest rates per annum are set forth in **Schedule II** hereto. The Certificates shall be as described in, and shall be issued and secured under and pursuant to the provisions of the ordinance (the "Certificate Ordinance," and together with the Bond Ordinance, the "Ordinances") adopted by Council on May 15, 2012.

The purchase price for the Bonds shall be \$4,319,100.05 (representing \$4,110,000.00 original principal amount of the Bonds, plus a net premium on the Bonds of \$238,408.30, less an underwriting discount of \$29,308.25).

The purchase price for the Certificates shall be \$4,797,218.27 (representing \$4,675,000 original principal amount of the Certificates, plus a net premium on the Certificates of \$155,420.15, less an underwriting discount of \$33,201.88).

Delivered to the Issuer herewith as a good faith deposit is a corporate check of the Underwriter payable to the order of the Issuer in the amount of \$78,850. Such check is a common "good faith" check for the Bonds and the Certificates, and the proportionate amount of such check that is equivalent to the proportion of the principal amount that one series of Obligations bears to the combined principal amount of the Obligations may be applied toward any obligation of the Underwriter owing as a result of the failure of the Underwriter to accept delivery of a series of the Obligations, as provided herein. In the event the Issuer accepts this Agreement, such check shall be held by the Issuer as security for the performance of the Underwriter of its obligation to purchase, accept delivery of and pay for the Obligations under this Agreement. Such check shall be held uncashed by the Issuer until the time of Closing, at which time such check shall be returned uncashed to the Underwriter. In the event that the Issuer does not accept this Agreement, such check will be immediately returned to the Underwriter. Should the Issuer fail to deliver one or both series of the Obligations at the Closing, or should the Issuer be unable to satisfy the conditions of the obligations of the Underwriter to purchase, accept delivery of and pay for one or both series of the Obligations, as set forth in this Agreement (unless waived by the Underwriter), or should such obligations of the Underwriter be

terminated for any reason permitted by this Agreement, such check, or the proportionate amount thereof which relates to the proportionate amount of the Obligations with respect to which the Issuer failed to perform, shall immediately be returned to the Underwriter. In the event that the Underwriter fails (other than for a reason permitted hereunder) to purchase, accept delivery of and pay for any series of the Obligations at the Closing as herein provided, such check shall be cashed and the amount thereof which relates to the proportionate amount of the Obligations with respect to which the Underwriter failed to perform (other than for a reason permitted hereunder) shall be retained by the Issuer as and for fully liquidated damages, and not as a penalty for such failure of the Underwriter, and for any defaults hereunder on the part of the Underwriter. Acceptance of such check by the Issuer shall constitute a full release and discharge of all claims and damages for such failure and/or any and all such defaults, and the Issuer shall have no further action for damages, specific performance, or any other legal or equitable relief against the Underwriter. The Underwriter and the Issuer understand that in such event the Issuer's actual damages may be greater or may be less than such amount. Accordingly, the Underwriter hereby waives any right to claim that the Issuer's actual damages are less than such amount, and the Issuer's acceptance of this Agreement shall constitute a waiver of any right the Issuer may have to additional damages from the Underwriter. The Underwriter hereby agrees not to stop or cause payment on the check to be stopped unless the Issuer has breached any of the terms of this Agreement.

2. **Public Offering.** The Underwriter intends to make an initial public offering of all of the Obligations at prices or yields not in excess of the initial offering prices or yields set forth in the Official Statement; provided, however, that the Underwriter may subsequently change such offering prices or yields as it deems necessary in connection with the offering of the Obligations without any requirement of prior notice, and may offer and sell the Obligations to certain institutions (including dealers depositing the Obligations into investment trusts) at prices lower than those stated in the Official Statement. The Underwriter also reserves the right to: (i) over-allot or effect transactions that stabilize or maintain the market price of the Obligations at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice; provided, however that no such actions shall affect the certification of original issue price of the Obligations as provided below. On or before Closing, the Underwriter shall execute one or more Issue Price Certificates in substantially the form attached hereto as Exhibit A, verifying the initial offering prices of the Obligations to the public.

3. **The Official Statement.** (a) The Issuer previously has delivered copies (in an electronic format) of the Preliminary Official Statement dated May 9, 2012 (the "Preliminary Official Statement"), to the Underwriter in a "designated electronic format," as defined in the Municipal Securities Rulemaking Board's ("MSRB") Rule G-32 ("Rule G-32"). The Issuer will prepare or cause to be prepared a final Official Statement relating to the Obligations, which will be (1) dated the date of this Agreement, (2) complete within the meaning of the United States Securities and Exchange Commission's Rule 15c2-12, as amended (the "Rule"), (3) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriter before the execution hereof and (4) in both a "designated electronic format" consistent with the requirements of Rule G-32 and in a printed format. Such final Official Statement, including the cover page thereto, all exhibits, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all

amendments and supplements thereto that may be authorized for use with respect to the Obligations, is herein referred to as the "Official Statement." Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Underwriter sufficient quantities of the Preliminary Official Statement (which may be in electronic form) as the Underwriter deems necessary to satisfy the obligation of the Underwriter under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(b) The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriter in connection with the public offering, sale and distribution of the Obligations. The Issuer hereby represents and warrants that the Preliminary Official Statement was "deemed final" by the Issuer as of its date for purposes of the Rule, except for the omission of such information which is dependent upon the final pricing of the Obligations for completion, all as permitted to be excluded by Section (b)(1) of the Rule.

(c) The Issuer represents that a City official has reviewed and approved the information in the Official Statement and the Issuer hereby authorizes the distribution and use of the Official Statement, and the information therein contained, by the Underwriter in connection with the public offering and the sale of the Obligations. The Issuer ratifies and consents to the distribution and use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale of the Obligations. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer's acceptance of this Agreement (but, in any event, not later than within seven business days after the Issuer's acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter (i) in a "designated electronic format" consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the MSRB. The Issuer hereby confirms that it does not object to the distribution of the Preliminary Official Statement or the Official Statement in electronic form.

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Obligations), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time reasonably request), and if, in the reasonable judgment of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain

any 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 not misleading or so that the Official Statement will comply with law; provided, however, that for all purposes of this Agreement and any representation, warranty or covenant made herein, or any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the descriptions in the Preliminary Official Statement or the Official Statement of The Depository Trust Company, New York, New York ("DTC"), or its book-entry-only system. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. The Issuer shall provide any such amendment or supplement, or cause any such amendment or supplement to be provided, (i) in a "designated electronic format" consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the MSRB.

(e) The Underwriter hereby agrees to timely file, or cause to be filed, in a format prescribed by the MSRB, the Official Statement (and any amendment or supplement to the Official Statement prepared in accordance with Section 3(d) above) with (i) the MSRB or its designee (including the MSRB's Electronic Municipal Market Access System) or (ii) other repositories approved from time to time by the United States Securities and Exchange Commission (the "SEC") (either in addition to or in lieu of the filing referred to in clause (i) of this Section 3(e)). Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing.

(f) To the knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Obligations. During the last five years the Issuer has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

4. ***Representations, Warranties, and Covenants of the Issuer.*** The Issuer hereby represents and warrants to and covenants with the Underwriter that:

(a) The Issuer is a home-rule municipality, a body politic and corporate, and a political subdivision of the State of Texas (the "State"), duly created, organized and existing under the Constitution and general laws of the State and the Issuer's home-rule charter. The Issuer has full legal right, power and authority under the Constitution and general laws of the State, including Chapter 1207, Texas Government Code (with respect to the Bonds) and Subchapter C of Chapter 271, Texas Local Government Code (with respect to the Certificates), (collectively herein referred to as the "Acts"), and at the date of the Closing will have full legal right, power and authority under the Acts and the Ordinances (i) to adopt, enter into, execute and deliver this Agreement, the Ordinances (which contain the Undertaking defined in Section 6(j)(3) hereof), the Escrow Agreement (as defined in the Bond Ordinance) and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Ordinances, the Undertaking and the Escrow Agreement are hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Obligations to the Underwriter as

provided herein, and (iii) to carry out and consummate the transactions described in the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance, in all material respects with the terms of the Acts and the Issuer Documents as they pertain to such transactions.

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Ordinances and the issuance and sale of the Obligations on the terms set forth herein, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Obligations and the Issuer Documents, (iii) the approval, distribution and use of the Preliminary Official Statement and the approval, execution, distribution and use of the Official Statement for use by the Underwriter in connection with the public offering of the Obligations and (iv) the consummation by it of all other transactions described in the Official Statement, the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions described herein and in the Official Statement.

(c) This Agreement constitutes a legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the other Issuer Documents, when duly executed and delivered, will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to sovereign immunity of political subdivisions, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds and the Certificates, when issued, delivered and paid for, in accordance with the Bond Ordinance and the Certificate Ordinance, respectively, and this Agreement, will constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the Bond Ordinance and the Certificate Ordinance, respectively, and enforceable in accordance with their terms, subject to sovereign immunity of political subdivisions, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights. Upon the issuance, authentication and delivery of the Bonds as aforesaid, the Bond Ordinance will provide, for the benefit of the holders of the Bonds, the legally valid and binding pledge of ad valorem taxes and lien it purports to create as set forth in the Bond Ordinance, being the pledge to levy, assess and collect an annual ad valorem tax, within the limits prescribed by law, upon all taxable property within the boundaries of the Issuer, sufficient to pay the principal of and interest on the Bonds when due. Upon the issuance, authentication and delivery of the Certificates as aforesaid, the Certificate Ordinance will provide, for the benefit of the holders of the Certificates, the legally valid and binding pledge of ad valorem taxes and limited pledge of Net Revenues (as defined in the Certificate Ordinance) and lien it purports to create as set forth in the Certificate Ordinance, being the pledge to levy, assess and collect an annual ad valorem tax, within the limits prescribed by law, upon all taxable property within the boundaries of the Issuer, and collect Net Revenues in an amount not to exceed \$1,000, sufficient to pay the principal of and interest on the Certificates when due.



(d) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States relating to the issuance of the Obligations or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer or any of its property or assets is otherwise subject, and no event which would have a material and adverse effect upon the business or financial condition of the Issuer has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing; and the execution and delivery of the Obligations and the Issuer Documents and the adoption of the Ordinances and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a material breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Obligations or under the terms of any such law, regulation or instrument, except as provided by the Obligations and the Ordinances.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the approval or adoption, as applicable, of the Issuer Documents, the issuance of the Obligations or the due performance by the Issuer of its obligations under the Issuer Documents and the Obligations have been duly obtained, except for the approval of the Obligations by the Attorney General of the State and the registration of the Obligations by the Comptroller of Public Accounts of the State and such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Obligations.

(f) The Obligations and the Ordinances conform to the descriptions thereof contained in the Official Statement under the captions "PLAN OF FINANCING" and "THE OBLIGATIONS"; the proceeds of the sale of the Obligations will be applied generally as described in the Official Statement under the caption "PLAN OF FINANCING" and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION."

(g) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the knowledge of the Issuer, threatened against the Issuer: (i) affecting the existence of the Issuer or the titles of its officers to their respective offices, (ii) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Obligations or the collection of ad valorem taxes pledged to the payment of principal of and interest on the Bonds pursuant to the Bond Ordinance or the collection of ad valorem taxes and Net Revenues pledged to the payment of principal of and interest on the Certificates pursuant to the Certificate Ordinance, (iii) in any way contesting or affecting the validity or enforceability of the Obligations or the Issuer Documents, (iv) contesting the exclusion from gross income of interest on the Obligations for federal income

tax purposes, (v) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or (vi) contesting the powers of the Issuer or any authority for the issuance of the Obligations, the adoption of the Ordinances or the execution and delivery of the Issuer Documents, nor, to the knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the Issuer Documents.

(h) As of the date thereof, the Preliminary Official Statement did not contain any 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; provided, however, that for all purposes of this Agreement, and any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the descriptions in the Preliminary Official Statement or the Official Statement of DTC, or its book-entry-only system.

(i) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any 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.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

(k) The Issuer has the legal authority to apply and will apply, or cause to be applied, the proceeds from the sale of the Obligations as provided in and subject to all of the terms and provisions of the Ordinances and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Obligations.

(l) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request, at no expense to the Issuer, (A) to (y) qualify the Obligations for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (z) determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter in a timely manner of receipt by the Issuer of any notification with

respect to the suspension of the qualification of the Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(m) The financial statements of, and other financial information regarding the Issuer, in the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth. Prior to the Closing, the Issuer will not take any action within or under its control that will cause any adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer. The Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer.

(n) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities (except in the ordinary course of business), direct or contingent, payable from or secured by any ad valorem taxes or Net Revenues (with respect to the Certificates) which will secure the Obligations without the prior approval of the Underwriter.

(o) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions described in this Agreement, shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

(p) The Issuer covenants that between the date hereof and the Closing it will take no actions which will cause the representations and warranties made in this Section to be untrue as of Closing.

(q) The Issuer, to the extent heretofore requested in writing by the Underwriter, has delivered to the Underwriter true, correct, complete, and legible copies of all information, applications, reports, or other documents of any nature whatsoever submitted to any rating agency for the purpose of obtaining a rating for the Obligations and true, correct, complete, and legible copies of all correspondence or other communications relating thereto.

5. **Closing.** (a) At 10:00 a.m. Celina, Texas time, on June 14, 2012, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter, the Issuer will, subject to the terms and conditions hereof, deliver to the Paying Agent/Registrar the initial Obligations registered in the name of the Underwriter, in temporary form, together with the other documents hereinafter mentioned, and will have available for immediate exchange definitive Obligations duly executed and authenticated in the form and manner described below, and the Paying Agent/Registrar will, subject to the terms and conditions hereof, accept such delivery and the Underwriter will pay the purchase prices of the Obligations, as set forth in Section 1 of this Agreement, in immediately available funds by federal funds wire transfer to or for the account of the Issuer (such events being referred to herein as the "Closing"). Payment for the Obligations as aforesaid shall be made at the offices of the Paying Agent/Registrar, or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(b) Delivery of the Obligations in definitive form shall be made through the facilities of DTC's book-entry-only system. The definitive Obligations shall be delivered in fully

registered form, bearing CUSIP numbers without coupons, with one Obligation for each maturity of the Obligations and registered in the name of Cede & Co., as nominee of DTC, all as provided in the Ordinances, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection. Unless otherwise agreed to by the Underwriter, the Obligations will be delivered under DTC's FAST delivery system.

6. *Closing Conditions.* The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the accuracy of the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Obligations shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter, unless waived in writing by the Underwriter:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct in all material respects on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing.

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

(c) At the time of the Closing, (i) the Issuer Documents and the Obligations shall have been duly executed, delivered and authenticated, as applicable, shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall have been duly executed and delivered and shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and Counsel to the Underwriter to deliver their respective opinions referred to hereafter.

(d) At the time of the Closing, all official action of the Issuer relating to the Obligations and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented.

(e) At or prior to the Closing, the Ordinances shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the Paying Agent/Registrar shall have duly authenticated the definitive Obligations.

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the reasonable judgment of the Underwriter, is material and adverse and that makes it, in the reasonable judgment of the Underwriter, impracticable to market the Obligations on the terms and in the manner described in the Official Statement.

(g) The Issuer shall not currently be in default in the payment of principal or interest when due on any of its outstanding obligations for borrowed money.

(h) No suit, action, investigation, or legal or administrative proceeding shall be threatened or pending before any court or governmental agency which is likely to result in the restraint, prohibition, or the obtaining of damages or other relief in connection with the issuance of the Obligations or the consummation of the transactions described herein, or which, in the reasonable judgment of the Underwriter, would have a materially adverse effect on the transactions described herein.

(i) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions described in this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter, Bond Counsel and counsel to the Underwriter.

(j) At or prior to the Closing, the Underwriter shall have received one copy of each of the following documents:

(1) The Official Statement, and each supplement or amendment thereto, if any, in (i) a "designated electronic format" that meets the requirements of Rule G-32 and (ii) a printed format;

(2) The Ordinances certified by the secretary of the Issuer under the Issuer's seal as having been duly adopted by the Issuer and as being in effect, with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The Continuing Disclosure Undertaking (the "Undertaking") of the Issuer for each series of the Obligations which satisfies the requirements of section (b)(5) of the Rule, which Undertaking may be included in the Ordinances;

(4) A copy of the opinions or certificates, dated on or prior to the date of Closing, of the Attorney General of the State approving the Obligations as required by law and a copy of the registration certificates of the Comptroller of Public Accounts of the State;

(5) The approving opinions of Bond Counsel with the respect to the Bonds and the Certificates, in substantially the forms attached to the Official Statement;

(6) A supplemental opinion of Bond Counsel addressed to the Underwriter, substantially to the effect that:

(i) the Ordinances have been duly adopted by the Issuer and are in full force and effect;

(ii) the Obligations are exempted securities under section 3(a)(2) of the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Obligations, to register the

Obligations under the 1933 Act or to qualify the Ordinances under the Trust Indenture Act; and

(iii) except to the extent noted therein, said firm has not verified and is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement but that said firm has reviewed the statements and information contained under the captions and subcaptions, "PLAN OF FINANCE" (except under the subcaptions "Sources and Uses of Bond Proceeds" and "Sources and Uses of Certificate Proceeds" as to which no opinion is expressed), "THE OBLIGATIONS" (except under the subcaptions "Book-Entry-Only System," and "Obligationholders' Remedies" as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings" as to which no opinion is expressed) and the subcaptions "Legal Matters" (except for the last two sentences of the first paragraph thereof), "Registration and Qualification of Obligations for Sale" and "Legal Investments And Eligibility To Secure Public Funds In Texas," under the caption "OTHER INFORMATION" and such firm is of the opinion that the information relating to the Obligations and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances.

(7) An opinion of counsel for the Underwriter, dated the date of the Closing and addressed to the Underwriter, in substantially the form set forth in **Exhibit B**;

(8) A certificate, dated the date of Closing, signed by the Issuer's Mayor and City Manager or other officials acceptable to the Underwriter to the effect that (i) the representations and warranties of the Issuer contained herein or in any certificate or document delivered by the Issuer pursuant to the provisions hereof are true and correct in all material respects on and as of the date of Closing, as if made on the date of Closing; (ii) no litigation, action, suit or proceeding or tax challenge against the Issuer is pending or, to such person's knowledge, threatened in any court or administrative body, nor is there a basis for litigation which would (a) contest the right of the Councilmembers or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Obligations or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from levying or collecting the ad valorem taxes and the Net Revenues (with respect to the Certificates) pledged to pay the principal of and interest on the Obligations, or the pledge thereof; (iii) the official actions of the Issuer authorizing the execution, delivery and/or performance of the Official Statement, the Obligations and Issuer Documents have been duly adopted by the Issuer, are in full force and effect and have not been modified, amended or repealed, and (iv) to such person's knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading

in any material respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (v) there has not been any materially adverse change in the financial condition of the Issuer since September 30, 2011, the latest date as of which audited financial information is available;

(9) A certificate of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriter setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Obligations will be used in a manner that would cause the Obligations to be "arbitrage bonds" or "private activity bonds" within the meaning of Section 148 and 141, respectively, of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code;

(10) A fully executed copy of the Escrow Agreement;

(11) Evidence satisfactory to the Underwriter that provision has been made for the Escrow Agent (as defined in the Escrow Agreement) to receive cash in an amount sufficient to effectuate the refunding and defeasance of the Refunded Bonds and that the uninvested cash has been deposited in a special deposit account under the Escrow Agreement;

(12) Evidence in a form acceptable to the Underwriter that Moody's Investors Service, Inc. has assigned a rating of "A1" to the Obligations, and that such rating is in effect as of the date of Closing;

(13) Such additional legal opinions, certificates, instruments and other documents as the Underwriter, Bond Counsel or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Underwriter.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations shall be terminated for any reason permitted by this Agreement, this Agreement shall

terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Sections 1 (with respect to the good faith check), 8 and 10 hereof shall continue in full force and effect.

7. **Termination.** The Underwriter shall have the right to cancel its obligation to purchase the Obligations and terminate this Agreement (as evidenced by a written notice to the Issuer terminating the obligation of the Underwriter to accept delivery of and pay for the Obligations) if, between the date of this Agreement and the Closing, the market price or marketability of the Obligations shall be materially adversely affected, in the Underwriter's sole and reasonable judgment, by the occurrence of any of the following events:

(a) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Obligations, or the interest on the Obligations as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions described herein.

(b) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Ordinances are not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Obligations, including any or all underlying arrangements, as described herein or in the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect.

(c) Any state blue sky or securities commission or other governmental agency or body in a state in which fifteen percent (15%) or more of the Obligations have been sold shall have withheld registration, exemption or clearance of the offering of the Obligations as described herein, or issued a stop order or similar ruling relating thereto, provided that such withholding or stop order is not due to the malfeasance, misfeasance or nonfeasance of the Underwriter.

(d) A general suspension of trading in securities on the New York Stock Exchange, the NYSE Euronext – U.S. Equities or any other major exchange, the establishment of minimum



or maximum prices on any such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, or a general banking moratorium declared by federal, State of New York, or State officials authorized to do so.

(e) The New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Obligations or as to obligations of the general character of the Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter.

(f) Any amendment to the federal or State Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income, securities (or interest thereon), or the validity or enforceability of the levy of taxes or collection of Net Revenues to pay principal of and interest on the Obligations.

(g) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any material statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits 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.

(h) There shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer, except for changes which the Official Statement discloses are expected to occur.

(i) There shall have occurred any (i) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (ii) new material other national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, including, but not limited to, an escalation of hostilities that existed prior to the date hereof and the effect of any such event on the financial markets of the United States, shall be such as would make it impracticable, in the reasonable judgment of the Underwriter, for the Underwriter to sell the Obligations on the terms and in the manner described in the Official Statement.

(j) Any fact or event shall exist or have existed that, in the Underwriter's reasonable judgment, requires or has required an amendment of or supplement to the Official Statement.

(k) There shall have occurred any downgrading or published negative credit watch or similar published information from a rating agency that at the date of this Agreement has published a rating (or has been asked to furnish a rating on the Obligations) on any of the Issuer's debt obligations that are secured in a like manner as the Obligations, which action reflects a negative change, in the ratings accorded any such obligations of the Issuer (including any rating to be accorded the Obligations).

(l) A major financial crisis or a material disruption in commercial banking or securities settlement, payment, or clearance services shall have occurred and shall be continuing on the Closing date.

(m) A non-appealable decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Obligations, including the underlying obligations as described in this Agreement or the Official Statement, or any document relating to the issuance, offering or sale of the Obligations, is or would be in violation of any provision of the federal securities laws at the Closing date, including 1933 Act, the Securities Exchange Act of 1934 and the Trust Indenture Act.

(n) The purchase of and payment for the Obligations by the Underwriter, or the resale of the Obligations by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission which prohibition shall occur subsequent to the date hereof, and is not the result of the Underwriter's acts or failure to act.

With respect to the condition described in subparagraph (n) above, the Underwriter is not aware of any current, pending, or proposed law or government inquiry or investigation as of the date of execution of this Agreement which would permit the Underwriter to invoke the Underwriter's termination rights hereunder.

Upon the occurrence of such event and the termination of this Agreement by the Underwriter, all obligations of the Issuer and the Underwriter under this Agreement shall terminate, without further liability, except that (i) the Issuer promptly shall return the good faith check in accordance with Section 1 of this Agreement and (ii) the Issuer and the Underwriter shall pay their respective expenses as set forth in Section 8 of this Agreement.

8. **Expenses.** (a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Obligations; (ii) the fees and disbursements of Bond Counsel and the financial advisor to the Issuer; (iii) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer; (iv) the fees for bond ratings; (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Paying Agent/Registrar; (vii) the fees and expenses of the Escrow Agent; (viii) advertising expenses (except any advertising expenses of the Underwriter as set forth below); (ix) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and trustees of the Issuer; and (x) any other expenses mutually agreed to by the Issuer and the Underwriter to be reasonably considered expenses of the Issuer which are incident to the transactions described herein. The Issuer acknowledges that the Underwriter will pay from the underwriter's expense allocation of the underwriting discount the applicable per bond assessment charged by the Municipal Advisory Council of Texas.

(b) The Underwriter shall pay (i) the cost of preparation and printing of this Agreement and the Blue Sky Survey and Legal Investment Memorandum, if any; (ii) all advertising expenses in connection with the public offering of the Obligations; and (iii) all other expenses incurred by it in connection with the public offering of the Obligations, including the fees and disbursements of counsel retained by the Underwriter.

9. **Notices.** Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to the Issuer at the address first shown above, Attention: Director of Finance, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Southwest Securities, Inc., 1201 Elm Street, Suite 4300, Dallas, TX 75270 Attention: Dan Almon.

10. **Parties in Interest.** This Agreement as heretofore specified shall constitute the entire agreement between the Issuer and the Underwriter and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations and warranties contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Obligations pursuant to this Agreement; and (iii) any termination of this Agreement.

11. **Effectiveness.** This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

12. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State.

13. **Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision or provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

14. **Business Day.** For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

15. **Section Headings.** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. **Counterparts.** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

17. ***No Personal Liability.*** None of the members of the City Council, nor any officer, agent, or employee of the Issuer, shall be charged personally by the Underwriter with any liability, or be held liable to the Underwriter under any term or provision of this Agreement, or because of execution or attempted executing, or because of any breach or attempted or alleged breach, of the Agreement.

18. ***Entire Agreement.*** This Agreement represents the entire agreement between the Issuer and the Underwriter with respect to the preparation of the Preliminary Official Statement and the Official Statement, the conduct of the offering, and the purchase and sale of the Obligations.

[The remainder of this page is intentionally left blank.]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

SOUTHWEST SECURITIES, INC.

By: \_\_\_\_\_  
Authorized Officer

APPROVED AND ACCEPTED at \_\_\_\_\_ o'clock a.m./p.m. as of the date hereof:

CITY OF CELINA, TEXAS

By: \_\_\_\_\_  
Mayor

*Signature Page to Purchase Agreement  
City of Celina, Texas  
General Obligation Refunding Bonds, Series 2012 & Tax and Waterworks and  
Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012*

## SCHEDULE I

\$4,110,000  
CITY OF CELINA, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS  
SERIES 2012

<u>Stated Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>
2013	\$135,000	2.000%	0.650%
2014	130,000	2.000%	0.750%
2015	375,000	2.000%	0.850%
2016	385,000	2.000%	1.050%
2017	415,000	2.000%	1.200%
2018	415,000	2.000%	1.400%
2019	460,000	3.000%	1.650%
2020	465,000	3.000%	1.850%
2021	485,000	3.000%	2.100%
2022	415,000	3.000%	2.250%
2023	430,000	3.000%	2.400%

(Interest accrues from date of delivery)

The Bonds are not subject to optional redemption prior to maturity.

## SCHEDULE II

\$4,675,000  
CITY OF CELINA, TEXAS  
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE  
CERTIFICATES OF OBLIGATION  
SERIES 2012

**\$1,045,000 Serial Certificates<sup>(1)</sup>**

<u>Stated Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>
2013	\$140,000	2.000%	0.650%
2014	175,000	2.000%	0.750%
2015	180,000	2.000%	0.850%
2016	180,000	2.000%	1.050%
2017	185,000	2.000%	1.200%
2018	185,000 <sup>(3)</sup>	2.000%	1.400%

(Interest accrues from date of delivery)

**\$3,630,000 Term Certificates<sup>(1)(2)(3)</sup>**

\$385,000 3.000% Term Bond due September 1, 2020, Yield 1.880%, Price 105.536%

\$460,000 3.000% Term Bond due September 1, 2022, Yield 2.280%, Price 103.518%

\$485,000 3.000% Term Bond due September 1, 2024, Yield 2.610%, Price 101.887%

\$520,000 3.500% Term Bond due September 1, 2026, Yield 2.850%, Price 103.125%

\$545,000 3.500% Term Bond due September 1, 2028, Yield 3.020%, Price 102.296%

\$600,000 4.000% Term Bond due September 1, 2030, Yield 3.150%, Price 104.053%

\$635,000 4.000% Term Bond due September 1, 2032, Yield 3.270%, Price 103.469%

(Interest accrues from date of delivery)

<sup>(1)</sup> The Issuer reserves the right, at its option, to redeem the Certificates having stated maturities on and after September 1, 2018 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2017 or any date thereafter, at a price of par plus accrued interest to the date of redemption.

<sup>(2)</sup> The Term Certificates are subject to mandatory sinking fund redemption as described in the Certificate Ordinance.

<sup>(3)</sup> Priced to the September 1, 2017 optional redemption date at par.

**EXHIBIT A**  
**ISSUE PRICE CERTIFICATE**



[Form of Issue Price Certificate]

The undersigned hereby certifies as follows with respect to the sale of the \$4,110,000 CITY OF CELINA, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012 (the "Bonds") and the \$4,675,000 CITY OF CELINA, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2012 (the "Certificates" and together with the Bonds, the "Obligations"):

1. The undersigned is the underwriter that purchased the Obligations from the City of Celina, Texas (the "Issuer").

2. The undersigned has made a bona fide offering of all of the Obligations of each maturity to the public at the initial offering prices set forth in the Issuer's Official Statement with respect to the Obligations, dated May 15, 2012 (the "Official Statement").

3. The initial offering price (expressed as a dollar amount, yield percentage, or percentage of principal amount and exclusive of accrued interest) at which a substantial amount (at least 10%) of the Obligations of each maturity was sold to the public (as defined in paragraph 5) is as set forth on pages 2 and 4 of the Official Statement, except for the Bonds maturing in the years \_\_\_\_ and \_\_\_\_ and the Certificates maturing in the years \_\_\_\_ and \_\_\_\_ (collectively, the "Unsold Maturities").

4. In the case of each of the Unsold Maturities, the undersigned reasonably expected, as of the sale date of the Obligations, to sell a substantial amount (at least 10%) of each of the Unsold Maturities to the public at the initial offering price set forth in the Official Statement.

5. The term "public," as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.

6. The initial offering prices described above reflect current market prices at the time of such sales.

7. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Obligations from the gross income of their owners.

EXECUTED and DELIVERED this \_\_\_\_\_

SOUTHWEST SECURITIES, INC.,

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT B

[CLOSING DATE]

Southwest Securities, Inc.  
1201 Elm Street, Suite 4300  
Dallas, Texas 7270

Re: City of Celina, Texas, General Obligation Refunding Bonds, Series 2012 (the "Bonds")  
and City of Celina, Texas Tax and Waterworks and Sewer System (Limited Pledge)  
Revenue Certificates of Obligation, Series 2012 (the "Certificates")

Ladies and Gentlemen:

We have acted as counsel to you as Underwriter of \$4,110,000 aggregate principal amount of the captioned Bonds and \$4,675,000 aggregate principal amount of the captioned Certificates (collectively, the "Obligations") issued by the City of Celina, Texas (the "Issuer"), pursuant to ordinances adopted by the City Council (the "City Council") of the Issuer on May 15, 2012, (the "Ordinances"). The Underwriter is purchasing the Obligations pursuant to the Purchase Agreement (the "Purchase Agreement") with respect thereto, dated May 15, 2012. Unless otherwise expressly provided herein, capitalized terms used in this opinion shall have the meanings ascribed to them in the Purchase Agreement.

As your counsel, we have examined executed copies of the Ordinances, the Purchase Agreement and the Official Statement and the certificates and opinions referred to in Paragraph 6(j) of the Purchase Agreement. In addition, we have examined the originals or copies, certified or otherwise identified to our satisfaction, of such records of the Issuer, agreements and other instruments, certificates of public officials and representatives of the Issuer, and such other documents as we have deemed necessary or advisable as a basis for the opinions hereinafter expressed.

Based on the foregoing and in reliance on the matters described below, we are of the opinion that the Obligations are exempted securities under the Securities Act of 1933, as amended (the "1933 Act") and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act or to qualify the Ordinances under the Trust Indenture Act.

Because the primary purpose of our professional engagement was not to establish factual matters, and because of the wholly or partially non-legal character of many determinations involved in the preparation of the Official Statement, and because the information in the Official Statement included under the headings "THE OBLIGATIONS – Book- Entry-Only System,"

"TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION—Compliance with Prior Undertakings" and Appendices B, C and D thereto were prepared by others who have been engaged to review or provide such information, we are not passing upon and do not assume any responsibility for the information contained under such headings and in the appendices, and, except as set forth in the last sentence of this paragraph, we are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Official Statement (including any appendices, schedules and exhibits thereto), and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. At your request, we have participated as your counsel in conferences with representatives of the Issuer, the bond counsel to the Issuer, the financial advisors to the Issuer and your representatives, at which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences and in reliance thereon and on the certificates, opinions and other documents herein mentioned, we advise you that no facts have come to our attention that lead us to believe that the Official Statement (except as to any financial, forecast, technical and statistical statements and data included in the Official Statement or the addenda thereto, and the information under the headings "THE OBLIGATIONS – Book- Entry-Only System," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION—Compliance with Prior Undertakings" and Appendices B, C and D thereto, as to which we are not called upon to express any opinion or belief) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The opinions expressed herein are expressed only insofar as the laws of the State of Texas and the United States of America may be applicable. This opinion may be relied upon only by the addressees hereof and may not be used or relied upon by any other person for any purpose whatsoever without, in each instance, our prior written consent.

Very truly yours,

## **EXHIBIT C**

### **DESCRIPTION OF ANNUAL FINANCIAL INFORMATION**

The following information is referred to in Section 36 of this Ordinance.

#### **Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. Financial information of the general type included in the Official Statement as Appendix B for the most recently concluded fiscal year.
2. The information contained in Tables 1 through 6, 8 through 14, 19 and 20 in the Official Statement.

#### **Accounting Principles**

The accounting principles referred to in such Section are generally those described in Appendix B to the Official Statement, as such principles may be changed from time to time to comply with state law or regulation.

**JUNE 4, 2012 SUPPLEMENT  
to the  
OFFICIAL STATEMENT DATED MAY, 15, 2012**

**Relating to the issuance of:**

**\$4,110,000  
CITY OF CELINA, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012**

**and the**

**\$4,675,000.00  
CITY OF CELINA, TEXAS  
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2012**

**Reason for Supplement:**

**The reference to the June 18, 2012 redemption date for the “Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2001” and the “Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2001” has changed to June 25, 2012.**

**PLEASE BE ADVISED that the above-referenced Official Statement has been supplemented to add the following information:**

**SCHEDULE I:**

**Please replace the first page of Schedule I page with the following updated page.**

# SCHEDULE OF REFUNDED BONDS

# SCHEDULE I

## TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2001

Original Dated Date	Maturity 1-Sep	Principal Amount	Interest Rates	Principal Amount	Call Date
		Outstanding		Refunded	
7/1/2001	2015	\$ 10,000.00	5.250%	\$ 10,000.00	6/25/12
	2016	20,000.00	5.375%	20,000.00	6/25/12
	2017	40,000.00	5.500%	40,000.00	6/25/12
	2018	40,000.00	5.500%	40,000.00	6/25/12
	2019	75,000.00	5.550%	75,000.00	6/25/12
	2020	75,000.00	5.550%	75,000.00	6/25/12
	2021	80,000.00	5.550%	80,000.00	6/25/12
		<u>\$ 340,000.00</u>		<u>\$ 340,000.00</u>	

The Certificates will be redeemed on June 25, 2012 at a price of par plus accrued interest to the redemption date.

## TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE REFUNDING BONDS, SERIES 2001

Original Dated Date	Maturity 1-Sep	Principal Amount	Interest Rates	Principal Amount	Call Date
		Outstanding		Refunded	
7/1/2001	2013	\$ 15,000.00	5.000%	\$ 15,000.00	6/25/12
	2014	15,000.00	5.250%	15,000.00	6/25/12
	2015	5,000.00	5.250%	5,000.00	6/25/12
		<u>\$ 35,000.00</u>		<u>\$ 35,000.00</u>	

The Bonds will be redeemed on June 25, 2012 at a price of par plus accrued interest to the redemption date.

**OFFICIAL STATEMENT**

Dated May 13, 2014

Ratings:  
S&P: "AA"  
Moody's: "A1"  
(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 existing law, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

**THE CERTIFICATES HAVE NOT BEEN DESIGNATED  
AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**

**\$5,400,000**

**CITY OF CELINA, TEXAS**

**(Collin and Denton Counties)**

**TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE**

**CERTIFICATES OF OBLIGATION, SERIES 2014**

**Dated Date: June 1, 2014**

**Due: September 1, as shown on page 2**

**Interest accrues from date of delivery**

**PAYMENT TERMS.** . . Interest on the \$5,400,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 (the "Certificates") will accrue from the date of delivery (anticipated to be June 12, 2014), and will be payable March 1 and September 1 of each year commencing March 1, 2015, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE Certificates - 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 Certificates - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE.** . . The Certificates are issued pursuant to the City's Home Rule Charter, 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 constitute direct obligations of the City of Celina, Texas (the "City"), payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues from the operation of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES – Authority for Issuance of the Certificates").

**PURPOSE.** . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the police, street and park departments, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, (iii) constructing and equipping fire-fighting facilities, (iv) improving and extending the City's combined Waterworks and Sewer System and (v) professional services rendered in connection with such projects and the financing thereof.

**CUSIP PREFIX: 151141**

**MATURITY SCHEDULE & 9 DIGIT CUSIP**

**See Schedule on Page 2**

**INSURANCE.** . . The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



**LEGALITY.** . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski LLP, Bond Counsel, Dallas, Texas, a member of Norton Rose Fulbright (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by Haynes and Boone, LLP, Houston, Texas, Counsel for the Underwriter.

**DELIVERY.** . . It is expected that the Certificates will be available for delivery through DTC on June 12, 2014.

**BOSC, INC.**

**A subsidiary of BOK Financial Corporation**

# MATURITY SCHEDULE

CUSIP Prefix: 151141 <sup>(1)</sup>

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 95,000	9/1/2015	2.000%	0.300%	RM2
145,000	9/1/2016	2.000%	0.500%	RN0
150,000	9/1/2017	2.000%	0.830%	RP5
145,000	9/1/2018	2.000%	1.190%	RQ3
145,000	9/1/2019	2.000%	1.530%	RR1
320,000	9/1/2020	3.000%	1.860%	RS9
405,000	9/1/2021	3.000%	2.170%	RT7
410,000	9/1/2022	3.000%	2.420%	RU4
420,000	9/1/2023	3.000%	2.640%	RV2
440,000	9/1/2024	4.000%	2.820%	RW0
230,000	9/1/2025	3.000%	3.120%	RX8
240,000	9/1/2026	3.250%	3.300%	RY6
245,000	9/1/2027	3.250%	3.410%	RZ3
255,000	9/1/2028	4.000%	3.400%	SA7
270,000	9/1/2029	3.500%	3.580%	SB5
275,000	9/1/2030	3.500%	3.640%	SC3
285,000	9/1/2031	4.000%	3.620%	SD1
295,000	9/1/2032	4.000%	3.690%	SE9
310,000	9/1/2033	3.750%	3.860%	SF6
320,000	9/1/2034	4.000%	3.820%	SG4

(Interest to accrue from the date of delivery.)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data set forth herein is provided by CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. Neither the City, the Financial Advisor nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on or after September 1, 2025, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption").



*No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell, nor is it to be used in connection with an offer to sell or the solicitation of an offer to buy, the Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.*

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

*The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriter after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.*

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

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

*Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".*

*NONE OF THE CITY, THE UNDERWRITER, OR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DTC.*

*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 agreements of the City and others related to the Certificates 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 Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

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## OFFICIAL STATEMENT SUMMARY

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

**THE CITY**..... The City of Celina, Texas (the "City") is a political subdivision of the State of Texas (the "State"), and is a home rule municipality located in Collin and Denton Counties, Texas. The City covers approximately 1.7 square miles (see "INTRODUCTION - Description of the City").

**THE CERTIFICATES** ..... The Certificates are issued as \$5,400,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 (the "Certificates"). The Certificates are issued as serial certificates maturing September 1 in the years 2015 through 2034 (see "THE CERTIFICATES - Description of the Certificates").

**PAYMENT OF INTEREST ON THE CERTIFICATES**..... Interest on the Certificates accrues from the date of delivery (anticipated to be June 12, 2014), and is payable March 1 and September 1 of each year, commencing March 1, 2015, until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

**AUTHORITY FOR ISSUANCE OF THE CERTIFICATES**..... The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council (the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

**SECURITY FOR THE CERTIFICATES** ..... The Certificates constitute direct certificates of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues from the operation of the City's Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES - Security and Source of Payment of the Certificates").

**OPTIONAL REDEMPTION** ..... The City reserves the right, at its option, to redeem Certificates having stated maturities on or after September 1, 2025, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

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

**USE OF PROCEEDS FOR THE CERTIFICATES** ..... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the police, street and park departments, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, (iii) constructing and equipping fire-fighting facilities, (iv) improving and extending the City's combined Waterworks and Sewer System and (v) professional services rendered in connection with such projects and the financing thereof.

**RATINGS FOR THE CERTIFICATES** ..... Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA" (Stable Outlook) to the Certificates with the understanding that, concurrently with the delivery of the Certificates, a municipal bond insurance policy will be issued by Build America Mutual Assurance Company. The Certificates have been rated "A1" by Moody's Investors Service (Moody's) without regard to credit enhancement. The Certificates did not receive an underlying rating from S&P or an enhanced rating from Moody's (see "OTHER INFORMATION - Ratings").

**BOOK-ENTRY-ONLY**

**SYSTEM**..... The definitive Certificates 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 Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System")

**PAYMENT RECORD**..... The City has never defaulted in payment of its general obligation bonds since 1939 when all bonds were refunded at par with a reduction in interest rate. The City has never defaulted on its revenue bonds.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Taxable Assessed Valuation Per Capita	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2010	6,028	\$ 464,198,797	\$ 6,995,603	\$ 77,007	1.51%	\$ 1,161
2011	6,780	454,073,487	8,138,013	66,975	1.79%	1,200
2012	7,625	461,631,888	11,796,363	60,539	2.56%	1,547
2013	8,576	482,795,602	16,894,370	56,296	3.50%	1,970
2014	8,600	509,226,019	19,483,778 <sup>(4)</sup>	59,212	3.83%	2,266

(1) Provided by City staff.

(2) As reported by the Collin and Denton Central Appraisal Districts on City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Excludes self-supporting debt. See Table 10 – Computation of Self-Supporting Debt.

(4) Includes the Certificates. Projected, subject to change.

For additional information regarding the City, please contact:

Jay Toutounchian  
Director of Finance  
[jtoutounchian@celina-tx.gov](mailto:jtoutounchian@celina-tx.gov)  
City of Celina  
City Hall  
142 N. Ohio Street  
Celina, TX 75009  
(972) 382-2682

or

James S. Sabonis  
Managing Director  
[jim.sabonis@firstsw.com](mailto:jim.sabonis@firstsw.com)  
First Southwest Company  
325 North Saint Paul, Suite 800  
Dallas, Texas 75201  
(214) 953-4195

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>On Council Since</u>	<u>Term Expires May</u>
Sean Terry	Mayor	2008	2015
George Kendrick	Council Member	2013	2016
Wayne Nabors	Council Member	2007	2015
Vincent Ramos	Council Member	2009	2015
Carmen Roberts	Council Member	2011	2014
Bill Webber	Council Member	2010	2014
Chad Anderson	Council Member	2013	2016

### SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Years with the City</u>
Mike Foreman	City Manager	3 Years
Jay Toutounchian	City Treasurer	9 Years
Vicki Faulkner	City Secretary	18 Years
Lance Vanzant	City Attorney	11 Years
Joseph Johnson	Director of Public Works	16 Years
Helen-Eve Liebman	Director of Planning and Development Service	3 Years

### CONSULTANTS AND ADVISORS

Auditors ..... Scott, Singleton, Fincher and Company, P.C.  
Greenville, Texas

Bond Counsel ..... Fulbright & Jaworski LLP,  
a member of Norton Rose Fulbright  
Dallas, Texas

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

**OFFICIAL STATEMENT  
RELATING TO  
\$5,400,000  
CITY OF CELINA, TEXAS  
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2014**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$5,400,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates (the "Ordinance"), except as otherwise indicated herein.

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

**DESCRIPTION OF THE CITY.** . . The City is a political subdivision and is a home rule municipality of the State of Texas, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City adopted a Home Rule Charter on May 12, 2007. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers who are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administration officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 6,028, while the estimated 2014 estimated population is 8,600. The City covers approximately 1.7 square miles.

**BOND INSURANCE**

**BOND INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

**BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27<sup>th</sup> Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$478.6 million, \$12.7 million and \$465.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditsights/](http://buildamerica.com/creditsights/).

**Obligor Disclosure Briefs.** Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/).

**Disclaimers.** The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

### **BOND INSURANCE RISKS FACTORS**

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered from the Certificates' owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the ad valorem taxes and revenues pledged under the Ordinance. In the event the bond insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

In the event bond insurance is purchased, the long-term rating on the Certificates will be dependent in part on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond

insurer and of the Certificates insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER INFORMATION - Ratings" herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the City nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

## THE CERTIFICATES

**PURPOSE FOR THE CERTIFICATES.** . . . Proceeds from the sale of the Certificates will be used for purpose of paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the police, street and park departments, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, (iii) constructing and equipping fire-fighting facilities, (iv) improving and extending the City's combined Waterworks and Sewer System and (v) professional services rendered in connection with such projects and the financing thereof.

**SOURCES AND USES OF CERTIFICATE PROCEEDS** . . . The proceeds from the sale of the Certificates are expected to be expended as follows:

### SOURCES OF FUNDS:

Par Amount of Certificates	\$ 5,400,000.00
Net Premium	154,917.95
<b>TOTAL SOURCES</b>	<b><u>\$ 5,554,917.95</u></b>

### USES OF FUNDS:

Deposit to Project Fund	\$ 5,397,748.79
Underwriter's Discount	38,852.17
Costs of Issuance <sup>(1)</sup>	118,316.99
<b>TOTAL USES</b>	<b><u>\$ 5,554,917.95</u></b>

(1) Includes bond insurance premium.

**DESCRIPTION OF THE CERTIFICATES.** . . . The Certificates are dated June 1, 2014 (the "Dated Date"), and mature on September 1 in each of the years and in the amounts shown on page 2. Interest will accrue from the date of delivery of the Certificates (anticipated to be June 12, 2014), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year commencing March 1, 2015 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

**AUTHORITY FOR ISSUANCE OF THE CERTIFICATES.** . . . The Certificates are being issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government, as amended, and an ordinance passed by City Council (the "Ordinance").

**SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES.** . . . The Certificates are payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and from a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Waterworks and Sewer System (the "System"), such pledge being limited to an amount not in excess of \$1,000 and, being junior and subordinate to the lien on and pledge of such Net Revenues securing the payment of "Prior Lien Obligations" (identified and defined in the Ordinance) now outstanding and as may be issued hereafter by the City.



In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations without limitation as to principal amount but subject to any applicable terms, conditions or restrictions under law or otherwise as well as the right to issue additional obligations payable from the same sources as are the Certificates and, together with the Certificates, equally and ratably secured by a parity lien on and pledge of the surplus Net Revenues of the System.

**TAX RATE LIMITATION.** . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing 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 provides for a maximum ad valorem tax rate of \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City authorizes the constitutional maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of the \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance based on a 90% collection factor.

**OPTIONAL REDEMPTION.** . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after September 1, 2025, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

**DEFEASANCE.** . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with monies deposited therewith, if any, to make such payment. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations the principal and interest on which are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. Upon making such deposit in the manner described, such defeased obligations shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Government Securities deposited into escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt for any other purpose. If any of such Certificates are to be redeemed prior to their dates of maturity, provision must have been made for giving notice of redemption as provided in the Certificates.

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

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

The City and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, 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 Certificates), 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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates 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 certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

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

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

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

take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices relating to the Certificates shall be sent to DTC. If less than all of the Certificates 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. (nor and other DTC nominee) will consent or vote with respect to the Certificates 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 (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates 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 date 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 is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), 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 payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

So long as Cede & Co. is the registered owner of the Certificates, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

*Use of Certain Terms in Other Sections of this Official Statement.* In reading this Official Statement it should be understood that while the Certificates 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 Certificates, 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 applicable Ordinance will be given only to DTC.

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

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

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation at the principal office of the Paying Agent/Registrar. Interest on the Certificates 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 (see "THE CERTIFICATES – Record Date for Interest Payment" herein), and such interest shall be paid (i) by check sent by United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday or day

when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System" herein.

**TRANSFER, EXCHANGE AND REGISTRATION.** . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the principal 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or integral multiples thereof for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificates called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

**RECORD DATE FOR INTEREST PAYMENT.** . . The record date (the "Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the fifteenth (15<sup>th</sup>) day of the month next proceeding.

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 (the "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 (the "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 Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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

**CERTIFICATEHOLDERS' REMEDIES.** . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Certificates and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Certificates do not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the Certificates or the Ordinance covenants. 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 Certificates. Furthermore, the

City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates 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 Ordinances and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

**AMENDMENTS ...** The City may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, formal defect, or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price, therefor, or the rate of interest thereon, or in any other way modify the terms of the payment of the principal of, premium, if any, or interest on the Certificates; (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of the Certificates required to be held by the registered owners for consent to any such amendment, addition, or rescission.

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

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

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

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant either or both of the following 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 been previously 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 freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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, 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. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

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

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

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." Section 11.253 of the Tax Code defines "goods-in-transit" as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following year. A taxpayer may receive only one of the freeport exemptions or one of the goods-in-transit exemptions, but not both, for items of personal property.

A city may utilize tax increment financing ("TIF"), 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 the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . .** By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditure, 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". A tax rate cannot be adopted by the City Council 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. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year. Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**PROPERTY ASSESSMENT AND TAX PAYMENT. . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

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**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
Jul	12	6	18

(1) Interest continues to accrue after July 1 at the rate of 1% per month until paid.

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

**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption of \$5,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

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

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

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

The City 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.

The City does not tax "non-business" leased vehicles; and Collin County Tax Collector collects taxes for the City.

The City does not permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The City does not tax Freeport property.

The City does not tax "goods-in-transit".

The City does not participate in a Tax Increment Reinvestment Zone.

The City has adopted a tax abatement policy, and reviews applications for abatements on a case by case basis and currently has no abatement agreements in effect.



**TABLE 1 – ASSESSED VALUATION AND EXEMPTION**

2013/2014 Market Valuation Established by the Collin Central Appraisal District (excludes totally exempt property)		\$ 822,009,772
Less Exemptions/Reductions at 100% Market Value:		
Local Over 65/Disabled Homestead Exemption	9,542,097	
Disabled/Deceased Veterans	2,331,766	
Freeport Property	-	
Agricultural Productivity Value Loss	299,403,554	
10% Value Cap Loss	1,438,673	
Other (Pollution Control)	67,663	312,783,753
2013/2014 Taxable Assessed Valuation		<u>\$ 509,226,019</u>
<b>General Obligation Debt Principal Outstanding (As of 5/1/2014)</b>		
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2004	\$ 1,670,000	
Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 2007 (TWDB)	1,295,000	
General Obligation Refunding Bonds, Series 2007	2,190,000	
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2011	1,355,000	
General Obligation Refunding Bonds, Series 2012	3,975,000	
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012	4,535,000	
General Obligation Refunding Bonds, Series 2013	4,315,000	
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013	5,325,000	
Total Gross General Obligation Debt Outstanding:	<u>\$ 24,660,000</u>	
<b>Plus:</b>		
The Certificates	\$ 5,400,000	
<b>Less: Self-Supporting General Obligation Debt Principal <sup>(1)</sup></b>		
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2004	\$ 323,136	
Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 2007 (TWDB)	1,295,000	
General Obligation Refunding Bonds, Series 2007	1,582,494	
General Obligation Refunding Bonds, Series 2012	3,870,000	
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012	695,000	
The Certificates	2,315,000	
Total Self-Supporting General Obligation Debt Principal	<u>\$ 10,080,630</u>	
<b>Total Net General Obligation Debt Principal Outstanding:</b>	<u>\$ 19,979,370</u>	
General Obligation Interest and Sinking Fund Balance as February 28, 2014	\$ 725,669	
Ratio of Gross General Obligation Debt Principal to 2013 Certified Net Taxable Assessed Valuation	4.84%	
Ratio of Net General Obligation Debt Principal to 201 Certified Net Taxable Assessed Valuation	3.92%	
2013 Certified Net Taxable Assessed Valuation	\$ 509,226,019	
2014 Population (Estimate)	8,600	
Per Capita Certified Net Taxable Assessed Valuation	\$ 59,212	
Per Capita Gross General Obligation Debt Principal	\$ 2,867	
Per Capita Net General Obligation Debt Principal	\$ 2,323	

(1) See Table 10 – Computation of Self-Supporting Debt.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2014		2013		2012	
	% of Amount	% of Total	% of Amount	% of Total	% of Amount	% of Total
Real, Residential, Single-Family	\$ 401,786,855	48.88%	\$ 370,116,360	47.35%	\$ 356,797,179	48.56%
Real, Residential, Multi-Family	3,661,196	0.45%	3,678,345	0.47%	3,604,153	0.49%
Real, Vacant Lots/Tracts	17,892,261	2.18%	18,789,363	2.40%	20,166,031	2.74%
Real, Acreage (Land Only)	301,321,485	36.66%	299,657,273	38.34%	271,684,923	36.98%
Real, Farm and Ranch Improvements	18,327,338	2.23%	7,401,702	0.95%	6,455,316	0.88%
Real, Commercial	36,111,095	4.39%	35,425,632	4.53%	33,171,319	4.52%
Real, Industrial	10,217,974	1.24%	10,597,198	1.36%	10,150,525	1.38%
Real and Tangible Personal, Utilities	7,367,688	0.90%	6,894,149	0.88%	6,536,343	0.89%
Tangible Personal, Commercial	19,070,220	2.32%	22,961,726	2.94%	18,217,640	2.48%
Tangible Personal, Industrial	-	0.00%	-	0.00%	-	0.00%
Tangible Personal, Other	5,556	0.00%	5,556	0.00%	6,129	0.00%
Real Property, Inventory	6,247,353	0.76%	6,109,649	0.78%	7,895,467	1.07%
Special Inventory	751	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 822,009,772	100.00%	\$ 781,636,953	100.00%	\$ 734,685,025	100.00%
Less: Total Exemptions/Reductions	312,783,753		298,841,351		273,053,137	
Taxable Assessed Value	<u>\$ 509,226,019</u>		<u>\$ 482,795,602</u>		<u>\$ 461,631,888</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2011		2010	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 355,655,821	55.07%	\$ 354,177,320	54.80%
Real, Residential, Multi-Family	4,234,792	0.66%	4,394,693	0.68%
Real, Vacant Lots/Tracts	20,137,648	3.12%	20,886,310	3.23%
Real, Acreage (Land Only)	190,992,338	29.57%	183,268,943	28.35%
Real, Farm and Ranch Improvements	6,038,355	0.94%	6,155,047	0.95%
Real, Commercial	33,647,732	5.21%	37,417,891	5.79%
Real, Industrial	8,792,572	1.36%	8,381,969	1.30%
Real and Tangible Personal, Utilities	3,751,102	0.58%	3,946,033	0.61%
Tangible Personal, Commercial	15,144,971	2.35%	15,935,020	2.47%
Tangible Personal, Industrial	-	0.00%	-	0.00%
Tangible Personal, Other	7,260	0.00%	3,139	0.00%
Real Property, Inventory	7,039,881	1.09%	11,268,439	1.74%
Special Inventory	357,595	0.06%	506,650	0.08%
Total Appraised Value Before Exemptions	\$ 645,800,067	100.00%	\$ 646,341,454	100.00%
Less: Total Exemptions/Reductions	191,726,580		182,142,657	
Taxable Assessed Value	<u>\$ 454,073,487</u>		<u>\$ 464,198,797</u>	

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

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Taxable Assessed Valuation Per Capita	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2010	6,028	\$ 464,198,797	\$ 6,995,603	\$ 77,007	1.51%	\$ 1,161
2011	6,780	454,073,487	8,138,013	66,975	1.79%	1,200
2012	7,625	461,631,888	11,796,363	60,539	2.56%	1,547
2013	8,576	482,795,602	16,894,370	56,296	3.50%	1,970
2014	8,600	509,226,019	19,483,778 <sup>(4)</sup>	59,212	3.83%	2,266

(1) Provided by City staff.

(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Excludes self-supporting debt. See Table 10 – Computation of Self-Supporting Debt.

(4) Projected, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2010	\$ 0.6450	\$ 0.5274	\$ 0.1176	\$ 2,990,406	99.26%	102.76%
2011	0.6450	0.5849	0.0601	2,926,019	99.47%	102.73%
2012	0.6450	0.5652	0.0798	2,977,526	99.60%	102.79%
2013	0.6450	0.4755	0.1695	3,114,032	99.56%	101.30%
2014	0.6450	0.4616	0.1834	3,284,508	96.98% <sup>(1)</sup>	97.69% <sup>(1)</sup>

(1) Partial year collections as of April 1, 2014.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2013/2014 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Fini Enterprises Inc.	Manufacturing	\$ 6,145,926	1.21%
TXI Operations LP	Utilities	4,056,109	0.80%
Brookshire Grocery Company	Retail	3,916,538	0.77%
Celina Town Center	Government	3,885,687	0.76%
SRB Partners LLC	Retail	3,810,670	0.75%
J Evans Family Ptrs - Prosper LLC	Storage Facility	3,300,000	0.65%
Burlington Northern Santa Fe RR Co.	Rail Road	3,195,196	0.63%
Bobcat Crossing LTD	Real Estate	3,089,780	0.61%
19 FM LTD	Real Estate	3,060,112	0.60%
Celina Crossing No 1 LP	Real Estate	2,430,430	0.48%
		<u>\$ 36,890,448</u>	<u>7.24%</u>

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

**TABLE 6 - TAX ADEQUACY <sup>(1)</sup>**

Net Principal and Interest Requirements for Fiscal Year 2014	\$	1,104,096
\$0.2202 Tax Rate at 98.5% Collection Produces	\$	1,104,496
Average Net Annual Principal and Interest Requirements, 201-2034	\$	1,351,900
\$0.2696 Tax Rate at 98.5% Collection Produces	\$	1,352,280
Maximum Net Principal and Interest Requirements, 2029	\$	1,513,421
\$0.3018 Tax Rate at 98.5% Collection Produces	\$	1,513,791

(1) Estimated, subject to change. Excludes self-supporting debt. See Table 10 – Computation 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	Taxable Assessed Valuation	2013/14 Tax Rate <sup>(1)</sup>	G.O. Debt 5/15/2014 <sup>(1)</sup>	Estimated Percent Applicable <sup>(1)</sup>	Overlapping G.O. Debt as of 5/15/2014
City of Celina	\$ 509,226,019	\$ 0.6450	\$ 30,060,000 <sup>(2)</sup>	100.00%	\$ 30,060,000
Celina ISD	631,156,529	1.6400	58,006,742	80.21%	46,527,208
Collin County	73,246,500,936	0.2375	366,185,000	0.65%	2,380,203
Collin County CCD	75,070,158,023	0.0836	37,460,000	0.65%	243,490
Prosper ISD	2,268,579,822	1.6700	264,827,556	4.49%	11,890,757
Total Direct and Overlapping Debt					\$ 91,101,658
Ratio of Direct and Overlapping Debt to City's Taxable Assessed Valuation					17.89%
Per Capital Overlapping GO Debt					\$ 10,622.86

(1) As reported by the Municipal Advisory Council of Texas.

(2) Includes the Certificates.

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DEBT INFORMATION

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service			The Certificates			Total General Obligation Debt Service	Less: Self- Supporting Debt Service <sup>(1)</sup>	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S				
2014	\$ 1,055,000	\$ 850,086	\$ 1,905,086	\$ -	\$ -	\$ -	\$ 1,905,086	\$ 800,989	\$ 1,104,096	
2015	1,380,000	784,744	2,164,744	95,000	216,345	311,345	2,476,088	1,128,243	1,347,845	
2016	1,455,000	748,164	2,203,164	145,000	175,513	320,513	2,523,676	1,128,227	1,395,449	
2017	1,490,000	709,491	2,199,491	150,000	172,613	322,613	2,522,104	1,127,689	1,394,415	
2018	1,655,000	670,104	2,325,104	145,000	169,613	314,613	2,639,716	1,129,575	1,510,142	25.18%
2019	1,695,000	627,120	2,322,120	145,000	166,713	311,713	2,633,833	1,127,023	1,506,809	
2020	1,570,000	577,038	2,147,038	320,000	163,813	483,813	2,630,850	1,126,604	1,504,246	
2021	1,485,000	530,248	2,015,248	405,000	154,213	559,213	2,574,460	1,068,611	1,505,849	
2022	1,325,000	487,210	1,812,210	410,000	142,063	552,063	2,364,273	858,784	1,505,489	
2023	1,370,000	444,335	1,814,335	420,000	129,763	549,763	2,364,098	857,007	1,507,091	55.61%
2024	970,000	399,895	1,369,895	440,000	117,163	557,163	1,927,058	419,573	1,507,485	
2025	1,010,000	365,518	1,375,518	230,000	99,563	329,563	1,705,080	196,871	1,508,209	
2026	1,045,000	328,413	1,373,413	240,000	92,663	332,663	1,706,075	197,878	1,508,197	
2027	1,085,000	289,806	1,374,806	245,000	84,863	329,863	1,704,669	193,734	1,510,934	
2028	1,120,000	247,763	1,367,763	255,000	76,900	331,900	1,699,663	194,539	1,505,123	77.69%
2029	1,175,000	201,456	1,376,456	270,000	66,700	336,700	1,713,156	199,735	1,513,421	
2030	1,030,000	151,269	1,181,269	275,000	57,250	332,250	1,513,519	165,850	1,347,669	
2031	1,055,000	109,938	1,164,938	285,000	47,625	332,625	1,497,563	165,725	1,331,838	
2032	995,000	67,600	1,062,600	295,000	36,225	331,225	1,393,825	169,925	1,223,900	
2033	695,000	27,800	722,800	310,000	24,425	334,425	1,057,225	118,725	938,500	98.94%
2034	-	-	-	320,000	12,800	332,800	332,800	119,600	213,200	100.00%
	<u>\$ 24,660,000</u>	<u>\$ 8,617,994</u>	<u>\$ 33,277,994</u>	<u>\$ 5,400,000</u>	<u>\$ 2,206,820</u>	<u>\$ 7,606,820</u>	<u>\$ 40,552,014</u>	<u>\$ 12,494,908</u>	<u>\$ 28,389,906</u>	

(1) Includes a portion of the Certificates.

TABLE 9 – FUND BALANCES <sup>(1)</sup>

	As Of 3/31/2014
General Fund Money Market Acct.	\$ 3,138,288
General Operating Fund	97,128
General Obligation Debt Service Fund	746,053
Capital Projects Fund	9,320,969
Water & Sewer Operating Fund	1,125,269
<b>Total</b>	<b>\$ 14,427,707</b>

(1) As reported by the City.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

Fiscal Year Ended 9-30-13	
Net System Revenues Available <sup>(1)</sup>	\$ 2,081,232
Less: Requirement for Fiscal Year ended 9-30-14 Revenue Bonds	-
Balance Available for Other Purposes	<u>\$ 2,081,232</u>

Requirement for Fiscal Year ended 9-30-14 General Obligation Debt Paid From System Revenues <sup>(2)</sup>	\$ 800,989
Percentage of General Obligation Debt Self-Supporting	100%

(1) Exclusive garbage revenues and expenses.

(2) The City considers the general obligation debt identified in "Table 8 – General Obligation Debt Service Requirements" to be self-supporting from the Net Revenues of the System. The transfers of such revenues to make debt service payments on such general obligation debt is discretionary and may be discontinued by the City, in whole or in part, at any time. In the event the City chooses to discontinue service on such general obligation debt, the City will be required to levy ad valorem taxes or to appropriate other lawfully funds of the City in amounts sufficient to pay debt service on such general obligation debt.

TABLE 11 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Unissued Balance
Fire	5/8/2010	\$ 2,475,000	\$ -	\$ 2,475,000
Information Technology	5/8/2010	685,000	-	685,000
Drainage Improvements	5/8/2010	3,100,000	-	3,100,000
Street	5/8/2010	2,000,000	-	2,000,000
Parks & Recreation	5/8/2010	1,375,000	-	1,375,000
Public Works	5/8/2010	400,000	-	400,000
		<u>\$ 10,035,000</u>	<u>\$ -</u>	<u>\$ 10,035,000</u>

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

**TABLE 12 – OTHER OBLIGATIONS**

The City has entered into lease agreements for copier machines. The following is a summary of the annual minimum lease requirements under these agreements:

<u>Fiscal Year</u> <u>Ending 9-30</u>	<u>Annual</u> <u>Lease</u> <u>Requirement</u>
2014	\$ 8,472
2015	706
Total Required	<u>\$ 9,178</u>

**PENSION FUND.** . . In addition to City employee participation in the U.S. Social Security Program, the City provides pension benefits for all of its full-time employees through a nontraditional, join contributory, hybrid defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The TMRS is a contributory, annuity-purchase type plan, which is covered by the State statute and is administered by six trustees appointed by the Governor of the State of Texas. The TMRS operates independently of its member cities.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the Issuer, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the City Council. When an employee terminates and withdraws his contribution, the City's portion remains in the fund. Credit is allowed annually toward reducing the City's contribution rate to maintain a two-to-one matching balance.

The City's contributions for the fiscal year 2013 were based on a covered payroll for \$2,306,596. Both the City and the covered employees made the required contributions, with the City's contribution amounting to \$92,962.

In December 2007, the TMRS Board of Trustees approved changes in the actuarial assumptions and funding methodology for all TMRS plans. For more detailed information concerning the City's retirement plan for Fiscal Year 2013 see "APPENDIX B – EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013" – Note 8.

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# FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
<u>Revenues:</u>					
Ad Valorem Taxes	\$ 2,332,848	\$ 2,645,688	\$ 2,692,510	\$ 2,466,194	\$ 2,545,965
Franchise Taxes	325,167	299,999	355,576	253,501	222,257
Sales Taxes	384,289	338,053	290,835	271,670	249,661
Permits and Inspection Fees	455,454	340,547	257,605	172,173	94,524
Settlement Reimbursement	-	-	-	-	-
Fire Department and EMS Fees	174,678	244,505	262,435	180,203	224,373
Park Fees	161,345	85,111	18,907	24,786	18,135
Development Fees	124,743	56,411	16,286	45,894	12,533
Fines	197,248	186,302	95,016	93,866	109,891
Other Income	85,140	96,809	82,758	40,999	75,563
Collin County Road Contribution	-	-	236,623	144,460	-
Donations	142,682	175,346	155,935	134,565	150,211
Interest	24,383	22,355	13,775	14,471	22,177
Federal and State Grants	-	32,760	294,205	149,284	238,314
Total Revenues	\$ 4,407,977	\$ 4,523,886	\$ 4,772,466	\$ 3,992,066	\$ 3,963,604
<u>Expenditures:</u>					
Administration	\$ 870,419	\$ 774,209	\$ 979,059	\$ 880,101	\$ 956,157
Library	134,625	126,116	126,482	129,637	-
Judicial	79,863	70,066	70,205	70,102	73,299
Fire and Emergency Services	1,057,979	1,062,174	1,140,328	1,049,716	1,060,228
Development Services	417,119	472,329	363,133	329,794	381,151
Public Works	416,690	350,295	568,890	392,527	392,020
Police Department	741,361	729,737	913,898	865,304	780,835
Parks and Recreation	349,742	288,239	176,313	222,959	235,149
Main Street Project	135,388	99,726	57,880	60,868	47,976
Economic Development	-	-	-	-	-
Capital Outlay	63,536	34,094	1,464,171	474,465	213,594
Debt Service	50,922	-	-	-	-
Total Expenditures	\$ 4,317,644	\$ 4,006,985	\$ 5,860,359	\$ 4,475,473	\$ 4,140,409
Excess (deficit) of Revenues Over Expenditures	\$ 90,333	\$ 516,901	\$ (1,087,893)	\$ (483,407)	\$ (176,805)
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In (Out)	\$ 345,000	\$ 95,000	\$ 75,000	\$ 325,000	\$ 300,000
Proceeds of Capital Leases	30,752	-	-	174,797	-
Proceeds from Issuance of Bonds	-	-	1,400,000	-	-
Bond Issuance Costs	-	-	(33,292)	-	-
Proceeds from Sale of Assets	26,100	30,403	48,381	73,283	2,801
Transfers for Debt Service	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 401,852	\$ 125,403	\$ 1,490,089	\$ 573,080	\$ 302,801
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 492,185	\$ 642,304	\$ 402,196	\$ 89,673	\$ 125,996
Beginning Fund Balance	1,694,946	1,052,642 <sup>(1)</sup>	864,794	775,121	649,125
Ending Fund Balance	\$ 2,187,131	\$ 1,694,946	\$ 1,266,990	\$ 864,794	\$ 775,121

(1) Restated. Capital Project Fund was reported separately in FY 2012.



TABLE 14 – DEBT SERVICE FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
<u>Beginning Fund Balance</u>	\$ 453,145	\$ 473,465	\$ 593,598	\$ 458,260	\$ 671,693
<u>Revenues:</u>					
Current Tax Collections	\$ 821,403	\$ 374,197	\$ 282,632	\$ 549,313	\$ 496,260
Delinquent Tax Collections	-	-	-	-	-
Penalty and Interest	-	-	-	-	-
Fines	-	-	-	-	-
Donations / EDC Contributions	170,000	340,000	165,000	165,000	-
Interest	4,077	8,487	2,799	4,704	11,282
Total Revenues	\$ 995,480	\$ 722,684	\$ 450,431	\$ 719,017	\$ 507,542
<u>Expenditures:</u>					
Debt Service					
Principal Retirement	\$ 451,994	\$ 363,145	\$ 257,590	\$ 251,798	\$ 372,216
Interest & Fiscal Charges	826,054	379,859	312,974	331,881	348,759
Total Expenditures	\$ 1,278,048	\$ 743,004	\$ 570,564	\$ 583,679	\$ 720,975
Excess (Deficit) of Revenues Over Expenditures	\$ (282,568)	\$ (20,320)	\$ (120,133)	\$ 135,338	\$ (213,433)
<u>Other Financing Sources (Uses):</u>					
Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Lease Purchase Proceeds	-	-	-	-	-
Operating Transfer In (Out)	-	-	-	-	-
Issuance of Refunding Bonds	4,434,697	112,046	-	-	-
Payment to Bond Refunding Agency	(4,090,000)	(109,528)	-	-	-
Bond Issuance Cost	-	(2,518)	-	-	-
Transfers Out for Debt Service	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 344,697	\$ -	\$ -	\$ -	\$ -
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 62,129	\$ (20,320)	\$ (120,133)	\$ 135,338	\$ (213,433)
Ending Fund Balance	\$ 515,274	\$ 453,145	\$ 473,465	\$ 593,598	\$ 458,260

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**TABLE 15 – WATER RATES (EFFECTIVE FEBRUARY 10, 2012)**

<b>Residential Usage</b>	<b>Rates</b>
0 - 2,000 Gallons (Minimum)	
5/8 and 3/4 inch meters	\$ 22.25
1 inch meter	38.93
1 1/2 inch meter	77.87
2 inch meter	124.59
2,001 - 10,000 Gallons per 1K	\$ 4.96
10,001 - 20,000 Gallons per 1K	7.44
20,001 - 30,000 Gallons per 1K	8.68
30,001 Gallons and above per 1K	12.40
<b>Commercial Usage</b>	<b>Rates</b>
0 - 2,000 Gallons (Minimum)	
5/8 and 3/4 inch meters	\$ 27.81
1 inch meter	48.67
1 1/2 inch meter	97.34
2 inch meter	155.74
3 inch meter	233.60
4 inch meter	389.34
2,001 - 10,000 Gallons per 1K	\$ 4.96
10,001 - 20,000 Gallons per 1K	7.44
20,001 - 30,000 Gallons per 1K	8.68
30,001 Gallons and above per 1K	12.40

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**TABLE 16 – WASTE WATER RATES (EFFECTIVE FEBRUARY 10, 2012)**

<u>Residential Usage</u>	<u>Rates</u>
0 - 2,000 Gallons (Minimum)	
5/8 and 3/4 inch meters	\$ 20.60
1 inch meter	38.63
1 1/2 inch meter	72.10
2 inch meter	123.60
2,001 - 10,000 Gallons per 1K	\$ 5.73
Usage fees cap at 14,000 Gallons	89.45
<u>Commercial Usage</u>	<u>Rates</u>
0 - 2,000 Gallons (Minimum)	
5/8 and 3/4 inch meters	\$ 25.75
1 inch meter	48.29
1 1/2 inch meter	90.13
2 inch meter	154.50
4 inch meter	386.25
2,001 Gallons and up per 1K	\$ 5.73

**TABLE 17 – WATER AND WASTEWATER CUSTOMERS**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Number of Residential/Commercial Water Users with 3/4 inch meters	2,275	2,128	2,068	2,063	2,156
Number of Commercial Water Users with larger than 3/4 inch meters	329	338	330	329	145
Number of Residential/Commercial Sewer Users with 4 inch meters	1,860	1,670	1,663	1,583	1,581
Number of Commercial Users with larger than 4 inch meters	N/A	N/A	N/A	N/A	N/A

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TABLE 18 – WATER AND WASTEWATER SYSTEM REVENUE AND EXPENDITURES

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
<b>Revenues</b>					
Water Sales	\$ 2,772,632	\$ 2,548,942	\$ 2,549,933	\$ 1,944,348	\$ 1,602,364
Sewer Sales	1,060,773	994,332	946,269	774,022	572,299
Garbage Fees	359,565	328,534	308,022	310,997	251,982
Penalties	70,447	66,785	70,218	55,372	48,519
Tap and Reconnect Fees	187,691	146,007	107,470	78,931	34,675
Water and Sewer Impact Fees	234,750	203,756	143,829	127,007	634,483
Other Revenues	95,652	89,570	64,401	69,840	42,055
<b>Total Revenues</b>	<b>\$ 4,781,510</b>	<b>\$ 4,377,926</b>	<b>\$ 4,190,142</b>	<b>\$ 3,360,517</b>	<b>\$ 3,186,377</b>
<b>Expenses</b>					
Salaries	\$ 355,949	\$ 319,695	\$ 328,438	\$ 335,575	\$ 293,866
Payroll taxes & employee benefits	-	-	-	-	-
Garbage fees	341,359	321,236	307,009	297,545	232,632
Licenses and permits	10,181	8,369	6,993	6,452	3,531
Materials and supplies	104,207	73,336	106,768	111,855	62,976
Engineering	142,041	82,341	5,737	31,745	13,324
Postage	23,072	23,881	21,089	19,022	19,098
Repairs and facility maintenance	145,546	276,330	119,667	112,768	87,153
General insurance	9,787	12,949	5,449	15,588	14,578
Vehicle expense	35,736	36,122	34,739	19,863	10,964
Utilities and telephone	237,511	218,316	243,239	256,066	269,087
Chemicals	18,330	18,132	23,785	17,652	15,067
Water/Sewer testing /sludge removal	-	-	-	-	-
Water purchases and related fees	1,272,029	1,190,776	1,134,597	1,063,361	1,037,804
Capital outlay	-	-	-	5,256	6,802
Bad debt provision	-	-	611	3,523	34,404
Depreciation & amortization	446,013	469,758	529,712	533,064	523,028
Other expense	24,450	51,730	28,664	29,202	17,248
<b>Total Expenses</b>	<b>\$ 3,166,211</b>	<b>\$ 3,102,971</b>	<b>\$ 2,896,497</b>	<b>\$ 2,858,537</b>	<b>\$ 2,641,562</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	\$ 38,126	\$ 28,306	\$ 9,245	\$ 8,144	\$ 50,849
Gain on sale of fixed assets	-	-	830	-	-
Interest and fiscal charges	(298,123)	(469,086)	(409,838)	(566,614)	(527,022)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (259,997)</b>	<b>\$ (440,780)</b>	<b>\$ (399,763)</b>	<b>\$ (558,470)</b>	<b>\$ (476,173)</b>
<b>Capital grants</b>	<b>\$ -</b>	<b>\$ 70,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 350,000</b>
Transfers in for debt service	-	-	-	-	-
<b>Operating Transfer In (Out)</b>	<b>(345,000)</b>	<b>(95,000)</b>	<b>(75,000)</b>	<b>(325,000)</b>	<b>(300,000)</b>
<b>Change in Net Assets</b>	<b>1,010,302</b>	<b>809,175</b>	<b>818,882</b>	<b>(381,490)</b>	<b>118,642</b>
<b>Total net assets, October 1</b>	<b>7,361,925</b>	<b>6,873,536</b>	<b>6,054,654</b>	<b>6,436,144</b>	<b>6,317,502</b>
<b>Prior Period Adjustment</b>	<b>0</b>	<b>(320,786)</b>			
<b>Total net assets, September 30</b>	<b>\$ 8,372,227</b>	<b>\$ 7,361,925</b>	<b>\$ 6,873,536</b>	<b>\$ 6,054,654</b>	<b>\$ 6,436,144</b>

**TABLE 19 - 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 Certificates. Additionally, the City's voters approved a sales and use tax of 1/2 of 1% for the Celina Economic Development Corporation (4A), effective October of 1995, and a sales and use tax of 1/2 of 1% for the Celina Community Development Corporation (4B), effective April of 2004. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected <sup>(1)</sup>	1% Tax Collections <sup>(2)</sup>	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2010	\$ 526,607	\$ 263,304	8.80%	\$ 0.1134	\$ 87.36
2011	561,849	280,925	9.60%	0.1237	82.87
2012	655,529	327,765	11.01%	0.1420	85.97
2013	737,081	368,540	11.83%	0.1527	85.95
2014 <sup>(3)</sup>	621,355	189,126	5.76%	0.0743	43.98

(1) As reported by the Texas Comptroller of Public Accounts.

(2) Figures refer only to the City's 1% tax collections and exclude the ½% additional collection for each of 4A and 4B economic and community development (1% total additional collections.)

(3) Collections through May 2014.

#### FINANCIAL POLICIES

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

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

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

**GENERAL FUND BALANCE** . . . The City's goal is to maintain surplus and unencumbered funds equal to 15%-25% of expenditures in the General Fund. This allows the City to avoid interim borrowing pending tax receipts.

**USE OF CERTIFICATE PROCEEDS** . . . The City's policy is to use Certificate proceeds for capital expenditures related to the purposes specified in the Ordinance and for no other purpose. Such revenues are never to be used to fund City operations.

**BUDGETARY PROCEDURES.** . . The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year by the first of July. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15. The City Council then holds a public hearing on the budget. The Council shall then make any changes in the budget as it deems advisable and shall adopt a budget prior to September 30.

**FUND INVESTMENTS.** . . The City investment policy parallels State law which governs investment of public funds. The City generally restricts investments to direct obligations of the United States Government and to insured or collateralized bank certificates of deposits. Both state law and the City's investment policies are subject to change.

## INVESTMENTS

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

**LEGAL INVESTMENTS.** . . Under State law, the City is authorized to invest in investments meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended, the "PFIA") which may include: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit, (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (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 or share certificates (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and provided for by law for City deposits, or (ii) where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State of Texas that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) require the securities being purchased by the City or cash held by the City to be 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 (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph. The City may also be eligible to invest its funds in additional investments authorized by the Public Funds Investment Act as the same may be amended from time to time.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

**ADDITIONAL PROVISIONS . . .** Under 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 entity 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 and 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 City's designated Investment Officer; (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; (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 20 - CURRENT INVESTMENTS**

As of February 28, 2014 the City's investable funds were invested in the following categories:

Type of Investments	Book Value	
	Amount	Percent
Money Market Account	\$ 4,222,590	99.87%
TexPool	5,548	0.13%
	<u>\$ 4,228,138</u>	<u>100.00%</u>

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## TAX MATTERS

**TAX EXEMPTION . . .** The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to owners of the Certificates of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

**TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . .** The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.



However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

#### CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, 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 (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6, 8 through 14, 19 and 20 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2014.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet web site or filed with the SEC as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

**NOTICE OF CERTAIN EVENTS...** The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (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 5702-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into 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 paying agent/registrant or the change of name of a paying agent/registrant, if material. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

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.

**AVAILABILITY OF INFORMATION.** . . The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at [www.cmma.msrb.org](http://www.cmma.msrb.org).

**LIMITATIONS AND AMENDMENTS** . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates 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 Certificates 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 Certificates 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 respective outstanding Certificates 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 Certificates. 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 Certificates in the primary offering of the Certificates. If the City so amends its continuing disclosure 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.** . . Due to an administrative oversight, the City did not make its 2009 Continuing Disclosure Filing, consisting of its 2009 Audited Financial Statements and Annual Financial Information and Operating Data, until December 22, 2010. The City also filed a Notice of Failure to File Disclosure on December 22, 2010. The City has now implemented additional procedures to ensure timely and complete filings of its 15c2-12 information in the future. Except as described in this paragraph, during the last five years, the City has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule.

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## OTHER INFORMATION

### RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA" (Stable Outlook) to the Certificates with the understanding that, concurrently with the delivery of the Certificates, a municipal bond insurance policy will be issued by Build America Mutual Assurance Company. The Certificates are also rated "A1", Moody's Investors Service (Moody's) without regard to credit enhancement. The Certificates did not receive an underlying rating from S&P or an enhanced rating from Moody's. 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 Certificates.

### LITIGATION

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

### REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates have 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates are negotiable instruments and 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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates 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 Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates 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 Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

### LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, and the limited pledge of the Net Revenues provided in the Ordinance, and the approving legal opinion of Fulbright & Jaworski, LLP, Bond Counsel, Dallas, Texas, a member of Norton Rose Fulbright, to like effect and to the effect that the interest on the Certificates 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 form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinions of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by Haynes and Boone, LLP, Houston, Texas, Counsel to the Underwriter.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions "PLAN OF FINANCING" (except under the subcaption "Sources and Uses of Certificate Proceeds"), "THE CERTIFICATES" (except under the subcaptions "Book-Entry-Only System," and "Certificateholders' Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings") and the subcaptions "Legal Matters" (except for the last two sentences of the first paragraph thereof), "Registration and Qualification of Certificates for Sale" and "Legal Investments And Eligibility To Secure Public Funds In Texas," under the caption "OTHER INFORMATION" and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance.

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

#### **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company, 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 Certificates, 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.

#### **UNDERWRITING FOR THE CERTIFICATES**

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices shown on page 2 of this Official Statement less an underwriting discount of \$38,852.17. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Underwriter.

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

The Underwriter is BOSC, Inc., which is not a bank, and the Certificates are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

#### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and

future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

#### MISCELLANEOUS

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

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

ATTEST:

\_\_\_\_\_  
Vicki Faulkner  
City Secretary  
City of Celina, Texas

\_\_\_\_\_  
Sean Terry  
Mayor  
City of Celina, Texas

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**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

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## THE CITY

### LOCATION

The City of Celina is located in north central Collin and Denton Counties, thirty-five miles north of Dallas and fifteen miles south of the City of McKinney. Access to the City is provided by State Highway 289 and Farm Road 455. The City covers approximately 1.7 square miles. The City's location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. The City's 2010 census figure was 6,028. The City's current population estimate is 8,600..

### ECONOMY

Major employers in the City are:

<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>
Celina ISD	Education	274
Brookshire	Retail Grocery	78
City of Celina	Government	41
Fini Enterprises Inc.	Chemical Manufacturing	40
Celina Ready-Mix Concrete	Cement Manufacturing	20
Independent Bank	Banking	20
Dickerson Construction	Construction	17

Source: Municipal Advisory Council of Texas.

### EDUCATION

The City is served by the Celina Independent School District (the "District"). The District is comprised of four campuses, 1 elementary school for grades pre-kindergarten through second, 1 intermediate school for grades third through fifth, 1 middle school for grades sixth through eighth and 1 high school for grades ninth through twelfth. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level, and all are equipped with computers and full cafeteria service. The District has 274 employees, 153 of whom are classroom teachers. The District's 2012-2013 active enrollment is 2,029 students.

### RESIDENTIAL AND COMMERCIAL BUILDING CONSTRUCTION

<u>Fiscal Year Ended 9-30</u>	<u>Residential</u>		<u>Commercial</u>		<u>Total</u>	
	<u>Number of Permits</u>	<u>Property Value \$ Amount</u>	<u>Number of Permits</u>	<u>Property Value \$ Amount</u>	<u>Number of Permits</u>	<u>Property Value \$ Amount</u>
2009	23	\$ 6,362,990	0	\$ -	23	\$ 6,362,990
2010	52	14,326,150	0	-	52	14,326,150
2011	82	24,040,307	2	1,367,500	84	25,407,807
2012	87	30,944,400	0	-	87	30,944,400
2013	97	36,479,908	0	-	97	36,479,908
2014 <sup>(1)</sup>	134	50,394,923	1	1,763,400	135	52,158,323

Source: City Staff.

(1) As of March 31, 2013.

**HISTORICAL EMPLOYMENT (AVERAGE ANNUAL) <sup>(1)</sup>**

Collin County

	Average Annual				
	2014 <sup>(2)</sup>	2013	2012	2011	2010
Civilian Labor Force	464,932	458,845	450,346	441,295	429,623
Total Employed	441,819	432,890	422,620	410,287	398,097
Total Unemployed	23,113	25,955	27,726	31,008	31,526
Unemployment Rate	5.0%	5.7%	6.2%	7.0%	7.3%

(1) Source: Texas Workforce Commission.

(2) Data through March 2014.

**APPENDIX B**

EXCERPTS FROM THE

CITY OF CELINA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2013

The information contained in this Appendix consists of excerpts from the City of Celina, Texas Annual Financial Report for the Year Ended September 30, 2013, 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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**SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of  
Certified Public Accountants

Texas Society of  
Certified Public Accountants

**Independent Auditor's Report**

To the City Council  
City of Celina, 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, and each major fund of City of Celina, Texas ("City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of City of Celina, Texas as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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, budgetary comparison schedule, and the schedule of funding progress on pages 7 through 21, and pages 53 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Celina, Texas basic financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules 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.

Respectfully submitted,

*Scott, Singleton, Fincher and Company, PC*

Scott, Singleton, Fincher and Company, PC  
Certified Public Accountants

February 4, 2014

## **REQUIRED SUPPLEMENTARY INFORMATION**

## **Management's Discussion and Analysis**

The City of Celina presents the City's financial statements. This overview is an analysis of the financial activities of the City for the fiscal year ended September 30, 2013. This discussion should be read in conjunction with the financial statements and related notes. Comparative data is also presented for government-wide and fund financial statements at the end of this section.

### **FINANCIAL HIGHLIGHTS:**

- Government-wide net position reported in the Statement of Net Position is \$20,820,113. Of this amount \$17,846,918 is invested in capital assets or restricted for debt service and capital projects, and the balance of \$2,973,195 is available as unrestricted net position.
- Government-wide net position increased by \$3,094,799 during 2013.
- Each of the City's fund financial statements reported changes in equity as follows:
  - General Fund – \$492,185 increase
  - Water & Sewer Fund - \$1,010,302 increase
  - Debt Service Fund - \$62,129 decrease
  - Capital Projects Fund - \$3,835,777 increase

### **USING THIS ANNUAL REPORT:**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the *flow of total economic resources* in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. Governmental funds reflect the *flow of current financial resources*. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

### **REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

#### **The Statement of Net Position and the Statement of Activities**

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.



The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the *accrual basis of accounting*, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in it. The City's net position (the difference between assets and liabilities) provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

*Governmental Activities* – Most of the City's services are reported here, including, administration, judicial, fire and emergency services, public works, police, parks and recreation, infrastructure and the main street project. Property taxes and state and federal grants finance most of these activities.

*Business-type Activities* – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

### **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental funds and proprietary funds use different accounting approaches.

*Governmental Funds* – The City reports most of its basic services in governmental funds. Governmental funds use the *modified accrual basis of accounting* (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found at the bottom of each of the governmental fund financial statements.

*Proprietary Funds* – The Proprietary/Enterprise fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS:**

Net position serves as one useful indicator of a government's financial position. In the case of the City, the combined net position exceeded liabilities by \$20,820,113 and \$17,725,314 at the close of FY 2013 and FY 2012, respectively.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:**

The combined net position of the City's activities increased from \$17,725,314 to \$20,820,113 or \$3,094,799 during 2013. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$2,973,195.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS:**

As the City completed the year, its governmental funds \$8,847,252 and proprietary fund \$8,372,227 reported combined fund balance and net position of \$17,219,479 a \$5,400,393 increase from last year. Most of the increase (\$3,835,777) took place in the capital projects fund as a result of bonds issued for capital improvements in 2013.

**CAPITAL ASSET AND DEBT ADMINISTRATION:**

*Capital Assets* – the City's investment in capital assets reported in governmental activities and business-type activities was \$20,860,521 and \$15,909,018, respectively. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's net investment in capital assets for the current fiscal year was \$3,294,360 and \$1,968,044 in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

*Long-term Debt* – at year-end the City had \$24,687,080 in bonds and capital leases outstanding – an increase of \$4,537,215. Additional information on long-term liabilities can be found in note 6 to the financial statements.

**BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:**

As the City Manager of Celina I have the distinguished pleasure of leading a team of employees who are responsive to citizens needs and who act in an ethical way to provide high performance solutions to the challenges and needs of our community.

The employees of the City of Celina serve as a bridge between our citizens and our elected officials. Their job is to provide vision, goals and objectives that use the available resources to deliver the services needed to create innovative change for the present and the future.

With new development and growth in the upcoming years, our budget will allow for expanded customer service such as repairs of existing streets, sidewalks and storm drainage. The fiscal challenges of the past have improved with slight increases in revenues. Our staff will improve service delivery methods while continuing a conservative management style that meets or exceeds our customer's needs.

During the past year our staff created programs that improved our response to citizens and promoted quality of life through managing our City's unique resources. In the past year we have reviewed and made changes to the City's website, made upgrades to public safety through continuing our Best Practices Program in our Police Department and implemented a similar program in our Fire Department. The City of Celina purchased land for a fire station site and began the development process with an anticipated opening in June of 2015. Celina also purchased additional parkland to aid in the implementation of our Park Master Plan.

Celina also hired a new Parks and Recreation Manager who continues to create new programs for kids and adults by using our parks for relaxation and competition. We also hired a City Engineer to provide increased response to developer and citizen matters at a lower cost. In 2013 we continued to invest in our Main Street program by hiring a full time Main Street Director who has expanded the program to include new and exciting special events that provide additional avenues for our citizens, young and old, to enjoy our historic downtown square. Some of the successful events were our First Annual Cajun and Crawfish Festival, our Splash and Blast Festival and our 20<sup>th</sup> Annual Main Street Golf Tournament. Additional businesses have invested in our downtown and provided an economic boost to our square. The City Council chose to partner with the Celina Balloon Festival in September of 2014.

The City Council, our Economic Development Corporation and City Staff have used a teamwork approach that led the Dallas Business Journal to recognize the City of Celina for the Best Real Estate Deals for Single Family/Planned Community for the Light Farms Master Planned Community.

We also expanded our communication mediums by including citizens in ongoing meetings onsite and online. We used surveys to have our citizens weigh in on changes presented before our City Council. We updated zoning districts to allow for quality development that will complement the historic qualities of our community. The City continued to work with developers to create fair partnerships that provide opportunities for quality growth in Celina while placing less of a burden on our existing citizens.

In 2013 staff completed the fourth edition of the Comprehensive Plan to prepare for infrastructure needs as the City continues to grow. In conjunction with the Comprehensive Plan update, the City updated its Thoroughfare Plan, Subdivision regulations, Water and Wastewater Master Plan, and is working on updating its Capital Improvement Plan.

The Capital Improvement Plan is based on projects needed over the next five years assuming growth is consistent with Comprehensive Plan projections. Projects are initiated by need or stress placed on the system. Growth in the tax base, or increased water customers are examples of triggers for projects. The CIP models are also built with flexibility of the debt service schedule in mind. If the triggers do not materialize in a given year, the financing planned such as refunding of existing bond or issuance of the new bonds are delayed to a future year. If the triggers accelerate past the projections, projects may be moved forward in the CIP plan.

During the last few years, the leadership of Celina has faced the challenges of an ever-changing economy. With a team approach and a focus on preserving the city's heritage, we intend to use a strategic planning to solve the issues of the future. Celina will continue to grow and thrive as one of the top rated communities to move to.

Those who visit Celina cannot help notice it's a city on the rise, and that Celina attracts new residents at a brisk pace. The 2000 Census estimated the population to be 1,810, while the 2012 population estimate is roughly 6,700 residents. Celina continued to build a reputation for a safe destination where people enjoy living, playing, attending exemplary schools, and raising a family. The City has taken the initiative through comprehensive planning to prepare for its future growth.

In 2013 retail opportunities such as Dominoes Pizza and Subway opened on Preston Road. Our Downtown business area has grown with many more retail shops than in previous years. We have sculptured a vibrant relationship with the Greater Celina Chamber of Commerce and with the Celina Independent School District that enabled us to partner with them and local businesses to promote Celina via special events such as the Balloon Festival, the Main Street Golf Tournament, Cinco de Mayo festival, and the Annual Celina Cajun Festival. This relationship is vital to Celina's future.

In 2013, the City of Celina initiated a series of planned refunding of its existing debt to take advantage of historically low interest rate and stay within its debt management strategy guidelines. This refunding allowed the City to generate a new debt capacity for issuance of a new bond. In July 2013 the City of Celina issued an additional 5.3 Million Dollars in bonds to purchase Land and build a new Fire Station, purchase an additional land for park and improvement of some roadways. The City has accomplished all of these while maintaining its tax rate at \$0.645 per \$100.00 of property value.

The City of Celina will continue to partner with the Economic Development Corporation to share ideas that will increase economic development opportunities in Celina. This process will allow citizens to be involved in the growth plans for Celina. The focus is to be creative while being accountable and transparent.

In 2013, TXDOT continued widening Preston Road through Celina to the High School. This project will enable our city to grow and meet our current and future transportation needs. Additional transportation projects are in the planning stages including an Outer Loop and Celina Parkway that will allow citizens of Celina to conveniently travel through Celina from Dallas North Toll way to State Highway 75.

As our economy strengthens so does the outlook for the future of Celina. 2014 began with a tremendous push for development along Preston Road. Currently CVS is under construction and we are in the development process with O'Reillys Auto Parts and Taco Bell. New home construction is up over 50% for 2013 and sales tax receipts are rapidly increasing. The City of Celina will continue to work hard to plan for this amazing future and ensure that we are prepared for whatever lies ahead of us.

The City of Celina has continued its growth in 2013. The City issued 97 building permits, compared to 81 permits last year. Accordingly, permit fee collections have increased by \$111,666 or 34 percentage points for the same period. For the fiscal year 2012-2013, the City collected \$441,098 in permit fees compared with \$329,432 for the same period last year. The City of Celina possesses a vast amount of land that makes it attractive to housing developers. The increase in building permits and fees can be contributed to the opening of a new development known as "Light Farms". This development upon completion will have approximately 3043 single family dwellings. The city is in process of negotiating and finalizing a few more developments throughout the city and it's Extra Territorial Jurisdiction (ETJ).

The City of Celina's portion of sales tax collection increased from \$338,053 in FY 2011-2012 to \$384,289 in FY 2012-2013 (figures do not include CEDC or CCDC collections). The City is experiencing a 14 percentage points or \$46,236 increase in sales tax collections in FY 2012-2013. The increase follows the trend through the state. The economy of the State of Texas is exceptionally strong although the national economy showing signs of improving as well. The opening new retail shops and restaurants played a role in the increase of sales tax revenue despite a major road construction in one of the city's largest thoroughfare. Management anticipates that this increase will continue through FY 2013-2014 with a better or the same pace. In fiscal year 2013 the City of Celina completed its Comprehensive Plan, Thoroughfare master plan and working to complete its Subdivision Ordinance. The City of Celina completed these plans to be prepared for the challenges of the continuing increase in population growth and the resulting development.

Total assessed value of the properties for the City of Celina increased from \$481,645,071 in FY 2012 to \$505,896,214 in FY 2013. This increase represents a recovery from declining property values and is a sign that economy improving in this region. The City of Celina has completely recovered from drop in property values in recent years. The majority of this increase resulted from new construction and a minor annexation of new parcels of land. Reviewing the history of the City's assessed property values provides evidence of the City's measurable growth in last decade.

Years	Assessed Value	% Change
2002	87,908,272.00	
2003	114,041,371.00	30%
2004	143,297,951.00	26%
2005	183,200,000.00	28%
2006	224,412,066.00	23%
2007	284,847,298.00	27%
2008	418,824,688.00	47%
2009	463,330,201.00	9.0%
2010	454,151,622.00	-2.0%
2011	461,631,888.00	1.6%
2012	481,645,071.00	4.3%
2013	505,896,214.00	5.0%

Total water sales for the FY 2013 increased by 9 percentage points, indicating the two rate increases and increase in the number of new houses have stabilized the fund. Total revenue from water sales for the FY 2013 was \$2,772,632.

A review of the history of the City's water sales over past few years indicates a healthy average increase of over 20 percentage points in water sales. History of water sales is illustrated below:

Years	Water Sales	% Change
2002	502,048.00	
2003	707,367.00	41.0%
2004	818,403.00	16.0%
2005	1,157,066.00	41.0%
2006	1,871,163.00	62.0%
2007	1,298,932.00	(30.0%)
2008	1,598,567.00	23.0%
2009	1,602,364.00	0.24%
2010	1,944,348.00	21.0%
2011	2,549,933.00	31.0%
2012	2,548,942.00	0.0%
2013	2,772,632.00	9.0%

Total sewer sales increased from \$994,332 in FY 2012 to \$1,060,773 in FY 2012-2013.

The increase of \$66,441 or 7 percentage points is the result of increase in sale since the second utility rate increase in April 2011 excluded the Sewer as well as new developments. A review of the history of the City's sewer sales over past few years indicates a healthy average increase of more than 14 percentage points in sewer sales. History of sewer sales is illustrated below:

Years	Sewer Sales	% Change
2002	268,979.00	
2003	309,581.00	15.0%
2004	341,976.00	10.0%
2005	403,498.00	18.0%
2006	509,798.00	26.0%
2007	485,948.00	(5.0%)
2008	546,556.00	13.0%
2009	572,299.00	4.70%
2010	774,022.00	35.0%
2011	946,269.00	22.0%
2012	994,332.00	5.10%
2013	1,060,773.00	6.89%

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT:**

This financial report is designed to provide our citizens, 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 information, please do not hesitate to contact Mike Foreman, City Manager, or Jay Toutouchian, Director of Finance, by phone at (972) 382-2682 or by E-mail at [mforeman@celina-tx.gov](mailto:mforeman@celina-tx.gov) or [jtoutouchian@celina-tx.gov](mailto:jtoutouchian@celina-tx.gov) .

**CITY OF CELINA, TEXAS**  
**COMPARATIVE STATEMENTS OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>						
Current and other assets	\$ 9,958,177	\$ 5,817,269	\$ 1,955,785	\$ 3,387,790	\$ 11,913,962	\$ 9,205,059
Capital assets, net	20,860,521	17,566,161	15,909,018	13,940,974	36,769,539	31,507,135
<b>Total Assets</b>	<b>30,818,698</b>	<b>23,383,430</b>	<b>17,864,803</b>	<b>17,328,764</b>	<b>48,683,501</b>	<b>40,712,194</b>
<b>Liabilities</b>						
Other liabilities	1,211,867	1,062,483	910,382	670,572	2,122,249	1,733,055
Long-term debt	16,921,450	11,841,222	8,361,937	9,064,513	25,283,387	20,905,735
<b>Total Liabilities</b>	<b>18,133,317</b>	<b>12,903,705</b>	<b>9,272,319</b>	<b>9,735,085</b>	<b>27,405,636</b>	<b>22,638,790</b>
<b>Deferred Inflows of Resources</b>						
Deferred bond credits	237,495	116,336	220,257	231,754	457,752	348,090
<b>Total Deferred Inflows of Resources</b>	<b>237,495</b>	<b>116,336</b>	<b>220,257</b>	<b>231,754</b>	<b>457,752</b>	<b>348,090</b>
<b>Net Position</b>						
Net investment in capital assets	7,800,853	5,608,603	7,485,220	6,717,653	15,286,073	12,326,256
Restricted for debt service	515,274	422,120			515,274	422,120
Restricted for capital projects	2,045,571	3,473,356			2,045,571	3,473,356
Unrestricted	2,086,188	859,310	887,007	644,272	2,973,195	1,503,582
<b>Total Net Position</b>	<b>\$ 12,447,886</b>	<b>\$ 10,363,389</b>	<b>\$ 8,372,227</b>	<b>\$ 7,361,925</b>	<b>\$ 20,820,113</b>	<b>\$ 17,725,314</b>



**CITY OF CELINA, TEXAS  
COMPARATIVE STATEMENTS OF ACTIVITIES**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Program revenues:</b>						
Charges for services	\$ 1,113,468	\$ 1,042,829	\$ 4,781,510	\$ 4,377,926	\$ 5,894,978	\$ 5,420,755
Operating grants/contributions	-	231,301			-	231,301
Capital grants/contributions	2,344,763		-	70,000	2,344,763	70,000
<b>General revenues:</b>						
Ad valorem taxes	3,129,835	3,021,800			3,129,835	3,021,800
Sales taxes	384,289	338,053			384,289	338,053
Franchise Taxes	325,167	299,999			325,167	299,999
Other	636,943	479,886	38,126	28,306	675,069	508,192
<b>Total revenues</b>	<b>7,934,465</b>	<b>5,413,868</b>	<b>4,819,636</b>	<b>4,476,232</b>	<b>12,754,101</b>	<b>9,890,100</b>
<b>Expenses:</b>						
Administration	950,109	799,116			950,109	799,116
Judicial	79,863	70,066			79,863	70,066
Fire and emergency services	1,541,465	1,176,359			1,541,465	1,176,359
Development services	417,119	472,329			417,119	472,329
Public works	515,098	366,560			515,098	366,560
Police department	803,634	749,274			803,634	749,274
Parks and recreation	556,654	503,298			556,654	503,298
Library	134,625	126,116			134,625	126,116
Infrastructure	203,273	207,097			203,273	207,097
Main street project	135,388	99,726			135,388	99,726
Bond issuance costs	399,992				399,992	-
Interest and fiscal charges	457,748	358,718			457,748	358,718
Water, Sewer and Sanitation Services			3,464,334	3,572,057	3,464,334	3,572,057
<b>Total Expenses</b>	<b>6,194,968</b>	<b>4,928,659</b>	<b>3,464,334</b>	<b>3,572,057</b>	<b>9,659,302</b>	<b>8,500,716</b>
<b>Excess (deficiency) before transfers</b>	<b>1,739,497</b>	<b>485,209</b>	<b>1,355,302</b>	<b>904,175</b>	<b>3,094,799</b>	<b>1,389,384</b>
<b>Transfers</b>	<b>345,000</b>	<b>95,000</b>	<b>(345,000)</b>	<b>(95,000)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>2,084,497</b>	<b>580,209</b>	<b>1,010,302</b>	<b>809,175</b>	<b>3,094,799</b>	<b>1,389,384</b>
<b>Net Position - October 1</b>	<b>10,363,389</b>	<b>9,783,180</b>	<b>7,361,925</b>	<b>6,552,750</b>	<b>17,725,314</b>	<b>16,335,930</b>
<b>Net Position - September 30</b>	<b>\$ 12,447,886</b>	<b>\$ 10,363,389</b>	<b>\$ 8,372,227</b>	<b>\$ 7,361,925</b>	<b>\$ 20,820,113</b>	<b>\$ 17,725,314</b>

**CITY OF CELINA, TEXAS  
COMPARATIVE BALANCE SHEETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013 and 2012**

				Total	
				Governmental Funds	
	General	Debt Service	Capital Projects	2013	2012
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 2,072,023	\$ 528,466	\$ -	\$ 2,600,489	\$ 1,924,877
Investment in Texpool	2,375			2,375	2,373
Cash and cash equivalents - restricted			6,262,974	6,262,974	3,494,081
Sales taxes receivable	78,469			78,469	65,226
Property taxes receivable, net	29,002	5,524		34,526	59,298
EMS receivable	26,149			26,149	434,615
Grants receivable			400,000	400,000	
Other receivables	57,065	7,239	12,153	76,457	63,775
Due from other funds	400,000			400,000	400,000
Due from component units	31,087			31,087	27,979
<b>Total Assets</b>	<b>\$ 2,696,170</b>	<b>\$ 541,229</b>	<b>\$ 6,675,127</b>	<b>\$ 9,912,526</b>	<b>\$ 6,472,224</b>
<b><u>Liabilities</u></b>					
Accounts payable	59,707		13,959	73,666	158,867
Accrued salaries and benefits	58,127			58,127	49,560
Other accrued liabilities	111,848	153		112,001	73,255
Due to other funds		20,278		20,278	668,243
Due to component units				-	93,795
Unearned revenue	250,000		516,320	766,320	912,045
<b>Total Liabilities</b>	<b>479,682</b>	<b>20,431</b>	<b>530,279</b>	<b>1,030,392</b>	<b>1,955,765</b>
<b><u>Deferred Inflows of Resources</u></b>					
Unavailable property taxes receivable	29,358	5,524	-	34,882	59,298
<b>Total Deferred Inflows of Resources</b>	<b>29,358</b>	<b>5,524</b>	<b>-</b>	<b>34,882</b>	<b>59,298</b>
<b><u>Fund Balances</u></b>					
Restricted for:					
Capital improvements			6,144,848	6,144,848	2,309,071
Debt service		515,274		515,274	453,145
Unassigned	2,187,130			2,187,130	1,694,945
<b>Total Fund Balances</b>	<b>2,187,130</b>	<b>515,274</b>	<b>6,144,848</b>	<b>8,847,252</b>	<b>4,457,161</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,696,170</b>	<b>\$ 541,229</b>	<b>\$ 6,675,127</b>	<b>\$ 9,912,526</b>	<b>\$ 6,472,224</b>

**CITY OF CELINA, TEXAS**  
**Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Years Ending September 30, 2013 and 2012**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	
				2013	2012
<b>REVENUES:</b>					
Ad valorem taxes	\$ 2,332,848	\$ 821,403		\$ 3,154,251	\$ 3,019,885
Franchise taxes	325,167			325,167	299,999
Sales tax	384,289			384,289	338,053
Permits and inspection fees	455,454			455,454	340,547
Component unit contributions		170,000	150,000	320,000	340,000
Development fees	124,743			124,743	56,411
Fire department and EMS fees	174,678			174,678	244,505
Fines	197,248			197,248	186,302
Special events and donations	142,682			142,682	175,346
Park fees	161,345			161,345	85,111
Other income	85,140			85,140	120,005
Interest	24,383	4,077	34,561	63,021	43,076
Federal, state and local grants			2,344,763	2,344,763	32,760
<b>Total Revenues</b>	<b>4,407,977</b>	<b>995,480</b>	<b>2,529,324</b>	<b>7,932,781</b>	<b>5,282,000</b>
<b>EXPENDITURES:</b>					
Administration	870,419			870,419	774,209
Judicial	79,863			79,863	70,066
Fire and emergency services	1,057,979			1,057,979	1,062,174
Development services	417,119			417,119	472,329
Public works	416,690		91,749	508,439	373,302
Police department	741,361			741,361	729,737
Parks and Recreation	349,742			349,742	288,239
Library	134,625			134,625	126,116
Main street project	135,388			135,388	99,726
Capital outlay	63,536		3,914,152	3,977,688	1,938,419
Debt Service:					
Principal retirement	48,531	451,994		500,525	363,145
Interest and fiscal charges	2,391	488,596		490,987	379,859
Bond issuance costs		337,458	62,534	399,992	50,405
<b>Total Expenditures</b>	<b>4,317,644</b>	<b>1,278,048</b>	<b>4,068,435</b>	<b>9,664,127</b>	<b>6,727,726</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>90,333</b>	<b>(282,568)</b>	<b>(1,539,111)</b>	<b>(1,731,346)</b>	<b>(1,445,726)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of capital assets	26,100			26,100	30,403
Proceeds from issuance of bonds		4,434,697	5,374,888	9,809,585	4,146,558
Payment to bond refunding agent		(4,090,000)		(4,090,000)	(109,528)
Proceeds from capital leases	30,752			30,752	
Operating transfers in (out)	345,000			345,000	95,000
<b>Net Other Financing Sources (Uses)</b>	<b>401,852</b>	<b>344,697</b>	<b>5,374,888</b>	<b>6,121,437</b>	<b>4,162,433</b>
<b>Net change in fund balances</b>	<b>492,185</b>	<b>62,129</b>	<b>3,835,777</b>	<b>4,390,091</b>	<b>2,716,707</b>
<b>Fund balance, October 1</b>	<b>1,694,945</b>	<b>453,145</b>	<b>2,309,071</b>	<b>4,457,161</b>	<b>1,740,454</b>
<b>Fund balance, September 30</b>	<b>\$ 2,187,130</b>	<b>\$ 515,274</b>	<b>\$ 6,144,848</b>	<b>\$ 8,847,252</b>	<b>\$ 4,457,161</b>

**CITY OF CELINA, TEXAS**  
**COMPARATIVE STATEMENTS OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
	<b>Enterprise Fund</b>	<b>Enterprise Fund</b>
	<b>Water &amp; Sewer</b>	<b>Water &amp; Sewer</b>
	<b>Activities</b>	<b>Activities</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 554,517	\$ 491,418
Investment in TexPool	1,036,811	3,170
Investment in TexPool, restricted for capital projects	158,396	2,072,946
Accounts receivable, net	585,783	552,013
Due from other funds	20,278	668,243
<b>Total current assets</b>	<b>2,355,785</b>	<b>3,787,790</b>
<b>Capital Assets:</b>		
Land	154,114	154,114
Buildings	43,769	43,769
Water & sewer infrastructure	21,392,867	19,028,514
Vehicles	169,128	125,689
Equipment	334,011	327,746
Less accumulated depreciation	(6,184,871)	(5,738,858)
<b>Capital Assets, net</b>	<b>15,909,018</b>	<b>13,940,974</b>
<b>Total assets</b>	<b>\$ 18,264,803</b>	<b>\$ 17,728,764</b>
<b>Liabilities</b>		
Accounts payable	316,217	185,784
Accrued salaries and benefits	63,391	53,620
Bonds payable - current	559,408	543,005
Infrastructure advance from CISC - current	95,282	141,587
Accrued interest payable	30,180	25,583
Meter deposits payable	191,619	168,095
Unearned revenue	308,975	237,490
Due to other funds	400,000	400,000
<b>Total current liabilities</b>	<b>1,965,072</b>	<b>1,755,164</b>
Infrastructure advance from CISC - long-term	501,025	614,283
Bonds payable - long-term	7,206,222	7,765,638
<b>Total non-current liabilities</b>	<b>7,707,247</b>	<b>8,379,921</b>
<b>Total liabilities</b>	<b>9,672,319</b>	<b>10,135,085</b>
<b>Deferred Inflows of Resources</b>		
Deferred bond credits	220,257	231,754
<b>Total deferred inflows of resources</b>	<b>220,257</b>	<b>231,754</b>
<b>Net Position</b>		
Net investment in capital assets	7,485,220	6,717,653
Restricted for capital projects, net of related debt (\$158,396 each, 2013) (\$2,072,946 each, 2012)		
Unrestricted	887,007	644,272
<b>Total Net Position</b>	<b>\$ 8,372,227</b>	<b>\$ 7,361,925</b>

**CITY OF CELINA, TEXAS**  
**Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues:</b>		
Water sales	\$ 2,772,632	\$ 2,548,942
Sewer sales	1,060,773	994,332
Garbage fees	359,565	328,534
Penalties	70,447	66,785
Tap and reconnect fees	187,691	146,007
Impact fees	234,750	203,756
Other revenues	95,652	89,570
<b>Total Operating Revenues</b>	<u><b>4,781,510</b></u>	<u><b>4,377,926</b></u>
<b>Operating Expenses:</b>		
Salaries and benefits	355,949	319,695
Garbage fees	341,359	321,236
Licenses and permits	10,181	8,369
Materials and supplies	104,207	73,336
Engineering	142,041	82,341
Postage	23,072	23,881
Repairs and facility maintenance	145,546	276,330
General insurance	9,787	12,949
Vehicle expense	35,736	36,122
Utilities and telephone	237,511	218,316
Chemicals	18,330	18,132
Water purchases and related fees	1,272,029	1,190,776
Depreciation & amortization	446,013	469,758
Other expense	24,450	51,730
<b>Total Operating Expenses</b>	<u><b>3,166,211</b></u>	<u><b>3,102,971</b></u>
<b>Operating Income</b>	<u><b>\$ 1,615,299</b></u>	<u><b>\$ 1,274,955</b></u>

(Continued)

**CITY OF CELINA, TEXAS**  
**Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	\$ 38,126	\$ 28,306
Interest and fiscal charges	(298,123)	(469,086)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(259,997)</u>	<u>(440,780)</u>
 <b>Income before contributions and transfers</b>	 <b>1,355,302</b>	 <b>834,175</b>
 Capital contributions		70,000
Transfers out to other funds	(345,000)	(95,000)
 <b>Change in net position</b>	 <b>1,010,302</b>	 <b>809,175</b>
 <b>Net position, October 1</b>	 <b>7,361,925</b>	 <b>6,873,536</b>
<b>Prior period adjustment</b>		<b>(320,786)</b>
<b>Net position, September 30</b>	<u><b>\$ 8,372,227</b></u>	<u><b>\$ 7,361,925</b></u>

## **BASIC FINANCIAL STATEMENTS**

CITY OF CELINA, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and cash equivalents	\$ 4,117,248	\$ 554,517	\$ 4,671,765	\$ 202,521
Investment in Texpool	2,375	1,036,811	1,039,186	
Property taxes receivable, net	29,002		29,002	
Sales taxes receivable	78,469		78,469	78,468
Fines receivable, net	13,288		13,288	
Accounts receivable, net	78,790	585,783	664,573	
Other receivables	76,457		76,457	
Grant receivable	400,000		400,000	
Due from component units	31,087		31,087	
Internal balances	379,722	(379,722)	-	
<b>Restricted assets:</b>				
Cash and cash equivalents	4,746,215		4,746,215	
Property taxes receivable, net	5,524		5,524	
Investment in Texpool restricted for capital projects		158,396	158,396	
<b>Capital assets:</b>				
Land	2,189,652	154,115	2,343,767	
Construction in progress	18,206	3,756,909	3,775,115	
Capital assets, net	18,652,663	11,997,994	30,650,657	
<b>Total Assets</b>	<b>30,818,698</b>	<b>17,864,803</b>	<b>48,683,501</b>	<b>280,989</b>
<b>Liabilities</b>				
Accounts payable	73,666	316,217	389,883	
Accrued salaries and benefits	183,749	63,391	247,140	
Other accrued expenses	112,001		112,001	
Unearned revenue		308,975	308,975	
Meter deposits payable		191,619	191,619	
Due to primary government				31,087
<b>Payable from restricted assets:</b>				
Unearned revenue	766,320		766,320	
Accrued interest	76,131	30,180	106,311	
<b>Long-term liabilities:</b>				
<b>Due within one year:</b>				
Bonds payable	495,592	559,408	1,055,000	
Capital leases	14,852		14,852	
Infrastructure advance from CISD		95,282	95,282	
<b>Due in more than one year:</b>				
Bonds payable	16,398,778	7,206,222	23,605,000	
Capital leases	12,228		12,228	
Infrastructure advance from CISD		501,025	501,025	
<b>Total Liabilities</b>	<b>18,133,317</b>	<b>9,272,319</b>	<b>27,405,636</b>	<b>31,087</b>
<b>Deferred Inflows of Resources</b>				
Deferred bond credits	237,495	220,257	457,752	-
<b>Total Deferred Inflows of Resources</b>	<b>237,495</b>	<b>220,257</b>	<b>457,752</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	7,800,853	7,485,220	15,286,073	
Restricted for debt service	515,274		515,274	
Restricted for capital projects (\$6,144,848) net of related debt (\$4,099,277)	2,045,571		2,045,571	
Restricted for capital projects (\$158,396) net of related debt (\$158,396)		-		
Unrestricted	2,086,188	887,007	2,973,195	249,902
<b>Total Net Position</b>	<b>\$ 12,447,886</b>	<b>\$ 8,372,227</b>	<b>\$ 20,820,113</b>	<b>\$ 249,902</b>

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



**CITY OF CELINA, TEXAS  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2013**

Celina Response to Staff 3-7

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
<b>Governmental activities:</b>								
Administration	\$ 950,109	\$ -	\$ -	\$ -	\$ (950,109)		\$ (950,109)	\$ -
Judicial	79,863				(79,863)		(79,863)	
Fire and emergency services	1,541,465	174,678			(1,366,787)		(1,366,787)	
Development services	417,119	124,743			(292,376)		(292,376)	
Public works	515,098	455,454			(59,644)		(59,644)	
Police department	803,634	197,248			(606,386)		(606,386)	
Parks and recreation	556,654	161,345		400,000	4,691		4,691	
Library	134,625				(134,625)		(134,625)	
Infrastructure	203,273			1,944,763	1,741,490		1,741,490	
Main street project	135,388				(135,388)		(135,388)	
Economic development								(134,676)
Bond issuance costs	399,992				(399,992)		(399,992)	
Interest and fiscal charges	457,748				(457,748)		(457,748)	
<b>Total governmental activities</b>	<b>6,194,968</b>	<b>1,113,468</b>	<b>-</b>	<b>2,344,763</b>	<b>(2,736,737)</b>		<b>(2,736,737)</b>	<b>(134,676)</b>
<b>Business-type activities:</b>								
Water and sewer services	3,464,334	4,781,510				1,317,176	1,317,176	
<b>Total business-type activities</b>	<b>3,464,334</b>	<b>4,781,510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,317,176</b>	<b>1,317,176</b>	
<b>Total all activities</b>	<b>\$ 9,659,302</b>	<b>\$ 5,894,978</b>	<b>\$ -</b>	<b>\$ 2,344,763</b>	<b>\$ (2,736,737)</b>	<b>\$ 1,317,176</b>	<b>\$ (1,419,561)</b>	<b>\$ (134,676)</b>
<b>General revenues:</b>								
Ad valorem taxes					3,129,835		3,129,835	
Sales taxes					384,289		384,289	387,815
Franchise taxes					325,167		325,167	
Miscellaneous income and contributions					253,922		253,922	5,069
Unrestricted investment earnings					63,021	38,126	101,147	2,985
Intergovernmental transfers					320,000		320,000	(320,000)
Transfers					345,000	(345,000)	-	
<b>Total general revenues and transfers</b>					<b>4,821,234</b>	<b>(306,874)</b>	<b>4,514,360</b>	<b>75,869</b>
<b>Change in net position</b>					<b>2,084,497</b>	<b>1,010,302</b>	<b>3,094,799</b>	<b>(58,807)</b>
<b>Net Position-beginning of year</b>					<b>10,363,389</b>	<b>7,361,925</b>	<b>17,725,314</b>	<b>308,709</b>
<b>Net Position-end of year</b>					<b>\$ 12,447,886</b>	<b>\$ 8,372,227</b>	<b>\$ 20,820,113</b>	<b>\$ 249,902</b>

The accompanying notes are an integral part of these financial statements

**CITY OF CELINA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 2,072,023	\$ 528,466	\$ -	\$ 2,600,489
Investment in Texpool	2,375			2,375
Cash and cash equivalents - restricted			6,262,974	6,262,974
Sales taxes receivable	78,469			78,469
Property taxes receivable, net	29,002	5,524		34,526
EMS receivable, net	26,149			26,149
Grants receivable			400,000	400,000
Other receivables	57,065	7,239	12,153	76,457
Due from other funds	400,000			400,000
Due from component units	31,087			31,087
<b>Total Assets</b>	<b>\$ 2,696,170</b>	<b>\$ 541,229</b>	<b>\$ 6,675,127</b>	<b>\$ 9,912,526</b>
<b><u>Liabilities</u></b>				
Accounts payable	59,707		13,959	73,666
Accrued salaries and benefits	58,127			58,127
Other accrued liabilities	111,848	153		112,001
Due to other funds		20,278		20,278
Unearned revenue	250,000		516,320	766,320
<b>Total Liabilities</b>	<b>479,682</b>	<b>20,431</b>	<b>530,279</b>	<b>1,030,392</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable property taxes receivable	29,358	5,524		34,882
<b>Total Deferred Inflows of Resources</b>	<b>29,358</b>	<b>5,524</b>	<b>-</b>	<b>34,882</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Capital Projects			6,144,848	6,144,848
Debt Service		515,274		515,274
Unassigned	2,187,130			2,187,130
<b>Total Fund Balances</b>	<b>2,187,130</b>	<b>515,274</b>	<b>6,144,848</b>	<b>8,847,252</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,696,170</b>	<b>\$ 541,229</b>	<b>\$ 6,675,127</b>	<b>\$ 9,912,526</b>

Governmental fund balances as presented above: 8,847,252

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

Capital assets reported in the statement of net position are not financial resources and are not reported in the fund balance sheet. 20,860,521

Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred property taxes of \$34,822 and EMS and fines receivable of \$52,641 and \$13,288. 100,811

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the date due. (76,131)

Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet. (17,284,567)

**Net Position of Governmental Activities** **\$ 12,447,886**

**CITY OF CELINA, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2013**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>				
Ad valorem taxes	\$ 2,332,848	\$ 821,403	\$ -	\$ 3,154,251
Franchise taxes	325,167			325,167
Sales tax	384,289			384,289
Permits and inspection fees	455,454			455,454
Component unit contributions		170,000	150,000	320,000
Development fees	124,743			124,743
Fire department and EMS revenues	174,678			174,678
Fines	197,248			197,248
Special events and donations	142,682			142,682
Park fees	161,345			161,345
Other income	85,140			85,140
Interest	24,383	4,077	34,561	63,021
Federal, state & local grants			2,344,763	2,344,763
<b>Total Revenues</b>	<b>4,407,977</b>	<b>995,480</b>	<b>2,529,324</b>	<b>7,932,781</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Administration	870,419			870,419
Judicial	79,863			79,863
Fire and emergency services	1,057,979			1,057,979
Development services	417,119			417,119
Public works	416,690		91,749	508,439
Police department	741,361			741,361
Parks and recreation	349,742			349,742
Library	134,625			134,625
Main street project	135,388			135,388
Capital Outlay	63,536		3,914,152	3,977,688
<b>Debt Service:</b>				
Principal	48,531	451,994		500,525
Interest and fiscal charges	2,391	488,596		490,987
Bond issuance costs		337,458	62,534	399,992
<b>Total Expenditures</b>	<b>4,317,644</b>	<b>1,278,048</b>	<b>4,068,435</b>	<b>9,664,127</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>90,333</b>	<b>(282,568)</b>	<b>(1,539,111)</b>	<b>(1,731,346)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of assets	26,100			26,100
Proceeds from issuance of bonds		4,434,697	5,374,888	9,809,585
Payment to bond refunding agent		(4,090,000)		(4,090,000)
Proceeds from capital leases	30,752			30,752
Operating transfers in (out)	345,000			345,000
<b>Net Other Financing Sources (Uses)</b>	<b>401,852</b>	<b>344,697</b>	<b>5,374,888</b>	<b>6,121,437</b>
<b>Net change in fund balances</b>	<b>492,185</b>	<b>62,129</b>	<b>3,835,777</b>	<b>4,390,091</b>
<b>Fund balance, October 1</b>	<b>1,694,945</b>	<b>453,145</b>	<b>2,309,071</b>	<b>4,457,161</b>
<b>Fund balance, September 30</b>	<b>\$ 2,187,130</b>	<b>\$ 515,274</b>	<b>\$ 6,144,848</b>	<b>\$ 8,847,252</b>

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

**CITY OF CELINA, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended September 30, 2013**

**Net change in fund balances - total governmental funds** **\$ 4,390,091**

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

Governmental funds report capital outlays as expenditures, while 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 of \$3,977,688 exceeded depreciation expense of \$(683,328). 3,294,360

In the statement of activities, the gain on the disposal of assets is reported, but in the governmental funds, proceeds from the sale increase current financial resources. The change in net position differs from the change in fund balance by the net book value of the assets disposed.

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt retired for the year \$500,525, and refunded \$4,090,000; less bond proceeds (\$9,809,785) and capital leases issued (\$30,752) (5,250,012)

Changes in the liability for compensated absences do not require the use of current resources and therefore are not recorded in the funds. (16,237)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable deferred ad valorem taxes of \$(24,416), court fines receivable \$-0-, and EMS receivables \$(342,727). (367,143)

Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the amortization of bond premiums, \$(48,625); and the increase in accrued interest on debt \$15,187. 33,438

**Change in net position of governmental activities** **\$ 2,084,497**

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