

TAX INFORMATION

AD VALOREM TAX LAW. . . The appraisal of property within the City is the responsibility of the Collin Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining 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 "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." 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.

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

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	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.

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TABLE 1 – ASSESSED VALUATION AND EXEMPTION

2012/2013 Market Valuation Established by the Collin Central Appraisal District (excludes totally exempt property)	\$ 781,636,953
Less Exemptions/Reductions at 100% Market Value:	
Local Over 65/Disabled Homestead Exemption	8,910,046
Disabled/Deceased Veterans	1,624,909
Freeport Property	-
Agricultural Productivity Value Loss	287,360,991
Exempt Prorated	13,275
Charitable Property	-
10% Value Cap Loss	845,743
Other (Pollution Control)	<u>86,387</u>
	<u>298,841,351</u>
 2012/2013 Taxable Assessed Valuation	 <u>\$ 482,795,602</u>
 General Obligation Debt Principal Outstanding (As of 6/1/2013)	
Tax and WW&SS Surplus Revenue Certificates of Obligation, Series 2004 ⁽¹⁾	\$ 1,915,000
General Obligation Refunding Bonds, Series 2007	2,445,000
Tax and WW&SS Surplus Revenue Certificates of Obligation, Series 2007 (TWDB)	1,480,000
Tax and WW&SS Surplus (Ltd. Pldg.) Revenue Certificates of Obligation, Series 2011	1,390,000
Tax and Waterworks Sewer System LP Revenue Certificates of Obligation, Series 2012	4,675,000
General Obligation Refunding Bonds, Series 2012	<u>4,110,000</u>
Total Gross General Obligation Debt Outstanding:	<u>\$ 16,015,000</u>
 Plus:	
The Bonds	\$ 4,315,000
The Certificates	<u>5,325,000</u>
Total Series 2013 Bonds and Certificates	<u>\$ 9,640,000</u>
 Less: Self-Supporting General Obligation Debt Principal ⁽²⁾	
Tax and WW&SS Surplus Revenue Certificates of Obligation, Series 2004	\$ 336,881
General Obligation Refunding Bonds, Series 2007	1,766,757
Tax and WW&SS Surplus Revenue Certificates of Obligation, Series 2007 (TWDB)	1,480,000
Tax and Waterworks Sewer System LP Revenue Certificates of Obligation, Series 2012	720,000
General Obligation Refunding Bonds, Series 2012	<u>4,005,000</u>
Total Self-Supporting General Obligation Debt Principal	<u>\$ 8,308,638</u>
 Total Net General Obligation Debt Principal Outstanding:	 <u>\$ 17,346,362</u>
 General Obligation Interest and Sinking Fund Balance as April 15, 2013	 \$ 598,803
Ratio of Gross General Obligation Debt Principal to 2012 Certified Net Taxable Assessed Valuation	3.32%
Ratio of Net General Obligation Debt Principal to 2012 Certified Net Taxable Assessed Valuation	3.59%
2012 Certified Net Taxable Assessed Valuation	\$ 482,795,602
2013 Population (Estimate)	8,576
Per Capita Certified Net Taxable Assessed Valuation	\$ 56,296
Per Capita Gross General Obligation Debt Principal	\$ 1,867
Per Capita Net General Obligation Debt Principal	\$ 2,023

(1) Excludes the portion being refunded by the Bonds.

(2) 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,					
	2013		2012		2011	
	% of Amount	% of Total	% of Amount	% of Total	% of Amount	% of Total
Real, Residential, Single-Family	\$ 370,116,360	47.35%	\$ 356,797,179	48.56%	\$ 355,655,821	55.07%
Real, Residential, Multi-Family	3,678,345	0.47%	3,604,153	0.49%	4,234,792	0.66%
Real, Vacant Lots/Tracts	18,789,363	2.40%	20,166,031	2.74%	20,137,648	3.12%
Real, Acreage (Land Only)	299,657,273	38.34%	271,684,923	36.98%	190,992,338	29.57%
Real, Farm and Ranch Improvements	7,401,702	0.95%	6,455,316	0.88%	6,038,355	0.94%
Real, Commercial	35,425,632	4.53%	33,171,319	4.52%	33,647,732	5.21%
Real, Industrial	10,597,198	1.36%	10,150,525	1.38%	8,792,572	1.36%
Real and Tangible Personal, Utilities	6,894,149	0.88%	6,536,343	0.89%	3,751,102	0.58%
Tangible Personal, Commercial	22,961,726	2.94%	18,217,640	2.48%	15,144,971	2.35%
Tangible Personal, Industrial	-	0.00%	-	0.00%	-	0.00%
Tangible Personal, Other	5,556	0.00%	6,129	0.00%	7,260	0.00%
Real Property, Inventory	6,109,649	0.78%	7,895,467	1.07%	7,039,881	1.09%
Special Inventory	-	0.00%	-	0.00%	357,595	0.06%
Total Appraised Value Before Exemptions	\$ 781,636,953	100.00%	\$ 734,685,025	100.00%	\$ 645,800,067	100.00%
Less: Total Exemptions/Reductions	298,841,351		273,053,137		191,726,580	
Taxable Assessed Value	\$ 482,795,602		\$ 461,631,888		\$ 454,073,487	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2010		2009	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 354,177,320	54.80%	\$ 345,231,251	53.39%
Real, Residential, Multi-Family	4,394,693	0.68%	4,504,806	0.70%
Real, Vacant Lots/Tracts	20,886,310	3.23%	22,829,720	3.53%
Real, Acreage (Land Only)	183,268,943	28.35%	186,492,661	28.84%
Real, Farm and Ranch Improvements	6,155,047	0.95%	5,982,391	0.93%
Real, Commercial	37,417,891	5.79%	36,687,061	5.67%
Real, Industrial	8,381,969	1.30%	8,233,269	1.27%
Real and Tangible Personal, Utilities	3,946,033	0.61%	3,629,561	0.56%
Tangible Personal, Commercial	15,935,020	2.47%	13,228,290	2.05%
Tangible Personal, Industrial	-	0.00%	-	0.00%
Tangible Personal, Other	3,139	0.00%	7,388	0.00%
Real Property, Inventory	11,268,439	1.74%	19,119,853	2.96%
Special Inventory	506,650	0.08%	662,763	0.10%
Total Appraised Value Before Exemptions	\$ 646,341,454	100.00%	\$ 646,609,014	100.00%
Less: Total Exemptions/Reductions	182,142,657		183,282,031	
Taxable Assessed Value	\$ 464,198,797		\$ 463,326,983	

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.

TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Taxable Assessed Valuation Per Capita	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2009	5,360	\$ 463,326,983	\$ 7,247,401	\$ 86,448	1.56%	\$ 1,352
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	11,796,362	60,539	2.56%	1,547
2013	8,576	482,795,602	16,894,370 ⁽⁴⁾	56,296	3.50%	1,970

(1) Population estimated from trends in the 2000 and 2010 U.S. Census Bureau Data.

(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) Excludes Refunded Obligations, includes the Obligations. 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
2009	\$ 0.6450	\$ 0.5415	\$ 0.1035	\$ 2,988,480	99.61%	103.12%
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	97.23% ⁽¹⁾	98.97% ⁽¹⁾

(1) Collections as of March 31, 2013.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2012/2013 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Fini Enterprises Inc.	Manufacturing	\$ 6,038,328	1.25%
Celina Town Center	Government	4,813,898	1.00%
TXI Operations LP	Utilities	4,042,876	0.84%
Thomas Clay	Individual	3,919,051	0.81%
Brookshire Grocery Company	Retail	3,916,538	0.81%
Inner Circle Partners LP	Individual	3,862,329	0.80%
J Evans Family Ptrs - Prosper LLC	Storage Facility	3,617,588	0.75%
289/Carter Ranch Retail Ltd.	Retail	3,607,722	0.75%
Celina Real Estate	Real Estate	3,185,877	0.66%
Burlington Northern Santa Fe RR Co.	Rail Road	2,949,916	0.61%
		<u>\$ 39,954,123</u>	<u>8.28%</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 OBLIGATIONS - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY

Net Principal and Interest Requirements for Fiscal Year 2013	\$	867,097
\$0.1823 Tax Rate at 98.5% Collection Produces	\$	867,097
Average Net Annual Principal and Interest Requirements, 2013-2033	\$	1,185,679
\$0.2493 Tax Rate at 98.5% Collection Produces	\$	1,185,679
Maximum Net Principal and Interest Requirements, 2027	\$	1,296,009
\$0.2725 Tax Rate at 98.5% Collection Produces	\$	1,296,009

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 ⁽¹⁾	2012/13 Tax Rate ⁽¹⁾	G.O. Debt 6/1/2013 ⁽²⁾	Estimated Percent Applicable ⁽¹⁾	Overlapping G.O. Debt as of 6/1/13
City of Celina	\$ 482,795,602	\$ 0.6450	\$ 25,655,000	100.00%	\$ 25,655,000
Celina ISD	601,919,731	1.6400	68,022,373	70.65%	48,057,807
Colling County	69,300,274,160	0.2400	365,175,000	0.64%	2,337,120
Colling County CCD	71,134,134,559	0.0863	40,210,000	0.64%	257,344
Prosper ISD	1,954,141,128	1.6700	235,169,110	4.49%	10,559,093
Total Direct and Overlapping Debt					\$ 86,866,364
Ratio of Direct and Overlapping Debt to City's Taxable Assessed Valuation					17.99%
Per Capital Overlapping GO Debt					\$ 10,129

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

(2) Excludes the Refunded Obligations, includes the Obligations.

DEBT INFORMATION

TABLE 8—GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service ⁽¹⁾			The Bonds			The Certificates			Total General Obligation Debt Service	Less: Self- Supporting Debt Service ⁽²⁾	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S	Principal	Interest	Total D/S				
2013	\$ 995,000	\$ 662,123	\$ 1,657,123	\$ -	\$ 16,274	\$ 16,274	\$ -	\$ -	\$ -	\$ 1,673,397	\$ 806,300	\$ 867,097	
2014	1,055,000	505,821	1,560,821	-	114,875	114,875	-	229,389	229,389	1,905,086	800,989	1,104,096	
2015	1,080,000	468,944	1,548,944	265,000	114,875	379,875	35,000	200,925	235,925	2,164,744	1,032,822	1,131,922	
2016	1,120,000	438,364	1,558,364	270,000	109,575	379,575	65,000	200,225	265,225	2,203,164	1,044,977	1,158,187	
2017	1,175,000	406,391	1,581,391	275,000	104,175	379,175	40,000	198,925	238,925	2,199,491	1,039,539	1,159,952	24.85%
2018	1,200,000	373,304	1,573,304	330,000	98,675	428,675	125,000	198,125	323,125	2,325,104	1,036,625	1,288,479	
2019	1,235,000	339,420	1,574,420	340,000	92,075	432,075	120,000	195,625	315,625	2,322,120	1,034,373	1,287,747	
2020	1,100,000	298,538	1,398,538	340,000	85,275	425,275	130,000	193,225	323,225	2,147,038	859,254	1,287,784	
2021	995,000	261,473	1,256,473	350,000	78,475	428,475	140,000	190,300	330,300	2,015,248	726,961	1,288,287	
2022	750,000	228,935	978,935	355,000	71,475	426,475	220,000	186,800	406,800	1,812,210	520,234	1,291,976	54.98%
2023	770,000	205,510	975,510	365,000	60,825	425,825	235,000	178,000	413,000	1,814,335	521,707	1,292,628	
2024	355,000	181,420	536,420	375,000	49,875	424,875	240,000	168,600	408,600	1,369,895	77,673	1,292,222	
2025	365,000	169,768	534,768	395,000	36,750	431,750	250,000	159,000	409,000	1,375,518	81,771	1,293,746	
2026	380,000	156,488	536,488	405,000	22,925	427,925	260,000	149,000	409,000	1,373,413	80,178	1,293,235	
2027	555,000	142,456	697,456	250,000	8,750	258,750	280,000	138,600	418,600	1,374,806	78,797	1,296,009	76.34%
2028	845,000	120,363	965,363	-	-	-	275,000	127,400	402,400	1,367,763	77,364	1,290,398	
2029	885,000	85,056	970,056	-	-	-	290,000	116,400	406,400	1,376,456	81,160	1,295,296	
2030	410,000	46,469	456,469	-	-	-	620,000	104,800	724,800	1,181,269	50,600	1,130,669	
2031	420,000	29,938	449,938	-	-	-	635,000	80,000	715,000	1,164,938	48,800	1,116,138	
2032	325,000	13,000	338,000	-	-	-	670,000	54,600	724,600	1,062,600	52,000	1,010,600	97.29%
2033	-	-	-	-	-	-	695,000	27,800	722,800	722,800	-	722,800	100.00%
	<u>\$ 16,015,000</u>	<u>\$ 5,133,779</u>	<u>\$ 21,148,779</u>	<u>\$ 4,315,000</u>	<u>\$ 1,064,874</u>	<u>\$ 5,379,874</u>	<u>\$ 5,325,000</u>	<u>\$ 3,097,739</u>	<u>\$ 8,422,739</u>	<u>\$ 34,951,392</u>	<u>\$ 10,052,124</u>	<u>\$ 24,899,268</u>	

(1) Excludes the Refunded Obligations.

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

TABLE 9 – FUND BALANCES ⁽¹⁾

	As Of <u>4/1/2013</u>
General Fund Money Market Acct.	\$ 2,629,027
General Operating Fund	221,277
General Obligation Debt Service Fund	599,803
Capital Projects Fund	2,083,304
Water & Sewer Operating Fund	<u>1,204,310</u>
Total	<u>\$ 6,737,721</u>

(1) As reported by the City.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

Fiscal Year Ended 9-30-12	
Net System Revenues Available ⁽¹⁾	\$ 1,765,721
Less: Requirement for Fiscal Year ended 9-30-13 Revenue Bonds	<u>-</u>
Balance Available for Other Purposes	<u>\$ 1,765,721</u>

Requirement for Fiscal Year ended 9-30-13 General Obligation Debt Paid From System Revenues ⁽²⁾	\$ 806,300
Percentage of General Obligation Debt Self-Supporting	100%

(1) Exclusive of Garbage Fees 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

Fiscal Year Ending 9-30	Annual Lease Requirement
2013	\$ 132,337
2014	146,964
2015	139,198
2016	138,492
2017	138,492
2018	138,492
Total Required	<u>\$ 833,975</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, joint 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 2012 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 \$92,028.

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 2011, see "APPENDIX B – EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012" – Note 8.

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FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
Revenues:					
Ad Valorem Taxes	\$ 2,645,688	\$ 2,692,510	\$ 2,466,194	\$ 2,545,965	\$ 2,140,998
Franchise Taxes	299,999	355,576	253,501	222,257	213,333
Sales Taxes	338,053	290,835	271,670	249,661	284,026
Permits and Inspection Fees	340,547	257,605	172,173	94,524	169,678
Settlement Reimbursement	-	-	-	-	415,000
Fire Department and EMS Fees	244,505	262,435	180,203	224,373	157,133
Park Fees	85,111	18,907	24,786	18,135	17,983
Development Fees	56,411	16,286	45,894	12,533	118,616
Fines	186,302	95,016	93,866	109,891	133,407
Other Income	96,809	82,758	40,999	75,563	142,072
Collin County Road Contribution	-	236,623	144,460	-	-
Donations	175,346	155,935	134,565	150,211	37,342
Interest	22,355	13,775	14,471	22,177	30,455
Federal and State Grants	32,760	294,205	149,284	238,314	14,418
Total Revenues	\$ 4,523,886	\$ 4,772,466	\$ 3,992,066	\$ 3,963,604	\$ 3,874,461
Expenditures:					
Administration	\$ 774,209	\$ 979,059	\$ 880,101	\$ 956,157	\$ 1,101,213
Library	126,116	126,482	129,637	-	-
Judicial	70,066	70,205	70,102	73,299	69,664
Fire and Emergency Services	1,062,174	1,140,328	1,049,716	1,060,228	778,751
Development Services	472,329	363,133	329,794	381,151	291,431
Public Works	350,295	568,890	392,527	392,020	245,448
Police Department	729,737	913,898	865,304	780,835	594,680
Parks and Recreation	288,239	176,313	222,959	235,149	224,295
Main Street Project	99,726	57,880	60,868	47,976	142,224
Economic Development	-	-	-	-	-
Capital Outlay	34,094	1,464,171	474,465	213,594	274,290
Debt Service	-	-	-	-	162,219
Total Expenditures	\$ 4,006,985	\$ 5,860,359	\$ 4,475,473	\$ 4,140,409	\$ 3,884,215
Excess (deficit) of Revenues Over Expenditures	\$ 516,901	\$ (1,087,893)	\$ (483,407)	\$ (176,805)	\$ (9,754)
Other Financing Sources (Uses):					
Operating Transfers In (Out)	\$ 95,000	\$ 75,000	\$ 325,000	\$ 300,000	\$ 300,000
Proceeds of Capital Leases	-	-	174,797	-	316,986
Proceeds from Issuance of Bonds	-	1,400,000	-	-	-
Bond Issuance Costs	-	(33,292)	-	-	-
Proceeds from Sale of Assets	30,403	48,381	73,283	2,801	18,798
Transfers for Debt Service	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 125,403	\$ 1,490,089	\$ 573,080	\$ 302,801	\$ 635,784
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 642,304	\$ 402,196	\$ 89,673	\$ 125,996	\$ 626,030
Beginning Fund Balance	1,052,642 ⁽¹⁾	864,794	775,121	649,125	23,094
Ending Fund Balance	\$ 1,694,946	\$ 1,266,990	\$ 864,794	\$ 775,121	\$ 649,125

(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,				
	2012	2011	2010	2009	2008
<u>Beginning Fund Balance</u>	\$ 473,465	\$ 593,598	\$ 458,260	\$ 671,693	\$ 450,108
<u>Revenues:</u>					
Current Tax Collections	\$ 374,197	\$ 282,632	\$ 549,313	\$ 496,260	\$ 631,676
Delinquent Tax Collections	-	-	-	-	-
Penalty and Interest	-	-	-	-	-
Fines	-	-	-	-	-
Donations / EDC Contributions	340,000	165,000	165,000	-	200,000
Interest	8,487	2,799	4,704	11,282	17,862
Total Revenues	\$ 722,684	\$ 450,431	\$ 719,017	\$ 507,542	\$ 849,538
<u>Expenditures:</u>					
Debt Service					
Principal Retirement	\$ 363,145	\$ 257,590	\$ 251,798	\$ 372,216	\$ 273,234
Interest & Fiscal Charges	379,859	312,974	331,881	348,759	350,837
Total Expenditures	\$ 743,004	\$ 570,564	\$ 583,679	\$ 720,975	\$ 624,071
Excess (Deficit) of Revenues Over Expenditures	\$ (20,320)	\$ (120,133)	\$ 135,338	\$ (213,433)	\$ 225,467
<u>Other Financing Sources (Uses):</u>					
Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Lease Purchase Proceeds	-	-	-	-	-
Operating Transfer In (Out)	-	-	-	-	-
Issuance of Refunding Bonds	112,046	-	-	-	3,136,600
Payment to Bond Refunding Agency	(109,528)	-	-	-	(3,039,597)
Bond Issuance Cost	(2,518)	-	-	-	(100,885)
Transfers Out for Debt Service	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ (3,882)
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (20,320)	\$ (120,133)	\$ 135,338	\$ (213,433)	\$ 221,585
Ending Fund Balance	\$ 453,145	\$ 473,465	\$ 593,598	\$ 458,260	\$ 671,693

TABLE 15 – 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	\$ 22.25
1 inch meter	38.39
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
<u>Commercial Usage</u>	<u>Rates</u>
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

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Number of Residential/Commercial Water Users with 3/4 inch meters	2,128	2,068	2,063	2,156	2,193
Number of Commercial Water Users with larger than 3/4 inch meters	338	330	329	145	137
Number of Residential/Commercial Sewer Users with 4 inch meters	1,670	1,663	1,583	1,581	1,553
Number of Commercial Users with larger than 4 inch meters	N/A	N/A	N/A	N/A	N/A

TABLE 18 – WATER AND WASTEWATER SYSTEM REVENUE AND EXPENDITURES

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
Revenues					
Water Sales	\$ 2,548,942	\$ 2,549,933	\$ 1,944,348	\$ 1,602,364	\$ 1,598,567
Sever Sales	994,332	946,269	774,022	572,299	546,556
Garbage Fees	328,534	308,022	310,997	251,982	222,962
Penalties	66,785	70,218	55,372	48,519	56,953
Tap and Reconnect Fees	146,007	107,470	78,931	34,675	57,652
Water and Sewer Impact Fees	203,756	143,829	127,007	634,483	453,976
Other Revenues	89,570	64,401	69,840	42,055	40,093
Total Revenues	\$ 4,377,926	\$ 4,190,142	\$ 3,360,517	\$ 3,186,377	\$ 2,976,759
Expenses					
Salaries	\$ 319,695	\$ 328,438	\$ 335,575	\$ 293,866	\$ 265,950
Payroll taxes & employee benefits	-	-	-	-	-
Garbage fees	321,236	307,009	297,545	232,632	198,115
Lincenses and permits	8,369	6,993	6,452	3,531	5,704
Materials and supplies	73,336	106,768	111,855	62,976	48,407
Engineering	82,341	5,737	31,745	13,324	11,656
Postage	23,881	21,089	19,022	19,098	15,836
Repairs and facility maintenance	276,330	119,667	112,768	87,153	124,305
General insurance	12,949	5,449	15,588	14,578	14,699
Vehicle expense	36,122	34,739	19,863	10,964	20,380
Utilities and telephone	218,316	243,239	256,066	269,087	256,954
Chemicals	18,132	23,785	17,652	15,067	20,088
Water/Sewer testing /sludge removal	-	-	-	-	-
Water purchases and related fees	1,190,776	1,134,597	1,063,361	1,037,804	889,598
Capital outlay	-	-	5,256	6,802	162,750
Bad debt provision	-	611	3,523	34,404	-
Depreciation & amortization	469,758	529,712	533,064	523,028	495,908
Other expense	51,730	28,664	29,202	17,248	7,659
Total Expenses	\$ 3,102,971	\$ 2,896,497	\$ 2,858,537	\$ 2,641,562	\$ 2,538,009
Non-Operating Revenues (Expenses)					
Interest Income	\$ 28,306	\$ 9,245	\$ 8,144	\$ 50,849	\$ 163,711
Gain on sale of fixed assets	-	830	-	-	-
Interest and fiscal charges	(469,086)	(409,838)	(566,614)	(527,022)	(469,413)
Total Nooperating Revenues (Expenses)	\$ (440,780)	\$ (399,763)	\$ (558,470)	\$ (476,173)	\$ (305,702)
Capital grants	\$ 70,000	\$ -	\$ -	\$ 350,000	\$ -
Transfers in for debt service	-	-	-	-	-
Operating Transfer In (Out)	(95,000)	(75,000)	(325,000)	(300,000)	(300,000)
Change in Net Assets	809,175	818,882	(381,490)	118,642	(166,952)
Total net assets, October 1	6,873,536	6,054,654	6,436,144	6,317,502	6,484,454
Prior Period Adjustment	(320,786)				
Total net assets, September 30	\$ 7,361,925	\$ 6,873,536	\$ 6,054,654	\$ 6,436,144	\$ 6,317,502

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 Obligations. 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 ⁽¹⁾	1% Tax Collections ⁽²⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2009	\$ 526,847	\$ 263,424	8.81%	\$ 0.1137	\$ 98.29
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 ⁽³⁾	531,499	265,749	8.53%	0.1101	61.98

- (1) As reported by the Texas Comptroller of Public Accounts.
- (2) Figures refer only to the City's 1% tax collections and exclude the 1/2% additional collection for each of 4A and 4B economic and community development (1% total additional collections.)
- (3) Collections through June 2013.

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 Certificate 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 of 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 PFLA. 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 April 1, 2013 the City's investable funds were invested in the following categories:

<u>Type of Investments</u>	<u>Book Value</u>	
	<u>Amount</u>	<u>Percent</u>
Money Market Account	\$ 4,054,613	99.86%
TexPool	5,547	0.14%
	<u>\$ 4,060,160</u>	<u>100.00%</u>

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TAX MATTERS

TAX EXEMPTION . . . The delivery of the Obligations is subject to the opinions of Bond Counsel to the effect that interest on the Obligations 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 opinions (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. Forms of Bond Counsel's opinions are reproduced as Appendix C and Appendix D. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

Interest on the Obligations 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 opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Obligations pertaining to the use, expenditure, and investment of the proceeds of the Obligations and will assume continuing compliance by the City with the provisions of the Ordinances subsequent to the issuance of the Obligations. The Ordinances contain covenants by the City with respect to, among other matters, the use of the proceeds of the Obligations and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Obligations 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 Obligations to be includable in the gross income of the owners thereof from the date of the issuance of the Obligations.

Bond Counsel's opinions are not a guarantee of a result, but represent 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 opinions of Bond Counsel, and Bond Counsel's opinions are 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 Obligations is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Obligations 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 Obligations, the City may have different or conflicting interests from the owners of the Obligations. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations 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 Obligations. Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations such as the Obligations 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 Obligations of the exclusion of interest on the Obligations 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 Obligations. Prospective purchasers of the Obligations 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 OBLIGATIONS . . . The initial public offering price of certain Bonds or Certificates (the "Discount Obligations") may be less than the amount payable on such Obligations at maturity. An amount equal to the difference between the initial public offering price of a Discount Obligation (assuming that a substantial amount of the Bonds or 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 Obligation. A portion of such original issue discount allocable to the holding period of such Discount Obligation by the initial purchaser will, upon the disposition of such Discount Obligation (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 Obligations 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 Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Obligation 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 Obligation by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Obligation was held) is includable in gross income.

Owners of Discount Obligations should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Obligations. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Obligations 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 Bonds or Certificates (the "Premium Obligations") may be greater than the amount payable on such Obligations at maturity. An amount equal to the difference between the initial public offering price of a Premium Obligation (assuming that a substantial amount of the Bonds or 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 Obligations. The basis for federal income tax purposes of a Premium Obligation 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 Obligation. 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 Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Obligations.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The City has designated the Obligations as "qualified tax-exempt obligations" and has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Obligations will not be subject to the 100% disallowance of interest expense allocable to interest on the Obligations under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Obligations will be reduced by 20% pursuant to section 291 of the Code.

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CONTINUING DISCLOSURE OF INFORMATION

In the respective Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material 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.

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 2013.

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 Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (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/registrars or the change of name of a paying agent/registrars, 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.emma.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 Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made

pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the respective outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends 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.

OTHER INFORMATION

RATINGS

The Bonds have been rated "A1" by Moody's Investors Services, Inc. ("Moody's"). The Certificates are expected to be rated "AA-" (stable outlook) by S&P by virtue of a municipal bond insurance policy to be issued by AGM upon delivery of the Certificates to the Initial Purchaser of the Certificates. Additionally the Certificates have been rated "A1" by Moody's Investors Service, Inc. ("Moody's") without regard to any credit enhancement. 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 any or more of such rating companies, if in the judgment of any or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Obligations.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments 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 Obligations 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 Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure

deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

No representation is made that the Obligations 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 Obligations for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Obligations for such purposes.

LEGAL MATTERS

The delivery of the Obligations is subject to the approval of the Attorney General of Texas to the effect that the Obligations 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, with respect to the Certificates, the limited pledge of the Net Revenues provided in the Certificate Ordinance, and the approving legal opinions of Fulbright & Jaworski LLP, Dallas, Texas, Bond Counsel, a member of Norton Rose Fulbright, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The forms of Bond Counsel's opinions are attached hereto as Appendix C and Appendix D. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the sale and delivery of the Obligations. The legal opinions of Bond Counsel will accompany the Obligations deposited with DTC or will be printed on the definitive Obligations in the event of the discontinuance of the Book-Entry-Only System.

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 subcaptions "Sources and Uses of Bond Proceeds" and "Sources and Uses of Certificate Proceeds"), "THE OBLIGATIONS" (except under the subcaptions "Book-Entry-Only System," and "Obligationholders' 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 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.

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL CALCULATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Obligations will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by First Southwest Company on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company on behalf of the City and has not evaluated or examined the assumptions or information used in the computations.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. 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 Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of Coastal Securities, Inc. (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of 101.070798% of par. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yields at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Bonds.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of BOSCO, Inc., a subsidiary of BOK Financial Corp. (the "Initial Purchaser of the Certificates" and, together with the Initial Purchaser of the Bonds, the "Purchaser" or "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 4 of the Official Statement at a price of 100.933107% of par. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Certificates.

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.

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CERTIFICATION OF THE OFFICIAL STATEMENT

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

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

Scan Terry
Mayor
City of Celina, Texas

ATTEST:

Vicki Faulkner
City Secretary
City of Celina, Texas

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SCHEDULE OF REFUNDED OBLIGATIONS

SCHEDULE I

TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2004

Original Dated Date	Maturity 1-Sep	Principal Amount Outstanding	Interest Rates	Principal Amount Refunded	Call Date
10/1/2004	2015	\$ 270,000.00	5.000%	\$ 250,000.00	9/1/14
	2016	280,000.00	4.750%	260,000.00	9/1/14
	2017	295,000.00	4.000%	275,000.00	9/1/14
	2018	305,000.00	3.900%	285,000.00	9/1/14
	2019	320,000.00	4.100%	300,000.00	9/1/14
	2020	330,000.00	4.200%	310,000.00	9/1/14
	2021	345,000.00	4.250%	325,000.00	9/1/14
	2022	360,000.00	4.300%	335,000.00	9/1/14
	2023	375,000.00	4.400%	350,000.00	9/1/14
	2024	390,000.00	4.450%	365,000.00	9/1/14
	2025	410,000.00	4.500%	385,000.00	9/1/14
	2026	425,000.00	4.625%	400,000.00	9/1/14
	2027	445,000.00	4.625%	250,000.00 ⁽¹⁾	9/1/14
		<u>\$ 4,550,000.00</u>		<u>\$ 4,090,000.00</u>	

The Certificates will be redeemed on September 1, 2014 at a price of par plus accrued interest to the redemption date.

(1) Represents a portion of a scheduled mandatory sinking fund redemption of a term certificate with a final maturity of September 1, 2029.

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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 County, 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 8,576.

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	44
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>
2008	48	\$ 14,239,875	0	\$ -	48	\$ 14,239,875
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 (1)	24	9,226,600	0	-	24	9,226,600

Source: City Staff.

(1) As of March 31, 2013.

HISTORICAL EMPLOYMENT (AVERAGE ANNUAL) ⁽¹⁾

Collin County

	Average Annual				
	2013 ⁽²⁾	2012	2011	2010	2009
Civilian Labor Force	451,432	447,064	435,101	421,754	414,881
Total Employed	425,481	419,914	404,549	390,106	384,794
Total Unemployed	25,951	27,150	30,552	31,648	30,087
Unemployment Rate	5.7%	6.1%	7.0%	7.5%	7.3%

(1) Source: Texas Workforce Commission.

(2) Data through February 2013.

APPENDIX B

EXCERPTS FROM THE

CITY OF CELINA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2012

The information contained in this Appendix consists of excerpts from the City of Celina, Texas Annual Financial Report for the Year Ended September 30, 2012, 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

4815-A KING STREET
TELEPHONE 903-455-4765
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GREENVILLE, TEXAS 75401

Kelley D. Fincher, CPA
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Hannah C. Nelson, CPA
Abi E. Evans, CPA

Members of:
American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Celina, Texas

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 the City of Celina, Texas as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Celina, Texas's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the City of Celina, Texas, as of September 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 20 and 53, 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.

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

March 18, 2013

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, 2012. 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 assets reported in the Statement of Net Assets are \$17,725,314. Of this amount \$16,338,068 is invested in capital assets or restricted for debt service and capital projects, and the balance of \$1,387,246 is available as unrestricted net assets.
- Government-wide net assets increased by \$1,389,384 during 2012.
- Each of the City's fund financial statements reported changes in equity as follows:
 - General Fund – \$642,304 increase
 - Water & Sewer Fund - \$809,175 increase
 - Debt Service Fund - \$20,320 decrease
 - Capital Projects Fund - \$2,094,723 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 Assets 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. They reflect the flow of current financial resources, and supply the basis for funding requests and the appropriations from the State. 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 Assets 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 Assets 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 assets and the changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net assets 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 Assets 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 and proprietary 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 Assets 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 assets serve as one useful indicator of a government's financial position. In the case of the City, the combined net assets exceeded liabilities by \$17,725,314 and \$16,898,644 at the close of FY 2012 and FY 2011, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The combined net assets of the City's activities increased from \$16,898,644 to \$17,725,314 or \$826,670 during 2012. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$1,387,246.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds \$4,457,161 and proprietary fund \$7,361,925 reported combined fund balance and net assets of \$11,819,086, a \$3,205,096 increase from last year. Most of the increase (\$2,094,723) took place in the capital projects fund as a result of bonds issued for capital improvements in 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets reported in governmental activities and business-type activities was \$17,566,161 and \$13,940,974. 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 \$1,303,388 and (\$76,822) 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 \$20,905,735 in bonds and capital leases outstanding – an increase of \$3,371,954. Additional information on long-term liabilities can be found in note 6 to the financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

Visitors passing through Celina cannot help notice it's a city on the rise, and continues to attract 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. Despite the national economic slowdown, individuals continue to relocate to Celina as a destination live, play, attend exemplary schools, and raise a family. The City has taken the initiative through comprehensive planning to prepare for its future growth.

In spite of national indicators such as unemployment and consumer confidence pointing to a great slowdown, several substantial new businesses stamped their footprint on our local economy. The City of Celina weathered the national slowdown very well and maintained moderate but steady growth. City Staff remained cautious not to overstate the City of Celina's positive outlook, 2012 was a successful year with revenue increase of 14% over the approved budget.

The City continues to focus on the development of its infrastructure through a systematic and planned approach. The City has long taken action in advance of impending growth. Beginning in 1997, the City adopted its first Comprehensive Plan to pave the way for planning in the future. To keep the Plan relevant and functioning as a living document it has gone through transformations in 2001 and again in 2009. In 2012 staff began working on 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 is updating its Thoroughfare Plan, Subdivision Plan, Water and Wastewater Master Plan, and Capital Improvement Plan.

The CIP models are 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. Additionally, the CIP plan allows the City to be proactive with economic development opportunities by moving a project forward, capturing an unforeseen opportunity. If the growth does not materialize in the manner assumed, the projects are delayed until appropriate time. If the City does not have flexible and aggressive planning the growth will eventually overwhelm the infrastructure systems. Without proactive planning services, residents, and businesses all will suffer with infrastructure systems at capacity.

In 2012 we negotiated with businesses to enhance local retail opportunities. We partnered with local businesses in promotion of Celina through special events such as the Balloon Festival, the Main Street Golf Tournament, Cinco de Mayo festival, and upcoming Cajun Festival. A close relationship between local businesses and the City is vital to Celina's future.

The City of Celina has partnered with the Economic Development Corporation, the Chamber of Commerce and the School Districts to engineer a strategic plan. The plan will create opportunities for existing and new businesses to share ideas and creatively solve issues concerning public infrastructure, public safety, and economic development. This process will also allow citizens to be involved in their local governance. The focus is to be creative while being accountable and transparent. We must be open to new opportunities as they are presented to us. We should be able to respond to requests by gathering facts and focusing on what is best for our community.

In a recent study done by the University of Texas at Arlington it was suggested that "knowledge, creativity, and innovation will dominate the future local economy". As competition for tax dollars grows, collaboration with the Independent School Districts, Collin College, and Counties will be vital to maximizing our competitive advantages. The study further states, "Cities and regions that prosper will be those with the best performances in technology, tolerance, talent and territorial assets because they will attract creative workers."

In 2012, 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 2012 the City of Celina issued an additional 4.5 Million Dollars in bonds to purchase City Hall and the United Methodist Church buildings. The City has a plan to use the church building as a performing art center. The City has accomplished all of these while maintaining its tax rate at \$0.645 per \$100.00 of property value.

In 2012, TXDOT started widening of 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 that will allow citizens of Celina to more conveniently travel through Celina from Dallas North Toll way to State Highway 75.

City leaders continued with a conservative fiscal policy by closely monitoring expenditures while maintaining service levels and outstanding customer. Staff is constantly searching for efficiencies to make the organization more versatile. An example was the purchase of the ticket writer in April 2012. This investment allowed the police officers to spend less time at the traffic stops and more time at patrolling the neighborhood.

Our community leaders will face many challenges as they attempt to navigate a changing horizon. We are strategically planning to solve the issues of the future, while preserving the city's heritage. Strong and creative volunteers struggled to ensure that the necessary focus was placed on how Celina will develop. Many have sacrificed to ensure we grow in a manner beneficial to all living in our community.

The City of Celina continued to enjoy constant but moderate growth in 2012. The City issued 81 building permits, compared to 75 permits last year. Accordingly, permit fee collections have increased by \$78,493 or 31 percentage points for the same period. For the fiscal year 2011-2012, the City collected \$329,432 in permit fees compared with \$250,939 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 improvement in housing construction for the region as well as the state.

The City of Celina's portion of sales tax collection increased from \$290,835 in FY 2010-2011 to \$338,053 in FY 2011-2012 (figures do not include CEDC or CCDC collections). The City is experiencing a 16 percentage points or \$47,218 increase in sales tax collections in FY 2011-2012. The increase follows the trend through the state. The cost of fuel has forced the population to travel less and shop closer to their homes. The opening new retail shops and restaurants played a role in the increase of sales tax revenue as well. Management anticipates that this increase will continue through FY 2012-2013 with a moderate pace.

Total assessed value of the properties for the City of Celina increased from \$461,631,888 in FY 2011 to \$481,645,071 FY 2012. This increase represents a recovery from declining property values and is a sign that economy stabilizing in this region. The City of Celina has completely recovered from drop in property values in recent years. The increase resulted from new construction and 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%
2010	454,151,622.00	-2%
2011	461,631,888.00	1.6%
2012	481,645,071.00	4.3%

Total water sales for the FY 2012 remains un-changed, indicating the two rate increases stabilized the fund. Total revenue from water sales for the FY 2012 was \$2,548,942.

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%
2004	818,403.00	16%
2005	1,157,066.00	41%
2006	1,871,163.00	62%
2007	1,298,932.00	(30%)
2008	1,598,567.00	23%
2009	1,602,364.00	0.24%
2010	1,944,348.00	21%
2011	2,549,933.00	31%
2012	2,548,942.00	0%

Total sewer increased from \$946,269 in FY 2011 to \$994,332 in FY 2011-2012.

The increase of \$48,063 or 5 percentage points entirely is the result of increase in sale since the second utility rate increase in April 2011 excluded the Sewer. 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%
2004	341,976.00	10%
2005	403,498.00	18%
2006	509,798.00	26%
2007	485,948.00	(5%)
2008	546,556.00	13%
2009	572,299.00	4.7%
2010	774,022.00	35%
2011	946,269.00	22%
2012	994,332.00	5.1%

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 or jtoutouchian@celina-tx.gov .

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
ASSETS						
Current and other assets	\$ 5,817,269	\$ 3,341,978	\$ 3,387,790	\$ 2,737,158	\$ 9,205,059	\$ 6,079,136
Capital assets, net	17,566,161	16,262,773	13,940,974	14,017,796	31,507,135	30,280,569
Total Assets	23,383,430	19,604,751	17,328,764	16,754,954	40,712,194	36,359,705
LIABILITIES						
Other liabilities	1,178,819	1,285,561	902,326	641,719	2,081,145	1,927,280
Long-term debt	11,841,222	8,294,082	9,064,513	9,239,699	20,905,735	17,533,781
Total Liabilities	13,020,041	9,579,643	9,966,839	9,881,418	22,986,880	19,461,061
NET ASSETS						
Invested in capital assets, net of related debt	5,724,939	7,968,691	6,717,653	6,830,370	12,442,592	14,799,061
Restricted for debt service	422,120	469,988		422,120	422,120	892,108
Restricted for capital projects	3,473,356	214,348			3,473,356	214,348
Unrestricted	742,974	1,372,081	644,272	(378,954)	1,387,246	993,127
Total Net Assets	\$ 10,363,389	\$ 10,025,108	\$ 7,361,925	\$ 6,873,536	\$ 17,725,314	\$ 16,898,644

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Program revenues:						
Charges for services	\$ 1,042,829	\$ 733,947	\$ 4,377,926	\$ 4,190,142	\$ 5,420,755	\$ 4,924,089
Operating grants/contributions	231,301	295,140			231,301	295,140
Capital grants/contributions	-	391,623	70,000		70,000	391,623
General revenues:						
Ad valorem taxes	3,021,800	2,967,206			3,021,800	2,967,206
Sales taxes	338,053	290,835			338,053	290,835
Franchise Taxes	299,999	355,576			299,999	355,576
Other	479,886	264,332	28,306	10,075	508,192	274,407
Total revenues	5,413,868	5,298,659	4,476,232	4,200,217	9,890,100	9,498,876
Expenses:						
Administration	799,116	993,291			799,116	993,291
Judicial	70,066	70,205			70,066	70,205
Fire and emergency services	1,176,359	1,169,196			1,176,359	1,169,196
Development services	472,329	363,133			472,329	363,133
Public works	366,560	369,952			366,560	369,952
Police department	749,274	938,031			749,274	938,031
Parks and recreation	503,298	362,409			503,298	362,409
Library	126,116	126,482			126,116	-
Infrastructure	207,097	418,484			207,097	418,484
Main street project	99,726	57,880			99,726	57,880
Interest and fiscal charges	358,718	326,153			358,718	326,153
Water, Sewer and Sanitation Services			3,572,057	3,306,335	3,572,057	3,306,335
Total Expenses	4,928,659	5,195,216	3,572,057	3,306,335	8,500,716	8,501,551
Excess (deficiency) before transfers	485,209	103,443	904,175	893,882	1,389,384	997,325
Transfers	95,000	75,000	(95,000)	(75,000)	-	-
Change in Net Assets	580,209	178,443	809,175	818,882	1,389,384	997,325
Net assets - October 1	10,025,108	9,846,665	6,873,536	6,054,654	16,898,644	15,901,319
Prior period adjustment	(241,928)	-	(320,786)	-	(562,714)	-
Net assets - October 1 as restated	9,783,180	9,846,665	6,552,750	6,054,654	16,335,930	15,901,319
Net assets - September 30	\$ 10,363,389	\$ 10,025,108	\$ 7,361,925	\$ 6,873,536	\$ 17,725,314	\$ 16,898,644

**CITY OF CELINA, TEXAS
COMPARATIVE BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012 and 2011**

	General	Debt Service	Capital Projects	Total Governmental Funds	
				2012	2011
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,451,301	\$ 473,576	\$ -	\$ 1,924,877	\$ 1,229,979
Cash and cash equivalents - restricted			3,494,081	3,494,081	\$ 983,006
Investment in Texpool	2,373			2,373	2,370
Sales taxes receivable	65,226			65,226	58,001
Property taxes receivable, net	49,810	9,488		59,298	57,384
EMS receivable	434,615			434,615	296,870
Other receivables	63,775			63,775	57,781
Due from other funds	400,000			400,000	400,000
Due from component units	27,979			27,979	27,530
Total Assets	\$ 2,495,079	\$ 483,064	\$ 3,494,081	\$ 6,472,224	\$ 3,112,921
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts payable	138,142		20,725	158,867	324,997
Accrued salaries and benefits	49,560			49,560	47,958
Other accrued liabilities	73,102	153		73,255	46,303
Due to other funds		20,278	647,965	668,243	20,278
Due to component units	93,795			93,795	79,326
Deferred revenue	445,535	9,488	516,320	971,343	853,605
Total Liabilities	800,134	29,919	1,185,010	2,015,063	1,372,467
<u>FUND BALANCES</u>					
Restricted for:					
Capital improvements			2,309,071	2,309,071	214,348
Debt service		453,145		453,145	473,465
Unassigned	1,694,945			1,694,945	1,052,641
Total Fund Balances	1,694,945	453,145	2,309,071	4,457,161	1,740,454
Total Liabilities and Fund Balances	\$ 2,495,079	\$ 483,064	\$ 3,494,081	\$ 6,472,224	\$ 3,112,921

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended September 30, 2012 and 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	
				2012	2011
REVENUES:					
Ad valorem taxes	\$ 2,645,688	\$ 374,197		\$ 3,019,885	\$ 2,975,142
Franchise taxes	299,999			299,999	355,576
Sales tax	338,053			338,053	290,835
Permits and inspection fees	340,547			340,547	257,605
Component units contributions		340,000		340,000	165,000
Development fees	56,411			56,411	16,286
Fire department and EMS fees	244,505			244,505	262,435
Fines	186,302			186,302	95,016
Other income	96,809		23,196	120,005	82,758
Collin County road contributions	-			-	236,623
Donations and fund raising events	175,346			175,346	155,935
Interest	22,355	8,487	12,234	43,076	16,574
Park fees	85,111			85,111	18,907
Federal and state grants	32,760			32,760	294,205
Total Revenues	4,523,886	722,684	35,430	5,282,000	5,222,897
EXPENDITURES:					
Administration	774,209			774,209	979,059
Judicial	70,066			70,066	70,205
Fire and emergency services	1,062,174			1,062,174	1,140,328
Development services	472,329			472,329	363,133
Public works	350,295		23,007	373,302	568,890
Police department	729,737			729,737	913,898
Parks and recreation	288,239			288,239	176,313
Library	126,116			126,116	126,482
Main street project	99,726			99,726	57,880
Capital outlay	34,094		1,904,325	1,938,419	1,464,171
Debt Service:					
Principal retirement		363,145		363,145	257,590
Interest and fiscal charges		379,859		379,859	312,974
Bond issuance costs		2,518	47,887	50,405	33,292
Total Expenditures	4,006,985	745,522	1,975,219	6,727,726	6,464,215
Excess (Deficiency) of Revenues Over Expenditures	516,901	(22,838)	(1,939,789)	(1,445,726)	(1,241,318)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	30,403			30,403	48,381
Proceeds from issuance of bonds		112,046	4,034,512	4,146,558	1,400,000
Payment to bond refunding agent		(109,528)		(109,528)	-
Operating transfers in (out)	95,000			95,000	75,000
Net Other Financing Sources (Uses)	125,403	2,518	4,034,512	4,162,433	1,523,381
Net change in fund balances	642,304	(20,320)	2,094,723	2,716,707	282,063
Fund balance, October 1	1,052,641	473,465	214,348	1,740,454	1,458,391
Fund balance, September 30	\$ 1,694,945	\$ 453,145	\$ 2,309,071	\$ 4,457,161	\$ 1,740,454

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF FUND NET ASSETS
PROPRIETARY FUND
September 30, 2012 and 2011

	2012 <u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>	2011 <u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
ASSETS		
Cash and cash equivalents	\$ 491,418	\$ 90,042
Investment in TexPool	3,170	3,166
Investment in TexPool, restricted for capital projects	2,072,946	2,052,273
Accounts receivable, net	552,013	637,600
Due from other funds	668,243	20,278
Total current assets	<u>3,787,790</u>	<u>2,803,359</u>
Capital Assets:		
Land	154,114	154,115
Buildings	43,769	43,769
Water & sewer infrastructure	19,028,514	18,651,555
Vehicles	125,689	113,689
Equipment	327,746	323,768
Less accumulated depreciation	(5,738,858)	(5,269,100)
Capital Assets, net	<u>13,940,974</u>	<u>14,017,796</u>
Bond issuance costs	-	333,799
Total assets	<u>\$ 17,728,764</u>	<u>\$ 17,154,954</u>
LIABILITIES		
Accounts payable	185,784	217,202
Accrued salaries and benefits	53,620	38,514
Bonds payable - current	543,005	659,938
Infrastructure advance from CISD - current	141,587	109,171
Accrued interest payable	25,583	27,528
Meter deposits payable	168,095	145,715
Deferred revenue	237,490	212,760
Due to other funds	400,000	400,000
Total current liabilities	<u>1,755,164</u>	<u>1,810,828</u>
Infrastructure advance from CISD - long-term	614,283	783,535
Bonds payable - long-term	7,765,638	7,687,055
Deferred bond credits	231,754	-
Total non-current liabilities	<u>8,611,675</u>	<u>8,470,590</u>
Total liabilities	<u>10,366,839</u>	<u>10,281,418</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,717,653	6,830,370
Restricted for capital projects, net of related debt (\$2,072,946 each, 2012) (\$2,052,273 each, 2011)	-	-
Unrestricted	644,272	43,166
Total Net Assets	<u>\$ 7,361,925</u>	<u>\$ 6,873,536</u>

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Water sales	\$ 2,548,942	\$ 2,549,933
Sewer sales	994,332	946,269
Garbage fees	328,534	308,022
Penalties	66,785	70,218
Tap and reconnect fees	146,007	107,470
Impact fees	203,756	143,829
Other revenues	89,570	64,401
Total Operating Revenues	<u>4,377,926</u>	<u>4,190,142</u>
OPERATING EXPENSES:		
Salaries and benefits	319,695	328,438
Garbage fees	321,236	307,009
Licenses and permits	8,369	6,993
Materials and supplies	73,336	106,768
Engineering	82,341	5,737
Postage	23,881	21,089
Repairs and facility maintenance	276,330	119,667
General insurance	12,949	5,449
Vehicle expense	36,122	34,739
Utilities and telephone	218,316	243,239
Chemicals	18,132	23,785
Water purchases and related fees	1,190,776	1,134,597
Bad debt provision	-	611
Depreciation & amortization	469,758	529,712
Other expense	51,730	28,664
Total Operating Expenses	<u>3,102,971</u>	<u>2,896,497</u>
Operating Income	<u>\$ 1,274,955</u>	<u>\$ 1,293,645</u>

(Continued)

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	\$ 28,306	\$ 9,245
Gain on sale of fixed assets	-	830
Interest and fiscal charges	<u>(469,086)</u>	<u>(409,838)</u>
Total Nonoperating Revenues (Expenses)	<u>(440,780)</u>	<u>(399,763)</u>
Income (loss) before contributions and transfers	834,175	893,882
Capital contributions	70,000	-
Transfers out to other funds	<u>(95,000)</u>	<u>(75,000)</u>
Change in net assets	809,175	818,882
Total net assets, October 1	6,873,536	6,054,654
Prior Period Adjustment	<u>(320,786)</u>	-
Total net assets, October 1 as restated	<u>6,552,750</u>	<u>6,054,654</u>
Total net assets, September 30	<u>\$ 7,361,925</u>	<u>\$ 6,873,536</u>

BASIC FINANCIAL STATEMENTS

**CITY OF CELINA, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,451,301	\$ 491,418	\$ 1,942,719	\$ 177,667
Investment in Texpool	2,373	3,170	5,543	
Property taxes receivable, net	49,810		49,810	
Sales taxes receivable	65,226		65,226	65,226
Fines receivable, net	13,288		13,288	
Accounts receivable, net	434,615	552,013	986,628	
Other receivables	63,775		63,775	
Due from component units	27,979		27,979	
Due from primary government				93,795
Internal balances	(268,243)	268,243		
Restricted assets:				
Cash and cash equivalents	3,967,657		3,967,657	
Property taxes receivable, net	9,488		9,488	
Investment in Texpool restricted for capital projects		2,072,946	2,072,946	
Capital assets:				
Land	666,931	154,115	821,046	
Construction in progress		1,392,555	1,392,555	
Capital assets, net	16,899,230	12,394,304	29,293,534	
Total Assets	23,383,430	17,328,764	40,712,194	336,688
LIABILITIES				
Accounts payable	138,142	185,784	323,926	
Accrued salaries and benefits	158,945	53,620	212,565	
Other accrued expenses	73,255		73,255	
Due to component units	93,795		93,795	
Deferred revenue	357	237,490	237,847	
Meter deposits payable		168,095	168,095	
Deferred bond credits	116,336	231,754	348,090	
Due to primary government				27,979
Payable from restricted assets:				
Accounts payable	20,725		20,725	
Deferred revenue	516,320		516,320	
Accrued interest	60,944	25,583	86,527	
Long-term liabilities:				
Due within one year:				
Bonds payable	451,995	543,005	995,000	
Capital leases	44,859		44,859	
Infrastructure advance from CISD		141,587	141,587	
Due in more than one year:				
Bonds payable	11,344,368	7,765,638	19,110,006	
Infrastructure advance from CISD		614,283	614,283	
Total Liabilities	13,020,041	9,966,839	22,986,880	27,979
NET ASSETS				
Invested in capital assets, net of related debt	5,724,939	6,717,653	12,442,592	
Restricted for debt service	422,120		422,120	
Restricted for capital projects	3,473,356		3,473,356	
Restricted for capital projects (\$2,072,946) net of related debt (\$2,072,946)		-		
Unrestricted	742,974	644,272	1,387,246	308,709
Total Net Assets	\$ 10,363,389	\$ 7,361,925	\$ 17,725,314	\$ 308,709

The accompanying notes are an integral part of these financial statements
22

**CITY OF CELINA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
Governmental activities:								
Administration	\$ 799,116	\$ -	\$ -	\$ -	\$ (799,116)		\$ (799,116)	\$ -
Judicial	70,066				(70,066)		(70,066)	
Fire and emergency services	1,176,359	368,577	106,181		(701,601)		(701,601)	
Development services	472,329	56,411			(415,918)		(415,918)	
Public works	366,560	340,547			(26,013)		(26,013)	
Police department	749,274	192,183			(557,091)		(557,091)	
Parks and recreation	503,298	85,111			(418,187)		(418,187)	
Library	126,116		18,832		(107,284)		(107,284)	
Infrastructure	207,097		23,196		(183,901)		(183,901)	
Main street project	99,726		83,092		(16,634)		(16,634)	
Economic development								(90,808)
Interest and fiscal charges	358,718				(358,718)		(358,718)	
Total governmental activities	4,928,659	1,042,829	231,301	-	(3,654,529)		(3,654,529)	(90,808)
Business-type activities:								
Water and sewer services	3,572,057	4,377,926		70,000		875,869	875,869	
Total business-type activities	3,572,057	4,377,926	-	70,000	-	875,869	875,869	
Total all activities	\$ 8,500,716	\$ 5,420,755	\$ 231,301	\$ 70,000	\$ (3,654,529)	\$ 875,869	\$ (2,778,660)	\$ (90,808)
General revenues:								
Ad valorem taxes					3,021,800		3,021,800	
Sales taxes					338,053		338,053	341,021
Franchise taxes					299,999		299,999	
Miscellaneous income and contributions					96,810		96,810	(3,731)
Unrestricted investment earnings					43,076	28,306	71,382	1,890
Intergovernmental transfers					340,000		340,000	(340,000)
Transfers					95,000	(95,000)	-	
Total general revenues and transfers					4,234,738	(66,694)	4,168,044	(820)
Change in net assets					580,209	809,175	1,389,384	(91,628)
Net assets-beginning of year					10,025,108	6,873,536	16,898,644	400,337
Prior period adjustment					(241,928)	(320,786)	(562,714)	
Net assets-beginning of year as restated					9,783,180	6,552,750	16,335,930	400,337
Net assets-end of year					\$ 10,363,389	\$ 7,361,925	\$ 17,725,314	\$ 308,709

The accompanying notes are an integral part of these financial statements

**CITY OF CELINA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Pooled cash and cash equivalents	\$ 1,451,301	\$ 473,576	\$ -	\$ 1,924,877
Cash and cash equivalents - restricted			3,494,081	3,494,081
Investment in Texpool	2,373			2,373
Sales taxes receivable	65,226			65,226
Property taxes receivable, net	49,810	9,488		59,298
EMS receivable, net	434,615			434,615
Other receivables	63,775			63,775
Due from other funds	400,000			400,000
Due from component units	27,979			27,979
Total Assets	\$ 2,495,079	\$ 483,064	\$ 3,494,081	\$ 6,472,224

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	138,142		20,725	158,867
Accrued salaries and benefits	49,560			49,560
Other accrued liabilities	73,102	153		73,255
Due to other funds		20,278	647,965	668,243
Due to component units	93,795			93,795
Deferred revenue	445,535	9,488	516,320	971,343
	800,134	29,919	1,185,010	2,015,063

FUND BALANCES

Restricted for:				
Capital Projects			2,309,071	2,309,071
Debt Service		453,145		453,145
Unassigned	1,694,945			1,694,945
Total Fund Balances	1,694,945	453,145	2,309,071	4,457,161
Total Liabilities and Fund Balances	\$ 2,495,079	\$ 483,064	\$ 3,494,081	\$ 6,472,224

Governmental fund balances as presented above: 4,457,161

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

Capital assets reported in the statement of net assets are not financial resources and are not reported in the fund balance sheet. 17,566,161

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 \$59,298 and EMS and fines receivable of \$395,368 and \$13,288. 467,954

Interest due on long-term debt is recorded as accrued interest payable in the statement of net assets but do not become a liability on the fund statements until the date due. (60,944)

Long-term liabilities are reported in the statement of net assets but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet. (12,066,943)

\$ 10,363,389

CITY OF CELINA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Ad valorem taxes	\$ 2,645,688	\$ 374,197	\$ -	\$ 3,019,885
Franchise taxes	299,999			299,999
Sales tax	338,053			338,053
Permits and inspection fees	340,547			340,547
Component units contributions		340,000		340,000
Development fees	56,411			56,411
Fire department and EMS revenues	244,505			244,505
Fines	186,302			186,302
Other income	96,809		23,196	120,005
Donations	175,346			175,346
Interest	22,355	8,487	12,234	43,076
Park fees	85,111			85,111
Federal and state grants	32,760			32,760
Total Revenues	4,523,886	722,684	35,430	5,282,000
EXPENDITURES:				
Current:				
Administration	774,209			774,209
Judicial	70,066			70,066
Fire and emergency services	1,062,174			1,062,174
Development services	472,329			472,329
Public works	350,295		23,007	373,302
Police department	729,737			729,737
Parks and recreation	288,239			288,239
Library	126,116			126,116
Main street project	99,726			99,726
Capital Outlay	34,094		1,904,325	1,938,419
Debt Service:				
Principal		363,145		363,145
Interest and fiscal charges		379,859		379,859
Bond issuance costs		2,518	47,887	50,405
Total Expenditures	4,006,985	745,522	1,975,219	6,727,726
Excess (Deficiency) of Revenues Over Expenditures	516,901	(22,838)	(1,939,789)	(1,445,726)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	30,403			30,403
Proceeds from issuance of bonds		112,046	4,034,512	4,146,558
Payment to bond refunding agent		(109,528)		(109,528)
Operating transfers in (out)	95,000			95,000
Net Other Financing Sources (Uses)	125,403	2,518	4,034,512	4,162,433
Net change in fund balances	642,304	(20,320)	2,094,723	2,716,707
Fund balance, October 1	1,052,641	473,465	214,348	1,740,454
Fund balance, September 30	\$ 1,694,945	\$ 453,145	\$ 2,309,071	\$ 4,457,161

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, 2012

Net change in fund balances - total governmental funds	\$ 2,716,707
Amounts reported for governmental activities in the statement of net assets 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 \$1,938,419 exceeded depreciation expense of \$(630,332).	1,308,087
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 assets differs from the change in fund balance by the net book value of the assets disposed.	(4,699)
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 assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt retired for the year \$406,270 and refunded \$106,590 less bonds issued (\$4,060,000).	(3,547,140)
Changes in the liability for compensated absences do not require the use of current resources and therefore are not recorded in the funds.	(12,540)
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 \$1,915, court fines receivable \$5,881, and EMS receivables \$124,072.	131,868
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, \$(15,781); and the increase in accrued interest on debt \$27,855.	(12,074)
Change in net assets of governmental activities	<u>\$ 580,209</u>

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

**CITY OF CELINA, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2012**

	Enterprise Fund Water & Sewer Activities
ASSETS	
Cash and cash equivalents	\$ 491,418
Investment in TexPool	3,170
Investment in TexPool restricted for capital projects	2,072,946
Accounts receivable, net	552,013
Due from other funds	668,243
Total current assets	3,787,790
Capital Assets:	
Land	154,114
Buildings	43,769
Water & sewer infrastructure	19,028,514
Vehicles	125,689
Equipment	327,746
Less accumulated depreciation	(5,738,858)
Capital Assets, net	13,940,974
Total assets	\$ 17,728,764
 LIABILITIES	
Accounts payable	185,784
Accrued salaries and benefits	53,620
Bonds payable - current	543,005
Infrastructure advance from CISD - current	141,587
Accrued interest payable	25,583
Meter deposits payable	168,095
Deferred revenue	237,490
Due to other funds	400,000
Total current liabilities	1,755,164
Infrastructure advance from CISD - long-term	614,283
Bonds payable - long-term	7,765,638
Deferred bond credits	231,754
Total non-current liabilities	8,611,675
Total liabilities	10,366,839
 NET ASSETS	
Invested in capital assets, net of related debt	6,717,653
Restricted for capital projects (\$2,072,946), net of related debt (\$2,072,946)	-
Unrestricted	644,272
Total Net Assets	\$ 7,361,925

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

CITY OF CELINA, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended September 30, 2012

	<u>Enterprise Fund</u>
	<u>Water & Sewer</u>
	<u>Activities</u>
OPERATING REVENUES:	
Water sales	\$ 2,548,942
Sewer sales	994,332
Garbage fees	328,534
Penalties	66,785
Tap and reconnect fees	146,007
Impact fees	203,756
Other revenues	89,570
Total Operating Revenues	4,377,926
 OPERATING EXPENSES:	
Salaries and benefits	319,695
Garbage fees	321,236
Licenses and permits	8,369
Materials and supplies	73,336
Engineering	82,341
Postage	23,881
Repairs and facility maintenance	276,330
General insurance	12,949
Vehicle expense	36,122
Utilities and telephone	218,316
Chemicals	18,132
Water purchases and related fees	1,190,776
Depreciation & amortization	469,758
Other expense	51,730
Total Operating Expenses	3,102,971
Operating Income	\$ 1,274,955

(Continued)

CITY OF CELINA, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended September 30, 2012

	Enterprise Fund
	Water & Sewer
	Activities
NONOPERATING REVENUES (EXPENSES):	
Interest income	\$ 28,306
Interest and fiscal charges	(469,086)
Total Nonoperating Revenues (Expenses)	(440,780)
Income (loss) before contributions and transfers	834,175
Capital contributions	70,000
Operating Transfers in (out)	(95,000)
Change in net assets	809,175
Total net assets, October 1	6,873,536
Prior Period Adjustment	(320,786)
Total net assets, October 1 as restated	6,552,750
Total net assets, September 30	\$ 7,361,925

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

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2012

	Enterprise Fund
	Water & Sewer
	Activities
Cash flows from operating activities:	
Cash received from customers and users	\$ 4,506,490
Cash paid to suppliers	(2,363,181)
Cash paid to employees	(304,589)
Net cash provided (used) by operating activities	1,838,720
Cash flows from noncapital financing activities:	
Change in customer deposits	22,380
Operating transfers (to) from other funds	(95,000)
Advances (to) from other funds	(647,965)
Net cash provided (used) for noncapital financing activities	(720,585)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(392,937)
Proceeds from issuance of bonds	4,969,766
Capital contributions	70,000
Principal payments - bonds payable	(4,763,350)
Principal payments - other obligations	(136,836)
Interest paid on bonds payable and other long-term obligations	(471,031)
Net cash provided (used) by capital and related financing activities	(724,388)
Cash flows from investing activities:	
Net redemptions (purchases) of investments	(20,677)
Investment income	28,306
Net cash provided (used) by investing activities	7,629
 Net increase (decrease) in cash and cash equivalents	 401,376
Cash and cash equivalents, October 1	90,042
Cash and cash equivalents, September 30	\$ 491,418

(Continued)

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

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2012

Reconciliation of Net Income to Net Cash Provided (Used)
by Operating Activities

	Enterprise Fund
	Water & Sewer
	Activities
Operating income (loss)	\$ 1,274,955
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	469,758
(Increase) decrease in accounts receivable (net)	85,587
Increase (decrease) in accounts payable and accrued expense	(16,312)
Increase (decrease) in deferred revenues	24,732
Total Adjustments	563,765
Net cash provided by operating activities	\$ 1,838,720

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

City of Celina, Texas
Notes to Financial Statements
September 30, 2012

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Celina, Texas and its component units, Celina Economic Development Corporation and Celina Community Development Corporation, collectively identified as the "City" have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2012.

(A) Reporting Entity and Related Organizations

The City is a municipal corporation governed by an elected mayor and six member City Council. The City provides general administration, public works, police and judicial, and fire and emergency services to its residents. The Council hires a City Manager for day to day operations.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental "reporting entity" as defined by Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2012:

Discretely Presented Component Units:

Celina Economic Development Corporation (CEDC) - CEDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CEDC board for cause. CEDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Celina, Texas.

1. Introduction and Summary of Significant Accounting Policies - continued

Celina Community Development Corporation (CCDC) - CCDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CCDC board for cause. CCDC is a nonprofit corporation governed by Section 4B of the Texas Development Corporation Act of 1979 and organized for the public purpose of the promotion and development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare of the City of Celina, Texas.

Neither CEDC nor CCDC prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported in separate columns with composite columns for non-major funds.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

1. Introduction and Summary of Significant Accounting Policies - continued

The government-wide statements report using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest which are reported as expenditures in the year due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for water and sewer sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

Capital Projects Fund - accounts for the financing and acquisition of major capital projects. Fund resources are provided primarily through bond sales and interest earnings.

1. Introduction and Summary of Significant Accounting Policies - continued

Proprietary Funds

The City reports the following major enterprise fund:

Water and Sewer Fund - accounts for the operating activities of the City's water and sewer utilities services.

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City maintains cash and investment pools which are shared by the various governmental funds. In addition, non-pooled cash and investments are separately held and reflected in the respective individual funds. These pooled and non-pooled cash and investment pools are displayed on its respective balance sheet as "cash and cash equivalents" and "investment in TexPool."

Investments are reported at fair value determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value.

Bank certificates of deposit are carried at cost which approximates fair value.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories and Prepaids

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaids are similarly reported in government-wide and fund financial statements.

I. Introduction and Summary of Significant Accounting Policies - continued

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if historical cost is not available, they are stated at estimated historical cost. These assets are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Road infrastructure	15 - 50
Water & sewer infrastructure & rights	20 - 40
Vehicles	5
Furniture, machinery, and equipment	5

The City has not capitalized any interest costs in the carrying value of capital assets.

Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

1. Introduction and Summary of Significant Accounting Policies – continued

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council.

Unassigned - all other spendable amounts in the general fund.

The City Council delegates the responsibility to assign funds to the City Manager, Director of Finance, or other designee as determined by the Council.

When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

Compensated Absences

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave is paid upon termination of employment. Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment.

Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in wages and benefits payable.

(F) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

1. Introduction and Summary of Significant Accounting Policies – continued

(G) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Manager submits an annual budget to the City Council in accordance with the laws of the State of Texas and the city charter. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of City of Celina, Texas (primary government) and its component units, CEDC and CCDCC, are fully insured or collateralized with securities held by the City or component unit, its agent, or by the pledging financial institution's trust department or agent in the name of the City or component unit, respectively.

3. Deposits and Investments - continued

Investments

During the year ended September 30, 2012 the City invested only in Texas Local Government Investment Pool ("TexPool"). TexPool, a public funds investment pool created by the Treasurer of the State of Texas acting by and through the Texas Treasury Safekeeping Trust Company, is empowered to invest funds and act as custodian of investments purchased with local investment funds. Authorized investments of TexPool include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements. At September 30, 2012, the carrying amount of City's investments in TexPool approximate its fair value. At September 30, 2012, the carrying amount and fair value of the City's investment in TexPool was \$2,078,489. TexPool is rated for credit risk as AAAM.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Treasurer (in his absence the City Manager). Investing is performed in accordance with investment policies adopted by the City Council complying with state statutes. City investment policy and state statute generally permit the City to invest in FDIC insured or fully collateralized certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas, and obligations of agencies, counties, cities and other political subdivisions of Texas having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended September 30, 2012, the City did not own any types of securities other than those permitted by statute.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs. In addition, investment maturities shall not exceed the following limits:

- Operating funds - 30 days
- Capital project funds - corresponding draw schedules
- Debt service funds - corresponding payment dates, not to exceed (6) six months
- Bond reserve funds - (5) five years

City policy states that volatile investment instruments shall be avoided and that nonmarketable instruments with maturities beyond one month shall not exceed 30 percent of the portfolio.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. City policy requires that the risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types to eliminate the risk of loss from over-concentration of assets in a specific issuer, or a specific class of securities.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy on safekeeping and custody requires that investments shall be secured through safekeeping agreements. All investment funds shall be placed directly with qualified financial institutions selected through the City's banking procurement process. All transactions shall be executed on a delivery versus payment basis.

4. **Receivables, Uncollectible Accounts, and Deferred Revenue**

Enterprise Fund Receivables, Uncollectible Accounts and Deferred Revenue

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Enterprise Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. Following is the detail of the Enterprise Fund receivables and the related allowance for uncollectible accounts:

Accounts receivable, gross	\$552,013
Less: allowance for uncollectible accounts	<u>-0-</u>
Net accounts receivable	<u>\$552,013</u>

The City reports deferred revenue of \$237,490 for water and sewer impact fees that have been collected, but are awaiting expenditure for the designated purpose.

Property Taxes Receivable, Deferred Revenue, and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Collin County Central Appraisal District at 100% of market value. As of January 1, 2011, all real property was assessed at a net taxable value of \$461,631,888.

The property tax rate for the year ended September 30, 2012 was .645 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund type:

Maintenance and operations-General Fund	.5652
Debt Service Fund	<u>.0798</u>
Total tax rate	<u>.6450</u>

The property tax levy for the year ending September 30, 2012 was \$2,977,526. Collections of the current year property tax levy were \$2,933,137 or 99% of the current year tax levied.

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City with a 10% allowance for estimated uncollectible amounts regardless of when cash is received. Over time substantially all property taxes are collected.

The City's full year property tax calendar is as follows:

- October 1-Full year tax levy assessed for the current fiscal year-taxes are due and payable.
- January 1-Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.
- February 1-Penalty and interest charges begin to accrue on unpaid past due taxes.
- July 1-Taxes become delinquent and are subject to attorney fees incurred for collection.

4. Receivables, Uncollectible Accounts, and Deferred Revenue - continued

Allowance for Uncollectible Taxes

The City records an allowance for uncollectible property taxes in order to estimate the amount of taxes that will ultimately prove to be uncollectible. Management has determined that an allowance in the amount of ten percent (10%) of the property taxes receivable in each of the applicable fund types should be adequate to provide for uncollectible property taxes. No provisions are made for uncollectible sales tax receivables, or grants receivable as management estimates that these amounts will be fully collectible.

Fines and Court Costs Receivable and Related Allowances

In the governmental fund financial statements, fines and court costs are recognized as revenue on the cash basis.

In the government-wide financial statements, the City records fines and court costs receivable net of amounts estimated to be uncollectible and net of any amounts that would be due to other governmental entities as a result of collection. Management has determined the estimate of uncollectible fines and court costs through an analysis of actual amounts collected subsequent to year end. Amounts due to other governmental entities have been determined based on distribution requirements of the State of Texas.

Grants Receivable

Grants receivable were collected within 60 days of the end of the fiscal year, accordingly, no allowance for uncollectible amounts has been recorded. These amounts are recorded similarly in both the governmental fund statements and the government-wide financial statements. Grant revenues are recorded as earned when eligibility requirements are met. Grant revenues received prior to meeting grant eligibility requirements are recorded as deferred revenue.

5. Capital Assets

The following table provides a summary of changes in capital assets, including assets recorded under capital leases:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 459,931	\$ 207,000	\$ -0-	\$ 666,931
Construction in progress	<u>1,327,170</u>	<u>223,864</u>	<u>1,551,034</u>	<u>-0-</u>
Total capital assets not being depreciated	<u>1,787,101</u>	<u>430,864</u>	<u>1,551,034</u>	<u>666,931</u>
Capital assets being depreciated:				
Buildings & Improvements	128,908	1,132,614		1,261,522
Parks	6,076,593	1,308,231		7,384,824
Road Infrastructure	11,069,312	242,803		11,312,115
Vehicles	839,047	282,103	120,913	1,000,237
Furniture & Equipment	<u>770,357</u>	<u>92,838</u>		<u>863,195</u>
Total capital assets	<u>18,884,217</u>	<u>3,058,589</u>	<u>120,913</u>	<u>21,821,893</u>
Total accumulated depreciation	<u>4,408,545</u>	<u>630,332</u>	<u>116,214</u>	<u>4,922,663</u>
Governmental Activities Capital Assets, net	<u>\$16,262,773</u>	<u>\$ 2,859,121</u>	<u>\$ 1,555,733</u>	<u>\$ 17,566,161</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land and easements	\$ 154,114	\$	\$	\$ 154,114
Construction in progress	<u>1,092,579</u>	<u>299,976</u>		<u>1,392,555</u>
Total capital assets not being depreciated	<u>1,246,693</u>	<u>299,976</u>	<u>-0-</u>	<u>1,546,669</u>
Other capital assets being depreciated:				
Buildings	43,769			43,769
Water & sewer infrastructure	17,558,976	76,983		17,635,959
Vehicles	113,689	12,000		125,689
Equipment	<u>323,768</u>	<u>3,978</u>		<u>327,746</u>
Total capital assets	<u>19,286,895</u>	<u>392,937</u>	<u>-0-</u>	<u>19,679,832</u>
Less: accumulated depreciation	<u>5,269,099</u>	<u>469,759</u>		<u>5,738,858</u>
Business-type Activities Capital Assets, net	<u>\$14,017,796</u>	<u>\$ (76,822)</u>	<u>\$ -0-</u>	<u>\$ 13,940,974</u>

5. Capital Assets - continued

Depreciation expense for governmental activities was charged to functions of the City as follows:

Administration	\$ 20,727
Fire and emergency services	124,399
Road infrastructure	207,097
Public works	4,568
Parks	215,059
Police department	<u>58,482</u>
Total	<u>\$ 630,332</u>

Depreciation expense recorded in business-type activities and the Enterprise Fund was \$469,758.

The gross amount of assets included in the equipment category above which were recorded under capital lease obligations is \$383,320. Accumulated amortization of these assets is \$268,328. Amortization expense is included in depreciation expense.

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

Certificates of obligation bonds issued by the City are backed by the full faith and credit of the City. These bonds are to be repaid with property taxes levied for debt service and recorded in the Debt Service Fund. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level. Other debt issued to support governmental activities are capital lease obligations which are primarily paid from the General Fund.

Interest expense for governmental activities was \$308,313 and is reported as a separate line item in the statement of activities.

Business-type Activities - Revenue Bonds

Revenue bonds consist of debt issued to support activities of the Enterprise (water and sewer) Fund. In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system. Other debt issued to support business-type activities are capital lease obligations which are secured by the equipment purchased with the capital lease proceeds.

Interest expense for business-type activities and the Enterprise (water and sewer) Fund was \$469,086 for the year.

The following page contains is a summary of changes in bonds payable and capital lease obligations for the year:

6. Long-Term Obligations - continued

	Balance 10/01/11	Issued	Retired	Refunded	Balance 9/30/12	Due Within One Year
<i>Governmental Activities:</i>						
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	\$	\$ 3,955,000	\$	\$	\$ 3,955,000	\$ 115,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2011, 3.0%-4.125%, 2012-2031	1,400,000		10,000		1,390,000	35,000
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2004, 4.625%-5.00%, 2004-2029	5,885,217		217,097		5,668,120	231,258
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2001, 5.25%-5.55%, 2003-2021	106,590			106,590	-0-	
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023		105,000			105,000	-0-
General Obligation Refunding Bonds Series 2007, 4.00%-4.25%, 2008-2021	746,206		67,963		678,243	70,737
Capital lease obligations	<u>156,069</u>		<u>111,210</u>		<u>44,859</u>	<u>44,859</u>
Total Governmental Activities	<u>\$ 8,294,082</u>	<u>\$ 4,060,000</u>	<u>\$ 406,270</u>	<u>\$ 106,590</u>	<u>\$11,841,222</u>	<u>\$ 496,854</u>
<i>Business-type Activities:</i>						
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2001, 5.25%-5.55%, 2003-2021	233,410			233,410	-0-	
Tax and Waterworks and Sewer System Revenue Refunding bonds Series 2001, 4.625%-5.25%, 2003-2015	50,000		15,000	35,000	-0-	
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2003, 3.0%-4.50%, 2003-2023	4,110,000		275,000	3,835,000	-0-	
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2004, 4.625 %-5.00%, 2004-2029	349,784		12,903		336,881	13,742
Tax & Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2007, 2.60%-3.60%, 2009-2028	1,660,000		180,000		1,480,000	185,000
Tax & Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032		720,000			720,000	25,000
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023		4,005,000			4,005,000	135,000
General Obligation Refunding Bonds Series 2007, 4.00%-4.25%, 2008-2021	<u>1,943,799</u>		<u>177,037</u>		<u>1,766,762</u>	<u>184,263</u>
Total Business-type Activities	<u>\$ 8,346,993</u>	<u>\$4,725,000</u>	<u>\$ 659,940</u>	<u>\$ 4,103,410</u>	<u>\$ 8,308,643</u>	<u>\$ 543,005</u>
Total Primary Government Long-term Debt	<u>\$16,641,075</u>	<u>\$8,785,000</u>	<u>\$ 1,066,210</u>	<u>\$ 4,210,000</u>	<u>\$20,149,865</u>	<u>\$1,039,859</u>

6. Long-Term Obligations - continued

The City's general obligation bonds are guaranteed by the full faith and credit of the City. The bond issues are approved by the voters and repaid with property taxes recorded in the Debt Service Fund. Current requirements for principal and interest of these obligations are accounted for in the Debt Service Fund.

Capital lease agreements represent general obligations of the City, and are secured by the equipment acquired by the capital lease proceeds. Current requirements for principal and interest of capital lease obligations are accounted for in the appropriate fund for which the liability was incurred.

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt and capital lease obligations are as follows at year-end:

Fiscal Year Ending September 30,	<i>Governmental Activities</i>					
	Bonds Payable		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 451,995	\$ 488,631	\$ 44,859	\$ 1,803	\$ 496,854	\$ 490,434
2014	495,595	443,806			495,595	443,806
2015	521,141	424,550			521,141	424,550
2016	536,128	404,328			536,128	404,328
2017	587,512	384,058			587,512	384,058
2018-2022	3,157,322	1,599,282			3,157,322	1,599,282
2023-2027	3,440,296	982,073			3,440,296	982,073
2028-2032	<u>2,606,374</u>	<u>263,539</u>			<u>2,606,374</u>	<u>263,539</u>
Totals	<u>\$ 11,796,363</u>	<u>\$ 4,990,267</u>	<u>\$ 44,859</u>	<u>\$ 1,083</u>	<u>\$ 11,841,222</u>	<u>\$ 4,992,070</u>

Fiscal Year Ending September 30,	<i>Business-type Activities</i>					
	Bonds Payable		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 543,005	\$ 263,259			\$ 543,005	\$ 263,259
2014	559,405	241,548			559,405	241,548
2015	808,859	223,926			808,859	223,926
2016	843,872	201,069			843,872	201,069
2017	862,488	177,015			862,488	177,015
2018-2022	3,677,678	499,587			3,677,678	499,587
2023-2027	734,704	105,241			734,704	105,241
2028-2032	<u>278,632</u>	<u>31,287</u>			<u>278,632</u>	<u>31,287</u>
Totals	<u>\$ 8,308,643</u>	<u>\$ 1,742,932</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 8,308,643</u>	<u>\$ 1,742,932</u>

6. Long-Term Obligations - continued

In addition to the bonds and capital leases above, the City also has the following long-term obligations:

	Balance 10/01/11	Increase	Decrease	Balance 9/30/12	Due Within One Year
<i>Governmental Activities:</i>					
Compensated absences	\$ 96,845	\$ 12,540	\$ -0-	\$ 109,385	\$ 109,385

It is anticipated that the liability for compensated absences described above will be paid from the General Fund when due.

	Balance 10/01/11	Increase	Decrease	Balance 9/30/12	Due Within One Year
<i>Business-type Activities:</i>					
Obligation due to Celina ISD	\$ 892,706	\$	\$ 136,836	\$ 755,870	\$141,587

The obligation due to Celina ISD is a result of the school district funding the cost for the installation of a new water line that provides service to school facilities. The obligation is non-interest bearing however, the City has discounted the debt to estimated present value using the assumption of a 5.5% annual interest rate. The agreement with Celina ISD is that the City will not bill the school for water use until such time as the cumulative billings are equal to the cost of installing the water line. At the current rate of water use by Celina ISD, City management estimates approximately \$180,000 of gross billings for annual water use will be credited to this obligation over each of the next five years.

7. Refunded Debt

During 2012, the City issued general obligation refunding bonds of \$4,110,000 (par value) with interest rates ranging from 2.0% to 3.0% as a current refunding of term bonds with interest rates ranging from 3.15% to 5.55%, and a par value of \$4,210,000. The term bonds mature on September 1, 2023. The general obligation refunding bonds were issued at par plus a premium of \$238,408 and, after paying issuance costs of \$94,308, the net proceeds were \$4,254,100. As a result of this current refunding, the City reduced its total debt service requirements by \$522,668, which resulted in an economic gain (difference between the present value of the debt service requirements on the old and new debt) of \$333,480.

8. Retirement Plan

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

8. Retirement Plan - continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) and three year trend information for the City are as follows:

Three Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contributions Made</u>	<u>Net Pension Obligation</u>
09/30/10	\$ 110,371	\$110,371	-0-
09/30/11	\$ 127,984	127,984	-0-
09/30/12	\$ 92,028	92,028	-0-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information for the three most recent actuarial valuations, as of December 31 are as follows:

8. Retirement Plan - continued

Annual Pension Cost

Valuation Date	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Cost Method - Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	27.9 years closed period	30.0 years closed period	24.6 years closed period
Amortization period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year smoothed Market	10-year smoothed Market	10-year smoothed Market
Actuarial assumptions:			
Investment rate of return*	7.5%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-Living adjustments	0.0%	0.0%	0.0%

Funding Status and Funding Progress – The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

**Analysis of Funding Progress
(in Thousands of Dollars)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Over-funded) Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	\$1,658	\$1,709	52	97%	\$2,147	2.4%
12/31/10	\$2,056	\$2,066	10	99%	\$2,313	0.4%
12/31/11	\$2,455	\$2,260	(195)	109%	\$2,376	(8.2%)

8. Retirement Plan - continued

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial valuations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility to actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented above provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

9. Litigation

From time to time, the City is involved in litigation in the ordinary course of business. City management considers the likelihood of any material liability resulting from this litigation to be remote.

10. Contingencies

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended September 30, 2012 have not been conducted. Accordingly, the City's compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

11. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

The following schedule reports receivables and payables within the reporting entity at year-end:

	<u>Receivable</u>	<u>Payable</u>
Debt Service Fund	\$	\$ 20,278
Enterprise Fund	668,243	400,000
General Fund	427,979	93,795
Capital Projects Fund		647,965
Component units	93,795	27,979

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

11. Balances and Transfers/Payments Within the Reporting Entity – continued:

The government-wide statement of activities eliminates transfers reported within governmental activities. The following schedule reports transfers and payments within the reporting entity:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 95,000	\$
Enterprise Fund		95,000

The above transfer provided the General Fund with supplementary revenue for the year.

12. Service Area Acquisition

The City has entered into an agreement with Marilee Special Utility District formerly known as Gunter Rural Water Supply Corporation (GRWSC) whereby the City would acquire the rights to provide water and/or sewer services to certain areas within GRWSC jurisdiction. The City compensates GRWSC for the right to provide these services. The City capitalized the cost of acquiring these rights and amortizes these costs over a period of 40 years. These costs are included in the cost of water and sewer infrastructure on the statements of net assets.

13. Operating Lease

The City has entered into a lease agreement for copier machines. Following is a summary of the annual minimum lease requirements under this agreement:

<u>Year ending 9/30</u>	<u>Annual lease requirement</u>
2013	10,489
2014	8,472
2015	<u>706</u>
Total required	<u>\$19,667</u>

Municipal building rental expense for the year ending September 30, 2012 was \$111,524. The City purchased the municipal building in 2012. This lease payment ceased in 2012 and is included in debt service requirements for future periods.

14. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Celina, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Celina, Texas and the surrounding area.

15. Subsequent Events

Management has considered the need to disclose subsequent events as of March 17, 2013 which is the date the financial statements were available for review.

Subsequent to year end, the City purchased the Methodist church building located adjacent to the square for approximately \$800,000 using bond proceeds available for that purpose.

15. Subsequent Events – continued:

The fire station incurred a fire loss subsequent to year end. The City is considering options to rebuild or replace the fire station with another facility. The fire was covered by TML insurance, and the City expects that the loss will be covered by insurance. The City Council is considering options to replace the fire station.

16. Prior Period Adjustments

The City implemented new accounting standards issued by the Governmental Accounting Standards Board that states the cost of issuing bonds should no longer be maintained on the balance sheet and amortized over the life of the bonds. Current guidance states that the cost of issuing bonds should be expensed in the year incurred. The prior period adjustment removes previously capitalized bond issuance costs from the proprietary fund balance sheet and the statement of net assets in accordance with this guidance.

APPENDIX C

**FORM OF BOND COUNSEL'S OPINION
(THE BONDS)**

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[Closing Date]

Fulbright & Jaworski LLP
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IN REGARD to the authorization and issuance of the "City of Celina, Texas, General Obligation Refunding Bonds, Series 2013," dated July 1, 2013, in the principal amount of \$4,315,000 (the "Bonds"), we have examined into their issuance by the City of Celina, Texas (the "City") solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on September 1 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the City in connection with the issuance of the Bonds, including the Ordinance, the Special Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent") and a special report of Grant Thornton LLP (the "Accountants"), (ii) certifications and opinions of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and to certain other facts within the knowledge and control of the City, and (iii) such other documentation, including an examination of the Bond executed and delivered initially by the City (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Accountants as to the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds 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 corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, 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.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds 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, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, 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.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION
(THE CERTIFICATES)

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[Closing Date]

Fulbright & Jaworski LLP
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201-2784
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013," dated July 1, 2103 in the principal amount of \$5,325,000 (the "Certificates"), we have examined into their issuance by the City of Celina, Texas (the "City") solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on September 1 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the City in connection with the issuance of the Certificates, including the Ordinance, (ii) certifications and opinions of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and to certain other facts within the knowledge and control of the City, and (iii) such other documentation, including an examination of the Certificate executed and delivered initially by the City (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's Waterworks and

Page 2 of Legal Opinion of Fulbright & Jaworski LLP

Re: "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge)
Revenue Certificates of Obligation, Series 2013"

Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. 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 corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, 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.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. 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, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, 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.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX E

BOND INSURANCE SPECIMEN FOR THE CERTIFICATES

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal of interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud) whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

Financial Advisory Services
Provided By

FirstSouthwest 

OFFICIAL STATEMENT

Dated: March 14, 2011

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

*The City has designated the Certificates as "Qualified Tax-Exempt Obligations"
See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.*

\$1,400,000**CITY OF CELINA, TEXAS****(Collin County)**

**TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2011**

Dated Date: April 1, 2011**Due: September 1, as shown on page ii**

The City of Celina, Texas (the "City" or "Issuer") \$1,400,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2011 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the "Ordinance") adopted by the City Council, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and further secured by a limited pledge of \$1,000 of the surplus net revenues derived from the operation of the Issuer's combined waterworks and sewer system. (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from April 1, 2011 (the "Dated Date") as shown above and will be payable March 1 and September 1 of each year, commencing March 1, 2012, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying the City's contractual obligations to be incurred for (i) the construction of public works, to wit: construction and improvement of a Town Square including street, sidewalk, landscaping, beautification, drainage and parking improvements and (ii) professional services rendered in connection with such projects and the financing thereof. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after September 1, 2022, on September 1, 2021, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. In addition, the Certificates maturing September 1, 2025, September 1, 2028 and September 1, 2031 are subject to mandatory sinking fund redemption, as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

STATED MATURITY SCHEDULE**(On Page ii)**

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Fulbright & Jaworski L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C - Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about April 13, 2011.

STATED MATURITY SCHEDULE
(Due September 1)
Base CUSIP – 151141 ^(a)

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2012	\$ 10,000	3.500	1.000	LY 2
2013	35,000	3.500	1.200	LZ 9
2014	35,000	3.250	1.300	MA 3
2015	35,000	3.250	1.650	MB 1
2016	35,000	3.250	1.900	MC 9
2017	60,000	3.125	2.150	MD 7
2018	65,000	3.125	2.400	ME 5
2019	65,000	3.000	2.650	MF 2
2020	70,000	3.000	2.900	MG 0
2021	70,000	3.000	3.100	MH 8

\$320,000 3.800% Term Certificate due September 1, 2025 Price to Yield 3.800% MM 7^(a)

\$285,000 4.000% Term Certificate due September 1, 2028 Price to Yield 4.050% MQ 8^(a)

\$315,000 4.125% Term Certificate due September 1, 2031 Price to Yield 4.200% MT 2^(a)

^(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

CITY OF CELINA, TEXAS
 142 N. Ohio Street
 Celina, Texas 75009
 (972) 382-2682

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>On Council Since</u>	<u>Term Expires May</u>
Jim Lewis	Mayor	2008	2011
Sean Terry	Mayor Pro Tem	2008	2013
Larry Berg	Council Member	2011	2013
Deweye E. Isham, Jr.	Council Member	2009	2012
Wayne Nabors	Council Member	2007	2012
Dick Smith	Council Member	2008	2011
Bill Webber	Council Member	2010	2011

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years With The City</u>
Jason Gray ^(a)	City Manager	4 years
Jay Toutouchian	City Treasurer	6 years
Vicki Faulkner	City Secretary	15 years
Lance Vanzant	City Attorney	8 years
Joseph V. Johnson	Director of Public Works	13 years
Keith J. Billick	Director of Development Services	3 years

^(a) Mr. Gray has tendered his resignation, effective March 20, 2011, in order to accept a similar position at another area municipality.

CONSULTANTS AND ADVISORS

Bond Counsel	Fulbright & Jaworski L.L.P. Dallas, Texas
Financial Advisor	Southwest Securities Dallas, Texas
Certified Public Accountant	Scott, Singleton, Fincher and Company, P.C. Greenville, Texas

For Additional Information Please Contact:

Mr. Jason Gray
 City Manager
 City of Celina
 142 N. Ohio Street
 Celina, Texas 75009
 (972) 382-2682 (Phone)

Mr. Dan A. Almon
 Senior Vice President
 Southwest Securities
 1201 Elm Street, Suite 3500
 Dallas, Texas 75270
 (214) 859-9452 (Phone)