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**CITY OF CELINA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 12,608,922	\$ 12,912,649	\$ 25,521,571	\$ 1,686,224
Investment in Texpool	2,436	3,255	5,691	
Property taxes receivable, net	29,082		29,082	
Sales taxes receivable	203,665		203,665	203,665
Accounts receivable, net	44,906	1,501,039	1,545,945	
Other receivables	144,096		144,096	
Due from component units	96,540		96,540	
Prepaid items	7,322	393,023	400,345	
Net pension asset	329,316	44,297	373,613	
Restricted assets:				
Cash and cash equivalents	37,696,059	37,418,734	75,114,793	
Property taxes receivable, net	11,803		11,803	
Capital assets:				
Land	3,637,345	1,328,043	4,965,388	
Construction in progress	2,864,975	11,570,190	14,435,165	
Capital assets, net	49,762,900	37,175,568	86,938,468	
Total Assets	107,439,367	102,346,798	209,786,165	1,889,889
Deferred outflows of resources:				
Deferred outflows - related to pensions	389,858	56,159	446,017	
Deferred outflows - related to OPEB	11,745	1,629	13,374	
Total Assets and deferred outflows of resources	107,840,970	102,404,586	210,245,556	1,889,889
Liabilities				
Accounts payable	807,980	643,517	1,451,497	
Accrued salaries and benefits	658,758	81,598	740,356	
Accrued interest				3,371
Unearned revenue	8,136,682	7,918,309	16,054,991	
Meter deposits payable		622,234	622,234	
Escrow deposits	1,122,392		1,122,392	
Total OPEB liability	61,524	8,533	70,057	
Due to primary government				96,540
Payable from restricted assets:				
Accounts payable for capital projects		1,733,621	1,733,621	
Accrued interest	143,013	105,278	248,291	
Long-term liabilities:				
Due within one year:				
Bonds payable	2,126,055	1,520,733	3,646,788	
Infrastructure advance from CISO		72,503	72,503	
Due in more than one year:				
Note Payable				1,044,263
Bonds payable	45,630,486	65,133,971	110,764,457	
Total Liabilities	58,686,890	77,840,297	136,527,187	1,144,174
Deferred inflows of resources:				
Deferred inflows - related to pensions	197,420	26,756	224,176	
Total deferred inflows of resources	197,420	26,756	224,176	-
Net Position				
Net investment in capital assets	32,376,605	18,675,162	51,051,767	
Restricted for debt service	1,825,333		1,825,333	
Restricted for capital projects (\$28,403,650) net of related debt (\$23,867,926)	4,535,724		4,535,724	
Restricted for capital projects (\$35,328,568) net of related debt (\$35,328,568)		-		
Unrestricted	10,218,998	5,862,371	16,081,369	745,715
Total Net Position	\$ 48,956,660	\$ 24,537,533	\$ 73,494,193	\$ 745,715

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

CITY OF CELINA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Aggregate Component Units
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
Governmental activities:								
Administration	\$ 3,305,724	\$ -	\$ -	\$ -	\$ (3,305,724)		\$ (3,305,724)	\$ -
Judicial	173,809				(173,809)		(173,809)	
Fire and emergency services	2,898,525	1,031,818			(1,866,707)		(1,866,707)	
Development services	1,812,852	119,344			(1,693,508)		(1,693,508)	
Public works	5,760,436	5,982,027			221,591		221,591	
Police department	2,598,590	141,900	1,610		(2,455,080)		(2,455,080)	
Parks and recreation	1,284,123	183,034		1,441,125	340,036		340,036	
Library	230,781				(230,781)		(230,781)	
Infrastructure	823,826	407,707		18,924,564	18,508,445		18,508,445	
Main street project	59,285				(59,285)		(59,285)	
Economic development					-		-	(912,979)
Community development								(200,000)
Interest and fiscal charges	840,645		200,000		(640,645)		(640,645)	
Total governmental activities	19,788,596	7,865,830	201,610	20,365,689	8,644,533		8,644,533	(1,112,979)
Business-type activities:								
Water and sewer services	12,887,075	16,506,407		3,432,870		7,052,202	7,052,202	
Total business-type activities	12,887,075	16,506,407	-	3,432,870	-	7,052,202	7,052,202	
Total all activities	\$ 32,675,671	\$ 24,372,237	\$ 201,610	\$ 23,798,559	\$ 8,644,533	\$ 7,052,202	\$ 15,696,735	\$ (1,112,979)
General revenues:								
Ad valorem taxes					7,464,462		7,464,462	
Sales taxes					1,150,663		1,150,663	1,146,290
Franchise taxes					420,352		420,352	
Miscellaneous					1,177,894		1,177,894	14,850
Unrestricted investment earnings					436,017	332,227	768,244	13,770
Transfers					(907,706)	907,706	-	
Total general revenues and transfers					9,741,682	1,239,933	10,981,615	1,174,910
Change in net position					18,386,215	8,292,135	26,678,350	61,931
Net Position-beginning of year					30,608,404	16,250,662	46,859,066	683,784
Prior period adjustment					(37,959)	(5,264)	(43,223)	-
Net Position-end of year					\$ 48,986,660	\$ 24,537,533	\$ 73,494,193	\$ 745,715

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

**GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS**

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**CITY OF CELINA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018**

	General Fund	Debt Service Fund	Fire Improvement Fund	Street Construction Fund	Facilities Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 10,254,515	\$ 1,730,308	\$ -	\$ -	\$ -	\$ 624,099	\$ 12,608,922
Investment in Texpool	2,436						2,436
Cash and cash equivalents - restricted			7,777,105	12,233,501	7,978,823	9,706,630	37,696,059
Sales taxes receivable	203,665						203,665
Property taxes receivable, net	29,082	11,803					40,885
EMS receivable, net	44,906						44,906
Other receivables	131,368						131,368
Prepaid items	7,322						7,322
Due from component units	96,768						96,768
Due from other funds		83,375					83,375
Total Assets	\$ 10,770,062	\$ 1,825,486	\$ 7,777,105	\$ 12,233,501	\$ 7,978,823	\$ 10,330,729	\$ 50,915,706
Liabilities							
Accounts payable	298,083		177,505	126,944	128,310	77,138	807,980
Accrued salaries and benefits	312,335	153					312,488
Due to other funds	82,724					879	83,603
Escrowed funds	1,122,392						1,122,392
Unearned revenue	14,320			4,589,310		3,533,052	8,136,682
Total Liabilities	1,829,854	153	177,505	4,716,254	128,310	3,611,069	10,463,145
Deferred Inflows of Resources							
Unavailable property taxes receivable	29,032	11,803					40,835
Total Deferred Inflows of Resources	29,032	11,803	-	-	-	-	40,835
Fund Balances							
Nonspendable:							
Prepays	7,322						7,322
Restricted for:							
Capital Projects			7,599,600	7,517,247	7,850,513	6,096,504	29,063,864
Debt Service		1,813,530					1,813,530
Assigned for use in specific funds						623,156	623,156
Unassigned	8,903,854						8,903,854
Total Fund Balances	8,911,176	1,813,530	7,599,600	7,517,247	7,850,513	6,719,660	40,411,726
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,770,062	\$ 1,825,486	\$ 7,777,105	\$ 12,233,501	\$ 7,978,823	\$ 10,330,729	\$ 50,915,706

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

CITY OF CELINA, TEXAS
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
Year Ended September 30, 2018

Amounts presented for governmental activities in the statement of net position are different because:	\$ 40,411,726
Capital assets reported in the statement of net position are not financial resources and are not reported in the fund balance sheet.	56,265,220
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 \$40,835 and fines receivable of \$12,728.	53,563
Net pension assets \$329,316, the related deferred outflows of resources \$389,858, the related deferred inflows of resources (\$197,420) are not available to pay current-period expenditures and therefore are not recorded in the funds.	521,754
Total OBEP liability (\$61,524) and the related deferred outflows of resources \$11,745 are not available to pay current-period expenditures and therefore are not recorded in the funds.	(49,779)
Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the date due.	(143,013)
Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet.	<u>(48,102,811)</u>
Net Position of Governmental Activities	<u>\$ 48,956,660</u>

CITY OF CELINA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2018

	General Fund	Debt Service Fund	Fire Improvement Fund	Street Construction Fund	Facilities Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Ad valorem taxes	\$ 4,899,354	\$ 2,555,174	\$ -	\$ -	\$ -	\$ -	\$ 7,454,528
Franchise taxes	420,352						420,352
Sales tax	1,150,663						1,150,663
Permits and inspection fees	5,982,027						5,982,027
Component unit contributions		200,000					200,000
Development fees	119,344						119,344
Developer park contributions						1,441,125	1,441,125
Fire department, EMS, and police revenues	1,031,818						1,031,818
Fines	142,332						142,332
Special events and donations	81,695					83,493	165,188
Park fees and donations	183,034						183,034
Other income	155,777				25,000	1,246,240	1,427,017
Interest	142,169	33,139	23,692	93,568	18,205	125,244	436,017
Federal, state & local grants						1,610	1,610
Total Revenues	14,308,565	2,788,313	23,692	93,568	43,205	2,897,712	20,155,055
Expenditures:							
Current:							
Administration	3,029,913					6,288	3,036,201
Judicial	172,610						172,610
Fire and emergency services	2,435,746					9,467	2,445,213
Development services	1,787,306						1,787,306
Public works	1,120,923			4,355,918	10,152	117,037	5,604,030
Police department	2,367,180					6,857	2,374,037
Parks and recreation	802,479					176,000	978,479
Library	230,090						230,090
Main street project						59,285	59,285
Capital Outlay			889,062	536,960	346,134	2,065,746	3,837,902
Debt Service:							
Principal		1,436,110					1,436,110
Interest and fiscal charges		908,016					908,016
Bond issuance cost		146,002					146,002
Total Expenditures	11,946,247	2,490,128	889,062	4,892,878	356,286	2,440,680	23,015,281
Excess (Deficiency) of Revenues Over Expenditures	2,362,318	298,185	(865,370)	(4,799,310)	(313,081)	457,032	(2,860,226)
Other Financing Sources (Uses):							
Issuance of bonds		1,684,910	7,500,000	6,419,060	7,355,000		22,958,970
Proceeds of refunding bonds		6,105,287					6,105,287
Payment to bond refunding agent		(6,022,090)					(6,022,090)
Transfers in (out)	(16,997)	(1,622,105)				731,396	(907,706)
Net Other Financing Sources (Uses)	(16,997)	146,002	7,500,000	6,419,060	7,355,000	731,396	22,134,461
Net change in fund balances	2,345,321	444,187	6,634,630	1,619,750	7,041,919	1,188,428	19,274,235
Fund balance, October 1	6,565,855	1,369,343	964,970	5,897,497	808,594	5,531,232	21,137,491
Fund balance, September 30	\$ 8,911,176	\$ 1,813,530	\$ 7,599,600	\$ 7,517,247	\$ 7,850,513	\$ 6,719,660	\$ 40,411,726

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, 2018

Net change in fund balances - total governmental funds **\$ 19,274,235**

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

Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$3,837,902 exceeded depreciation expense of \$(2,065,683). 1,772,219

Infrastructure contributed to the City does not provide current resources and therefore is not recorded in the funds. 18,924,564

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt retired for the year \$1,436,110 plus debt refunded \$4,387,894, less new bonds issued (\$25,820,000) and deferred bond credits (\$1,610,061). (21,606,057)

Changes in the liabilities for compensated absences do not require the use of current resources and therefore are not recorded in the funds. (89,894)

Changes in long term amounts for net pension assets \$287,461, the related deferred outflows of resources related to pensions (\$90,477), and the related deferred inflows of resources related to pensions (\$144,285) are not recorded in the funds. 52,699

Changes in long term amounts for total OPEB liability (\$18,764), the related deferred outflows of resources \$6,944 are not recorded in the funds. (11,820)

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 deferred inflows from ad valorem taxes of \$9,934 and the change in fines receivable of (\$7,036). 2,898

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, \$134,440; and the increase in accrued interest on debt (\$67,069). 67,371

Change in net position - governmental activities **\$ 18,386,215**

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

CITY OF CELINA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Ad valorem taxes	\$ 4,519,779	\$ 4,877,691	\$ 4,899,354	\$ 21,663
Franchise taxes	326,261	328,090	420,352	92,262
Sales tax	1,045,352	1,062,748	1,150,663	87,915
Permits and inspection fees	3,989,700	6,040,964	5,982,027	(58,937)
Development fees	150,000	123,288	119,344	(3,944)
Fire department and EMS revenues	684,000	941,365	1,031,818	90,453
Fines	222,000	155,534	142,332	(13,202)
Special events and donations	89,308	72,933	81,695	8,762
Park fees	163,500	159,141	183,034	23,893
Other income	43,054	185,719	155,777	(29,942)
Interest	75,725	92,810	142,169	49,359
Total Revenues	11,308,679	14,040,283	14,308,565	268,282
EXPENDITURES:				
Administration	3,228,635	3,298,816	3,029,913	268,903
Judicial	183,125	187,390	172,610	14,780
Fire and emergency services	2,550,164	2,555,842	2,435,746	120,096
Development services	1,635,240	1,835,168	1,787,306	47,862
Public works	1,014,067	1,165,383	1,120,923	44,460
Police department	2,513,424	2,515,102	2,367,180	147,922
Parks and recreation	903,907	904,407	802,479	101,928
Library	263,569	263,919	230,090	33,829
Total Expenditures	12,292,131	12,726,027	11,946,247	779,780
Excess (deficiency) of revenues over (under) expenditures	(983,452)	1,314,256	2,362,318	1,048,062
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	983,003	(16,997)	(16,997)	-
Total Other Financing Sources (Uses)	983,003	(16,997)	(16,997)	-
Net change in fund balance	(449)	1,297,259	2,345,321	1,048,062
Fund balance, October 1	6,565,855	6,565,855	6,565,855	-
Fund balance, September 30	\$ 6,565,406	\$ 7,863,114	\$ 8,911,176	\$ 1,048,062

SCHEDULE NOTES:

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.

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

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**PROPRIETARY FUND
FINANCIAL STATEMENTS**

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**CITY OF CELINA, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018**

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 12,912,649
Cash and cash equivalents - restricted for capital projects	1,733,621
Investment in TexPool	3,255
Accounts receivable, net	1,501,039
Prepaid UTRWD facilities charges	393,023
Total current assets	<u>16,543,587</u>
Noncurrent Assets:	
Cash and cash equivalents - restricted for capital projects	35,685,113
Net pension asset	44,297
Capital Assets:	
Non-depreciable land	1,328,043
Non-depreciable construction in progress	11,570,190
Depreciable capital assets, net	37,175,568
Capital Assets, net	<u>50,073,801</u>
Total noncurrent assets	<u>85,803,211</u>
Deferred outflows of resources:	
Deferred outflows - related to pensions	56,159
Deferred outflows - related to OPEB	1,629
Total deferred outflows of resources	<u>57,788</u>
Total assets and deferred outflows of resources	<u>\$ 102,404,586</u>
Liabilities	
Accounts payable	643,517
Accounts payable for capital projects	1,733,621
Accrued salaries and benefits	81,598
Bonds payable - current	1,520,733
Infrastructure advance from CISD - current	72,503
Accrued interest payable	105,278
Meter deposits payable	622,234
Total OPEB liability	8,533
Unearned revenue	7,918,309
Total current liabilities	<u>12,706,326</u>
Bonds payable - long-term	65,133,971
Total non-current liabilities	<u>65,133,971</u>
Total liabilities	<u>77,840,297</u>
Deferred inflows of resources:	
Deferred inflows - related to pensions	26,756
Total deferred inflows of resources	<u>26,756</u>
Net Position	
Net investment in capital assets	18,675,162
Restricted for capital projects (\$35,328,568), net of related debt (\$35,328,568)	-
Unrestricted	5,862,371
Total Net Position	<u>\$ 24,537,533</u>

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

City of Celina, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2018

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Operating revenues:	
Water sales	\$ 6,437,153
Sewer sales	3,077,772
Garbage fees	687,200
Penalties	171,515
Tap and reconnect fees	1,829,970
Impact fees	1,558,580
Other revenues	2,744,217
Total Operating Revenues	<u>16,506,407</u>
Operating expenses:	
Salaries and benefits	1,143,707
Garbage fees	617,144
Materials and supplies	855,742
Postage	47,055
Repairs and facility maintenance	329,156
General insurance	27,809
Utilities and telephone	259,098
Water purchases and related fees	2,800,976
UTRWD facilities charges	1,642,099
Impact fees expense	1,654,656
Depreciation & amortization	1,263,446
Bond issuance costs	600,022
Other expense	626,591
Total Operating Expenses	<u>11,867,501</u>
Operating Income	<u>\$ 4,638,906</u>
Non-operating revenues (expenses):	
Interest income	\$ 332,227
Interest and fiscal charges	(1,019,574)
Total non-operating revenues (expenses)	<u>(687,347)</u>
Income (loss) before contributions and transfers	3,951,559
Capital contributions	3,432,870
Transfers in (out)	907,706
Change in net position	8,292,135
Net position, October 1	16,250,662
Prior period adjustment	(5,264)
Net position, September 30	<u><u>\$ 24,537,533</u></u>

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, 2018

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Cash flows from operating activities:	
Cash received from customers and users	\$ 19,272,390
Cash paid to suppliers	(8,235,486)
Cash paid to employees	(1,129,447)
Net cash provided (used) by operating activities	<u>9,907,457</u>
Cash flows from noncapital financing activities:	
Change in customer deposits	167,539
Transfers from other funds	907,706
Net cash provided (used) by noncapital financing activities	<u>1,075,245</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(10,210,609)
Bond proceeds	33,398,517
Principal payments - bonds payable	(3,140,995)
Principal payments - other obligations	(106,085)
Interest paid on bonds payable and other long-term obligations	(1,257,271)
Net cash provided (used) by capital and related financing activities	<u>18,683,557</u>
Cash flows from investing activities:	
Net redemptions (purchases) of investments	(53)
Investment income	332,227
Net cash provided (used) by investing activities	<u>332,174</u>
Net increase (decrease) in cash and cash equivalents	<u>29,998,433</u>
Cash and cash equivalents, October 1	<u>20,332,950</u>
Cash and cash equivalents, September 30	<u>\$ 50,331,383</u>

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, 2018

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

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Operating income	\$ 4,638,906
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	1,263,446
(Increase) decrease in accounts receivable (net)	(352,221)
(Increase) decrease in prepaid expenses	393,023
(Increase) decrease in net pension asset	(38,667)
(Increase) decrease in deferred outflows of resources - related to pensions	12,170
(Increase) decrease in deferred outflows of resources - related to OPEB	(963)
Increase (decrease) in accounts payable	831,629
Increase (decrease) in accrued expenses	19,919
Increase (decrease) in total OPEB liability	2,603
Increase (decrease) in unearned revenues	3,118,204
Increase (decrease) in deferred inflows of resources - related to pensions	<u>19,408</u>
Total Adjustments	<u>5,268,551</u>
Net cash provided by operating activities	<u>\$ 9,907,457</u>
Noncash capital and related financing activities	
Acquisition of capital assets from developers through capital contributions	<u>3,432,870</u>

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

**COMBINING DISCRETELY PRESENTED
COMPONENT UNITS
FINANCIAL STATEMENTS**

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**CITY OF CELINA, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018**

	Celina Economic Development Corporation	Celina Community Development Corporation	Total Aggregate Component Units
Assets			
Cash and cash equivalents	\$ 757,233	\$ 928,991	\$ 1,686,224
Sales taxes receivable	101,833	101,832	203,665
Due from primary government		114	114
Total Assets	859,066	1,030,937	1,890,003
Liabilities			
Accrued interest	3,371		3,371
Due to primary government	96,654		96,654
Due in more than one year:			
Note Payable	1,044,263		1,044,263
Total Liabilities	1,144,288	-	1,144,288
Net Position			
Unrestricted	(285,222)	1,030,937	745,715
Total Net Position	\$ (285,222)	\$ 1,030,937	\$ 745,715

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

CITY OF CELINA, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended September 30, 2018

	Celina Economic Development Corporation	Celina Community Development Corporation	Total Aggregate Component Units
Functions/Programs			
Economic development	\$ (912,979)	\$ -	\$ (912,979)
Community development		(200,000)	(200,000)
Total expenses	(912,979)	(200,000)	(1,112,979)
General revenues			
Sales taxes	573,145	573,145	1,146,290
Miscellaneous	14,850		14,850
Unrestricted investment earnings	3,312	10,458	13,770
Total general revenues	591,307	583,603	1,174,910
Change in net position	(321,672)	383,603	61,931
Net Position-beginning of year	36,450	647,334	683,784
Net Position-end of year	\$ (285,222)	\$ 1,030,937	\$ 745,715

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

**NOTES TO
FINANCIAL STATEMENTS**

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City of Celina, Texas
Notes to Financial Statements
September 30, 2018

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 remaining notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2018.

(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 as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. 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, 2018:

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. The City has the ability to impose its will on CEDC and the potential for financial benefit or burden from CEDC's operations. 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. The City has the ability to impose its will on CCDC and the potential for financial benefit or burden from CCDC's operations. 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 position 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 proprietary 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.

1. Introduction and Summary of Significant Accounting Policies - continued

The government-wide statements are prepared 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 measurement 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 are prepared 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.

Fire Improvement Fund accounts for the financing and acquisition of capital fire improvement projects. Fund resources are provided primarily through bond sales and interest earnings.

1. Introduction and Summary of Significant Accounting Policies - continued

Street Construction Fund accounts for the financing and acquisition of major capital street projects. Fund resources are provided primarily through bond sales and interest earnings.

Facilities Improvement Fund – accounts for the financing and acquisition of major capital facilities improvement projects. Fund resources are provided primarily through bond sales and interest earnings.

Additionally, the City maintains the following non-major governmental funds:

Parkland Fees Fund accounts for the financing and acquisition of major capital park projects. Fund resources are provided primarily through developer park contributions and grants.

Roadway Impact Fees Fund accounts for the receipt and expenditure of roadway fees paid to the City.

Capital Equipment Replacement Fund – accounts for the financing and acquisition of capital public safety projects. Fund resources are provided primarily through fire and police fees.

Park Construction Fund – accounts for the financing and acquisition of capital park projects. Fund resources are provided primarily through bond sales and interest earnings.

Main Street Fund – accounts for the receipt and expenditure of main street project funds. Fund resources are provided primarily through special events and donations.

Grants Fund accounts for the receipt and expenditure of grants funds. Fund resources are provided primarily through grants.

Law Enforcement Fund – accounts for the receipt and expenditure of law enforcement funds. Fund resources are provided primarily through police seizures.

Contributions/Donations Fund – accounts for the receipt and expenditure of contributions and donations. Fund resources are provided primarily through contributions and donations.

Court Security Fund accounts for the receipt and expenditure of court security funds. Fund resources are provided primarily through court security fees.

Court Technology Fund – accounts for the receipt and expenditure of court technology funds. Fund resources are provided primarily through court technology fees.

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

Roadway Capital Recovery Fees Fund accounts for the receipt and expenditure of road capital recovery fees paid to the City.

Technology Fund – accounts for the receipt and expenditure of technology funds. Fund resources are provided primarily through technology fees.

1. Introduction and Summary of Significant Accounting Policies - continued

Proprietary Funds

The City reports the following major Proprietary fund:

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

(E) Assets, Liabilities and Net Position 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 stated at fair value within the fair value hierarchy established by generally accepted accounting principles.

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.

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

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent the acquisition of resources that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time.

1. 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 reported at acquisition value. 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 Bond Credits, 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 straight-line 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.

Pensions

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

1. Introduction and Summary of Significant Accounting Policies – continued

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 accrued salaries and benefits.

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.

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 are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council's delegation of this responsibility to City management through the budgetary process.

Unassigned - all other spendable amounts in the general fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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.

1. Introduction and Summary of Significant Accounting Policies – continued

(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.

(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. Line-item transfers within a department are not subject to final review by the City Council. 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 General Fund budget and actual included in the basic financial statements 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 CCDC were fully insured or collateralized with securities held by the City, CCDC, its agent, or by the pledging financial institution's trust department or agent in the name of the City or CCDC, respectively. Deposits of CEDC were not fully insured or collateralized with securities held by CEDC, its agent, or by the pledging financial institution's trust department or agent in the name of CEDC throughout the year. Deposits of the CEDC were under secured by \$195,834 as of September 30, 2018.

Investments

Investments, when applicable, are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end, the City had no investments subject to the fair value hierarchy established by generally accepted accounting principles. For investments in local government pools, the reported value of the pool is the same as the fair value of the pool shares.

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 5,691	28 days
Total Investments	\$ 5,691	

TexPool is a public funds investment pool overseen by the Texas State Comptroller of Public Accounts acting by and through its full service provider, Federated Investors 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. 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 in compliance with the Public Funds Investment Act (PFIA). City investment policy and the PFIA 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, 2018, the City did not own any types of securities other than those permitted by the City investment policy or the Public Funds Investment Act.

3. Deposits and Investments – continued

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. City policy further 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. 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

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 Unearned Revenue

Proprietary Fund Receivables, Uncollectible Accounts and Unearned Revenue

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Proprietary 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 Proprietary Fund receivables and the related allowance for uncollectible accounts:

Accounts receivable, gross	\$1,612,876
Less: allowance for uncollectible accounts	<u>(111,837)</u>
Net accounts receivable	<u>\$1,501,039</u>

The City has recorded unearned revenue of \$7,918,309 water and sewer impact fees and sewer capacity fees that have been collected, but are awaiting expenditure for the designated purpose.

Property Taxes Receivable, Unearned Revenues, and the 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.

4. Receivables, Uncollectible Accounts, and Unearned Revenue – continued

The property tax rate for the year ended September 30, 2018 was .645 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund:

Maintenance and operations-General Fund	.4278
Debt Service Fund	<u>.2172</u>
Total tax rate	<u>.6450</u>

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 inflows of resources.

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.

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.

4. Receivables, Uncollectible Accounts, and Unearned Revenue – continued

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 unearned revenue.

5. Capital Assets

The following tables provide 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:				
Nondepreciable capital assets:				
Land	\$ 3,627,345	\$ 10,000	\$ -	\$ 3,637,345
Construction in progress	<u>292,982</u>	<u>2,571,993</u>		<u>2,864,975</u>
Total nondepreciable capital assets	3,920,327	2,581,993	-	6,502,320
Depreciable capital assets:				
Buildings and improvements	6,897,439	82,695		6,980,134
Parks	12,240,281			12,240,281
Road infrastructure	15,605,599	18,943,285		34,548,884
Furniture and equipment	2,502,754	561,441		3,064,195
Vehicles	<u>3,096,530</u>	<u>593,052</u>		<u>3,689,582</u>
Total depreciable capital assets	40,342,603	20,180,473	-	60,523,076
Total capital assets	44,262,930	22,762,466	-	67,025,396
Less: accumulated depreciation				
Buildings and improvements	515,535	202,002		717,537
Parks	2,036,550	244,531		2,281,081
Road infrastructure	4,088,268	805,324		4,893,592
Furniture and equipment	1,013,925	429,967		1,443,892
Vehicles	<u>1,040,215</u>	<u>383,859</u>		<u>1,424,074</u>
Total accumulated depreciation	8,694,493	2,065,683	-	10,760,176
Capital assets, net	<u>\$ 35,568,437</u>	<u>\$ 20,696,783</u>	<u>\$ -</u>	<u>\$ 56,265,220</u>

Current year increases include contributed infrastructure in the amount of \$18,924,564.

5. Capital Assets – continued

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Business-Type Activities:				
Nondepreciable capital assets:				
Land	\$ 1,328,043	\$ -	\$ -	\$ 1,328,043
Construction in progress	4,158,965	10,082,227	2,671,002	11,570,190
Total nondepreciable capital assets	5,487,008	10,082,227	2,671,002	12,898,233
Depreciable capital assets:				
Buildings and improvements	43,769			43,769
Water & sewer infrastructure	37,804,384	6,164,722		43,969,106
Vehicles	827,912	32,335		860,247
Equipment	1,670,670	35,197		1,705,867
Total depreciable capital assets	40,346,735	6,232,254	-	46,578,989
Total capital assets	45,833,743	16,314,481	2,671,002	59,477,222
Less: accumulated depreciation				
Buildings and improvements	26,808	1,094		27,902
Water & sewer infrastructure	7,624,064	1,012,212		8,636,276
Vehicles	218,014	128,546		346,560
Equipment	271,089	121,594		392,683
Total accumulated depreciation	8,139,975	1,263,446	-	9,403,421
Capital assets, net	<u>\$ 37,693,768</u>	<u>\$ 15,051,035</u>	<u>\$ 2,671,002</u>	<u>\$ 50,073,801</u>

Current year increases include capital contributions in the amount of \$3,432,870.

Component Units:

Nondepreciable capital assets:

Construction in progress	\$ 484,660		\$ 484,660	\$ -
Total nondepreciable capital assets	484,660	-	484,660	-
Capital assets, net	<u>\$ 484,660</u>	<u>\$ -</u>	<u>\$ 484,660</u>	<u>\$ -</u>

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

Administration	\$ 106,266
Fire and emergency services	437,934
Road infrastructure	823,826
Public works	166,249
Parks	300,035
Police department	205,512
Development services	24,140
Court	1,721
Total	<u>\$2,065,683</u>

Depreciation expense recorded in business-type activities and the Proprietary Fund was \$1,263,446.

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 \$840,645 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 Proprietary (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.

Interest expense for business-type activities and the Proprietary (water and sewer) Fund was \$1,019,574 for the year.

The following pages contain a summary of changes in bonds payable and capital lease obligations for the year:

6. Long-Term Obligations – continued

<i>Governmental Activities:</i>	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	\$ 1,093,573	\$ -	\$ 1,093,573	\$ -	\$ -
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	295,431		295,431	-	-
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2011, 3.0%-4.125%, 2012-2031	1,190,000		65,000	1,125,000	65,000
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	80,000		10,000	70,000	25,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	3,240,000		3,240,000	-	-
General Obligation Refunding Bonds Series 2013, 2.0%-3.5%, 2015-2027	3,505,000		330,000	3,175,000	340,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2013, 2.0%-4.0%, 2015-2033	5,185,000		125,000	5,060,000	120,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2014, 2.0%-4.0%, 2015-2034	2,710,000		130,000	2,580,000	130,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2015, 2.0%-5.0%, 2015-2035	2,090,000		80,000	2,010,000	80,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2016, 2.0%-4.0%, 2016-2036	2,115,000		165,000	1,950,000	240,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2017, 2.25%-3.25%, 2018-2037	4,390,000		290,000	4,100,000	160,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2018, 3.375%-5.0%, 2019-2038	-	20,035,000		20,035,000	125,000
General Obligation Refunding Bonds Series 2018, 3.0%-5.0%, 2019-2032	-	5,785,000		5,785,000	670,000
Unamortized Bond Premiums	390,920	1,610,061	134,440	1,866,541	171,055
Total Governmental Activities	<u>\$26,284,924</u>	<u>\$27,430,061</u>	<u>\$ 5,958,444</u>	<u>\$47,756,541</u>	<u>\$ 2,126,055</u>

6. Long-Term Obligations – continued

<i>Business-type Activities:</i>	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	\$ 261,425		\$ 261,425	\$ -	\$ -
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	769,570		769,570	-	-
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2007, 2.60%-3.60%, 2009-2028	495,000		495,000	-	-
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	2,590,000		405,000	2,185,000	435,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	575,000		575,000	-	-
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2014, 2.0%-4.0%, 2015-2034	2,300,000		15,000	2,285,000	15,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2014A, 2.65%, 2017-2024	1,625,000		95,000	1,530,000	105,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2015, 2.0%-5.0%, 2015-2035	12,880,000		275,000	12,605,000	275,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2016, 2.0%-4.0%, 2016-2036	7,485,000		70,000	7,415,000	75,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2017, 2.25%-3.25%, 2018-2037	5,110,000		180,000	4,930,000	190,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2018, 3.375%-5.0%, 2019-2038	-	30,855,000		30,855,000	-
Unamortized Bond Premiums	<u>2,543,884</u>	<u>2,543,517</u>	<u>237,697</u>	<u>4,849,704</u>	<u>425,733</u>
Total Business-type Activities	<u>\$36,634,879</u>	<u>\$33,398,517</u>	<u>\$ 1,269,981</u>	<u>\$66,654,704</u>	<u>\$ 1,520,733</u>

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.

6. Long-Term Obligations - continued

Debt Service Requirements to Maturity

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

<u>Governmental Activities</u>			
<u>Year ending September 30</u>	<u>Bond principal</u>	<u>Bond interest</u>	<u>Total Required</u>
2019	\$ 1,955,000	\$ 1,752,204	\$ 3,707,204
2020	2,345,000	1,719,604	4,064,604
2021	2,250,000	1,630,541	3,880,541
2022	2,150,000	1,543,066	3,693,066
2023	2,240,000	1,455,066	3,695,066
2024-2028	12,630,000	5,751,818	18,381,818
2029-2033	13,670,000	3,070,364	16,740,364
2034-2038	8,650,000	892,450	9,542,450
Totals	<u>\$ 45,890,000</u>	<u>\$ 17,815,113</u>	<u>\$ 63,705,113</u>

<u>Business-type Activities</u>			
<u>Year ending September 30</u>	<u>Bond principal</u>	<u>Bond interest</u>	<u>Total Required</u>
2019	\$ 1,095,000	\$ 2,411,702	\$ 3,506,702
2020	2,355,000	2,423,557	4,778,557
2021	2,570,000	2,333,316	4,903,316
2022	2,825,000	2,232,724	5,057,724
2023	2,925,000	2,121,611	5,046,611
2024-2028	15,365,000	8,665,492	24,030,492
2029-2033	18,550,000	5,180,188	23,730,188
2034-2038	16,120,000	1,560,361	17,680,361
Totals	<u>\$ 61,805,000</u>	<u>\$ 26,928,951</u>	<u>\$ 88,733,951</u>

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>					
Compensated absences	\$ 256,376	\$ 346,270	\$ 256,376	\$ 346,270	\$ 346,270

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

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 the gross billings for annual water use will payoff this obligation in the next year.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Business-type Activities:</i>					
Obligation due to Celina ISD	\$ 178,588	\$ -	\$ 106,085	\$ 72,503	\$ 72,503

6. Long-Term Obligations - continued

Special Assessment Revenue Bonds

From time to time the City issues Special Assessment Revenue Bonds. Below is a schedule of the Special Assessment Revenue Bonds the City has issued with their original issue value. Total bond principal outstanding for these issues is \$147,590,000 at year-end.

	<u>Original Issue</u>
Special Assessment Revenue Bonds, Series 2014 (Creeks of Legacy Public Improvement District Phase #1 Project)	\$ 8,750,000
Special Assessment Revenue Bonds, Series 2014 (Creeks of Legacy Public Improvement District Phases #2-3 Major Improvement Project)	6,575,000
Special Assessment Revenue Bonds, Series 2015 (The Lakes at Mustang Ranch Public Improvement District Phase #1 Project)	9,000,000
Special Assessment Revenue Bonds, Series 2015 (The Lakes at Mustang Ranch Public Improvement District Phases #2-9 Major Improvement Project)	13,150,000
Special Assessment Revenue Bonds, Series 2015 (Wells South Public Improvement District Neighborhood Improvement Area #1 Project)	5,790,000
Special Assessment Revenue Bonds, Series 2015 (Wells South Public Improvement District Major Improvement Area Project)	8,040,000
Special Assessment Revenue Bonds, Series 2015 (Sutton Fields II Public Improvement District Neighborhood Improvement Area #1 Project)	11,560,000
Special Assessment Revenue Bonds, Series 2015 (Sutton Fields II Public Improvement District Major Improvement Areas #2-5 Major Improvement Project)	16,825,000
Special Assessment Revenue Bonds, Series 2016 (Glen Crossing Public Improvement District Phase #1 Project)	3,550,000
Special Assessment Revenue Bonds, Series 2016 (Wells North Public Improvement District Major Improvement Area Project)	3,235,000
Special Assessment Revenue Bonds, Series 2016 (Wells North Public Improvement District Neighborhood Improvement Area #1 Project)	6,425,000
Special Assessment Revenue Bonds, Series 2017 (Ownsby Farms Public Improvement District Phase #1 Project)	4,465,000
Special Assessment Revenue Bonds, Series 2017 (Ownsby Farms Public Improvement District Phase #2 Major Improvement Project)	1,765,000
Special Assessment Revenue Bonds, Series 2018 (The Columns Public Improvement District Project)	6,470,000
Special Assessment Revenue Bonds, Series 2018 (Chalk Hill Public Improvement District No. 2 Phase #1 Project)	4,325,000
Special Assessment Revenue Bonds, Series 2018 (Chalk Hill Public Improvement District No. 2 Phases #2-3 Major Improvement Project)	3,690,000
Special Assessment Revenue Bonds, Series 2018 (Cambridge Crossing Public Improvement District Phase #1 Project)	9,555,000
Special Assessment Revenue Bonds, Series 2018 (Cambridge Crossing Public Improvement District Phases #2-7 Major Improvement Project)	13,795,000
Special Assessment Revenue Bonds, Series 2018 (Creeks of Legacy Public Improvement District Phase #1B Project)	3,750,000
Special Assessment Revenue Bonds, Series 2018 (Creeks of Legacy Public Improvement District Phase #2 Project)	6,875,000

6. Long-Term Obligations - continued

Proceeds of the bonds were deposited into trust accounts with U.S. Bank N.A. (U.S. Bank) for the purpose of funding improvements in the projects described above. U.S. Bank serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time to time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned or transferred to the trustee. The City is not obligated in any manner for this special assessment debt, but merely acts as the property owner's agent in handling the debt service transactions by collecting any special assessment tax collections and forwarding them to the bondholders. These collections have begun. Assessment collections for all of the City's Special Assessment Revenue Bonds are on time and complete at year-end.

7. Component Unit Debt Obligations

CEDC has the following debt obligation:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Component Units:</i>					
Note Payable	\$ 978,601	\$1,044,263	\$ 978,601	\$1,044,263	\$ -0-

In March, 2018, CEDC entered into a note payable agreement with Lamar National Bank in the principal amount of \$1,044,263 with a fixed rate of interest equal to 3.75% to refinance a loan with a predecessor bank. Interest only payments are due monthly until March 22, 2020 when the entire principal balance is due. The note payable is unsecured but is expected to be paid out of the sales and use taxes that will be levied and collected by the City of Celina, Collin County, Texas pursuant to the Development Corporation Act, Chapter 501, 502, and 504 of the Texas Local Government Code. At September 30, 2018, CEDC the outstanding note balance was \$1,044,263. Following is the annual debt service requirements to maturity for the note payable:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Required</u>
2019	\$ -	\$ 39,160	\$ 39,160
2020	1,044,263	18,493	1,062,756
subsequent			-
<u>Totals</u>	<u>\$ 1,044,263</u>	<u>\$ 57,653</u>	<u>\$ 1,101,916</u>

8. Defined Benefit Pension Plans

Plan Description

The City of Celina, Texas participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

8. Defined Benefit Pension Plans - continued

Benefits Provided

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

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

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

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>105</u>
	<u>169</u>

Contributions

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

Employees for the City of Celina, Texas were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Celina, Texas were 6.51% and 6.34% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$459,895, and were equal to the required contributions.

8. Defined Benefit Pension Plans – continued

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the table on the following page:

8. Defined Benefit Pension Plans – continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	100.00%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
Balance at 12/31/2016	\$ 4,931,762	\$ 4,979,247	\$ (47,485)
Changes for the year:			
Service cost	760,238		760,238
Interest	356,068		356,068
Change of benefit terms	-		-
Difference between expected and actual experience	(3,776)		(3,776)
Changes of assumptions	-		-
Contributions - employer		357,923	(357,923)
Contributions - employee		393,323	(393,323)
Net investment income		691,169	(691,169)
Benefit payments, including refunds of employee contributions	(73,590)	(73,590)	-
Administrative expense		(3,576)	3,576
Other changes		(181)	181
Net changes	\$ 1,038,940	\$ 1,365,068	\$ (326,128)
Balance at 12/31/2017	\$ 5,970,702	\$ 6,344,315	\$ (373,613)

8. Defined Benefit Pension Plans – continued

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

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

	1 % Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 667,616	\$ (373,613)	\$ (1,209,047)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$394,744.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 4,557	\$ 52,070
Changes in actuarial assumptions	90,660	
Difference between projected and actual investment earnings (net of current year amortization)	-	172,106
Contributions subsequent to the measurement date	350,800	
Total	\$ 446,017	\$ 224,176

\$350,800 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	
2019	\$ 4,102
2020	(4,406)
2021	(56,778)
2022	(64,554)
2023	(6,533)
Thereafter	(790)
Total	\$ (128,959)

9. 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>
General Fund	\$ 96,768	\$ 82,724
Debt Service Fund	83,375	
Main Street Fund		879
Component units		96,540
	<u>\$ 180,143</u>	<u>\$ 180,143</u>

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, transferring bond proceeds between funds, 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. The following schedule reports transfers and payments within the reporting entity:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 527,000	\$ 543,997
Debt Service		1,622,105
Capital Equipment Replacement Fund	731,396	
Proprietary Fund	1,479,440	571,734
	<u>\$ 2,737,836</u>	<u>\$ 2,737,836</u>

The transfer out from the General Fund and the Proprietary Fund provided the Capital Equipment Replacement Fund with supplementary revenue for the year. The transfer out of the Debt Service Fund was made to transfer a portion of the 2018 bond proceeds to the Proprietary Fund. In addition to the above transfers, the component units contributed \$200,000 to the debt service fund in order to supplement debt service payments for the year.

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, 2018 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. 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.

12. Operating Leases

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

<u>Year ending 9/30</u>	<u>Annual lease requirement</u>
2019	\$ 31,867
2020	17,715
2021	13,360
2022	<u>881</u>
Total required	<u>\$ 62,823</u>

Lease expense for the year ending September 30, 2018 was \$48,659.

13. UTRWD Facilities Charges

The City has entered into a Participating Member Contract with Upper Trinity Regional Water District (UTRWD) for the use of sewer capacity in the Northeast Regional Water Reclamation System (Doe Branch Plant). Following is a summary of these contractual agreements:

- 1) In return for the utilization of 600,000 gallons of capacity in the Northeast Regional Water Reclamation System (Doe Branch Plant) the City will pay annual facilities charges to UTRWD ranging from \$550,209 to \$837,728 beginning in FY 2016 and continuing through FY 2038.
- 2) In return for the utilization of Doe Branch Interceptor Project in the Northeast Regional Water Reclamation System (Doe Branch Plant) the City will pay annual facilities charges to UTRWD in the amount of \$347,496 over five years beginning in FY 2017 and ending in FY 2022.
- 3) In return for the utilization of 65,000 gallons of capacity in the Northeast Regional Water Reclamation System (Doe Branch Plant) the City paid UTRWD \$1,310,078 during FY 2016. This payment represented the facilities charges for the use of this capacity through FY 2019. These costs are being amortized by the City over the period ending in FY 2019.

Following is a summary of the City's contractual requirements for future payments under the agreements with UTRWD by year for the first five years and in total thereafter:

<u>Year ending 9/30</u>	<u>Annual requirement</u>
2019	\$ 1,186,333
2020	1,184,229
2021	1,185,062
2022	837,728
2023	835,698
Thereafter	<u>11,783,227</u>
Total required	<u>\$17,012,277</u>

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. Postemployment Benefits Other Than Pensions (OPEB)

Plan description - The City maintains a single-employer defined benefit group-term life insurance plan known as the TMRS Supplemental Death Benefits Fund ("SDBF"). The plan is administered by the Texas Municipal Retirement System ("TMRS"). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*).

Benefits provided - The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12 month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

At the December 31, 2017 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>105</u>
Total	<u>119</u>

Contributions

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

The City's SDBF contribution rates for all covered employees of the City in calendar years 2018 and 2017 were .13% and .14% respectively. The City's contributions for all covered employees to the TMRS SDBF for the fiscal years ended September 30, 2018 and September 30, 2017 were \$9,591 and \$7,190, respectively, which equaled the required contributions for each year. The retiree portion of this contribution rate (OPEB portion) was 0.00% and 0.00% of covered payroll in calendar years 2018 and 2017 respectively.

15. Postemployment Benefits Other Than Pensions (OPEB) – continued

Total OPEB Liability

The City's total OPEB liability (TOL) of \$70,057 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs:

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.5% per year
Salary Increase	3.5% to 10.5% per year, including inflation
Discount Rate	3.31%
Retirees Share of Benefit Costs	\$ none

Salary increases are assumed to occur once a year and are assumed to increase by a graduated service-based scale ranging from 10.50% for employees with one year of service to 3.50% for employees with 25 or more years of service.

Mortality rates for service retirees were based on the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The service retiree rates were projected on a fully generational basis by scale BB to account for future mortality improvements.

For disabled retirees, the gender-distinct RP2000 Combined Mortality Tables with Blue Collar Adjustment were used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The disabled retiree rates were projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

The applicable discount rate for an unfunded OPEB plan under GASB No. 75 is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

15. Postemployment Benefits Other Than Pensions (OPEB) – continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/16	\$ 48,690
Changes for the year:	
Service cost	12,362
Interest on total OPEB liability	2,074
Change in benefit terms	-
Differences between expected & actual experience	-
Changes in assumptions and other inputs	6,931
Benefit payments*	-
Other charges	-
Net changes	<u>\$ 21,367</u>
Balance at 12/31/17	<u><u>\$ 70,057</u></u>

*Due to the SBDF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

The SDBF does not incur TMRS Administrative Expenses. The City is charged and the administrative expenses are paid through the TMRS Defined Benefit Pension Plan recorded under GASB Statement No. 68.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1 % Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$ 87,830	\$ 70,057	\$ 56,514

15. Postemployment Benefits Other Than Pensions (OPEB) – continued

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

For the year ended September 30, 2018, the City recognized pension expense of \$15,184. At year-end, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Changes in assumptions and other inputs	6,183
Contributions made subsequent to measurement date	7,191
Total	<u>\$ 13,374</u>

\$7,191 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended September 30:		
2019	\$	748
2020		748
2021		748
2022		748
2023		748
Thereafter		2,443
Total	\$	<u>6,183</u>

16. Accounting Changes

In accordance with new OPEB reporting guidance established by the Governmental Accounting Standards Board (GASB), the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this new standard required a prior period adjustment to opening equity in business-type activities and the water and sewer fund in the amount of (\$5,264). It also required an adjustment to opening equity in governmental activities in amount of (\$37,959).

In accordance with new reporting guidance established by the Governmental Accounting Standards Board (GASB), the City adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The adoption of this new standard had no effect on opening equity.

17. General Obligation Refunding Bonds, Series 2018

During 2018, the City issued general obligation refunding bonds in the amount of \$5,785,000 (par value) with coupon interest rates ranging from of 3.0% to 5.0%. These bonds were issued as a current refunding of 2007 general obligation bonds; along with Series 2004, Series 2007 and Series 2012 tax and waterworks and sewer system revenue certificates of obligation with coupon interest rates ranging from 2.0% to 4.25%, and combined par values of \$6,010,000. The refunded bonds were scheduled to mature in 2032. The 2018 general obligation refunding bonds were issued at a premium and, after paying issuance costs of \$50,715, the net proceeds were \$6,105,286. As a result of this current refunding, the City reduced its total debt service (cash flow) requirements by \$388,209, which resulted in an economic gain (difference between the present value of the debt service requirements on the old and new debt) of \$322,416.

18. Commitments

The City has issued approximately \$50 million in capital improvement bonds that will be used to fund various projects over the next few years.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
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 2019," dated August 1, 2019, in the principal amount of \$34,665,000 (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 relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications 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 (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, 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 contained in such documents and certifications.

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 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.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

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Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss Verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

Re: "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge)
Certificates of Obligation, Series 2019"

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 the owners thereof.

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 financial asset securitization investment trust, 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.

Financial Advisory Services
Provided By



OFFICIAL STATEMENT

Dated June 11, 2013

NEW ISSUE - Book-Entry-Only

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

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

\$4,315,000
CITY OF CELINA, TEXAS
(Collin County)

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013

Dated Date: July 1, 2013

Due: September 1, as shown on page 2

Interest Accrues from Date of Delivery

PAYMENT TERMS . . . Interest on the \$4,315,000 City of Celina, Texas, General Obligation Refunding Bonds, Series 2013 (the "Bonds"), will accrue from the date of delivery (anticipated to be July 10, 2013), and will be payable March 1 and September 1 of each year commencing September 1, 2013, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapter 1207, as amended, and are direct obligations of the City payable from a continuing annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Bonds").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt as shown in Schedule I (the "Refunded Obligations") to achieve a present value debt service savings, and (ii) pay costs of professional services including the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose for the Bonds" and Schedule I herein.

CUSIP PREFIX: 151141⁽¹⁾

MATURITY SCHEDULE & 9 DIGIT CUSIP

Shown on Page 2

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013" (the "Certificates"), under a common Official Statement and such Bonds and Certificates hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski LLP, Bond Counsel, Dallas, Texas, a member of Norton Rose Fulbright (see Appendix C, "Form of Bond Counsel's Opinion (THE BONDS)").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on July 10, 2013.

MATURITY SCHEDULE

CUSIP Prefix: 151141 ⁽¹⁾

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 265,000	9/1/2015	2.000%	0.500%	PB8
270,000	9/1/2016	2.000%	0.700%	PC6
275,000	9/1/2017	2.000%	1.000%	PD4
330,000	9/1/2018	2.000%	1.250%	PE2
340,000	9/1/2019	2.000%	1.500%	PF9
340,000	9/1/2020	2.000%	1.900%	PG7
350,000	9/1/2021	2.000%	2.200%	PH5
355,000	9/1/2022	3.000%	2.400% ⁽²⁾	PJ1
365,000	9/1/2023	3.000%	2.600% ⁽²⁾	PK8
375,000	9/1/2024	3.500%	2.800% ⁽²⁾	PL6
395,000	9/1/2025	3.500%	3.000% ⁽²⁾	PM4
405,000	9/1/2026	3.500%	3.100% ⁽²⁾	PN2
250,000	9/1/2027	3.500%	3.200% ⁽²⁾	PP7

(Interest accrues from the date of delivery)

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(2) Yield shown is calculated to the first optional redemption date, September 1, 2021.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on or after September 1, 2022, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

OFFICIAL STATEMENT

Dated June 11, 2013

Ratings:
S&P: "AA-" AGM Insured
Moody's: "A1" Underlying
(see "OTHER INFORMATION –
Ratings" and "BOND INSURANCE
FOR THE CERTIFICATES" herein)

NEW ISSUE - Book-Entry-Only

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

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

\$5,325,000
CITY OF CELINA, TEXAS
(Collin County)

TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2013

Dated Date: July 1, 2013

Due: September 1, as shown on page 4

Interest accrues from date of delivery

PAYMENT TERMS. . . Interest on the \$5,325,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013 (the "Certificates") will accrue from the date of delivery (anticipated to be July 10, 2013), and will be payable March 1 and September 1 of each year commencing March 1, 2014, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Celina, Texas (the "City"), payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues from the operation of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance") (see "THE OBLIGATIONS – Authority for Issuance of the Certificates").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring, constructing, improving and equipping fire-fighting facilities, including the acquisition of land therefor, (ii) acquiring, constructing, improving and equipping park and recreational facilities, including the acquisition of land therefor, (iii) constructing and improving streets and (iv) professional services rendered in connection with such projects and the financing thereof.

CUSIP PREFIX: 151141 ⁽¹⁾
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 4

INSURANCE. . . The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by **ASSURED GUARANTY MUNICIPAL CORP.**

ASSURED
GUARANTY
MUNICIPAL

SEPARATE ISSUES. . . The Certificates are being offered by the City concurrently with the "City of Celina, Texas, General Obligation Refunding Bonds, Series 2013" (the "Bonds"), under a common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for payment, the rights of the holders and other features.

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski LLP, Bond Counsel, Dallas, Texas, a member of Norton Rose Fulbright (see Appendix D, "Form of Bond Counsel's Opinion (THE CERTIFICATES)").

DELIVERY. . . It is expected that the Certificates will be available for delivery through DTC on July 10, 2013.

MATURITY SCHEDULE

CUSIP Prefix: 151141 ⁽¹⁾

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 35,000	9/1/2015	2.000%	0.800%	PQ5
65,000	9/1/2016	2.000%	1.000%	PR3
40,000	9/1/2017	2.000%	1.200%	PS1
125,000	9/1/2018	2.000%	1.500%	PT9
120,000	9/1/2019	2.000%	1.750%	PU6
130,000	9/1/2020	2.250%	2.000%	PV4
140,000	9/1/2021	2.500%	2.250%	PW2
***	***	***	***	***
620,000	9/1/2030	4.000%	3.450% ⁽²⁾	QF8
635,000	9/1/2031	4.000%	3.550% ⁽²⁾	QG6
670,000	9/1/2032	4.000%	3.650% ⁽²⁾	QH4
695,000	9/1/2033	4.000%	3.750% ⁽²⁾	QJ0

\$455,000 4.000% Term Certificates due September 1, 2023 at a Price of 109.441% to Yield 2.700%⁽²⁾ - CUSIP No. ⁽¹⁾ PY8
 \$490,000 4.000% Term Certificates due September 1, 2025 at a Price of 107.923% to Yield 2.900%⁽²⁾ - CUSIP No. ⁽¹⁾ QA9
 \$540,000 4.000% Term Certificates due September 1, 2027 at a Price of 106.429% to Yield 3.100%⁽²⁾ - CUSIP No. ⁽¹⁾ QC5
 \$565,000 4.000% Term Certificates due September 1, 2029 at a Price of 104.958% to Yield 3.300%⁽²⁾ - CUSIP No. ⁽¹⁾ QE1

(Interest to accrue from the date of delivery.)

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(2) Yield shown is calculated to the first optional redemption date, September 1, 2021.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after September 1, 2022, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION. . . The Certificates maturing on September 1 in the years 2023, 2025, 2027 and 2029 are subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE OBLIGATIONS – Mandatory Sinking Fund Redemption for the Certificates."

No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Initial Purchaser. This Official Statement does not constitute an offer to sell Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance for the Certificates" and "Appendix E - Bond Insurance Specimen for the Certificates".

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

NONE THE CITY, THE INITIAL PURCHASER, OR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY OR REGARDING AGM AND ITS MUNICIPAL BOND INSURANCE POLICY AS SUCH INFORMATION HAS BEEN PROVIDED BY AGM.

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Celina, Texas (the "City") is a political subdivision of the State of Texas (the "State"), and is a home rule municipality located in Collin County, Texas. The City covers approximately 1.7 square miles (see "INTRODUCTION - Description of the City").
THE BONDS	The Bonds are issued as \$4,315,000 General Obligation Refunding Bonds, Series 2013. The Bonds are issued as serial bonds maturing September 1 in the years 2015 through 2027, inclusive (see "THE OBLIGATIONS" – Description of the Obligations").
THE CERTIFICATES	The Certificates are issued as \$5,325,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013 (the "Certificates"). The Certificates are issued as serial certificates maturing September 1 in the years 2015 through 2021 and 2030 through 2033 and as term certificates maturing September 1 in the years 2023, 2025, 2027 and 2029 (see "THE OBLIGATIONS - Description of the Obligations" and "THE OBLIGATIONS – Mandatory Sinking Fund Redemption for the Certificates").
PAYMENT OF INTEREST ON THE BONDS	Interest on the Bonds accrues from the date of delivery (anticipated to be July 10, 2013), and is payable September 1, 2013, and each March 1 and September 1 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").
PAYMENT OF INTEREST ON THE CERTIFICATES	Interest on the Certificates accrues from the date of delivery (anticipated to be July 10, 2013), and is payable March 1 and September 1 of each year, commencing March 1, 2014, until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").
AUTHORITY FOR ISSUANCE OF THE BONDS	The Bonds are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance passed by City Council (the "Bond Ordinance") (see "THE OBLIGATIONS – Authority for Issuance of the Bonds").
AUTHORITY FOR ISSUANCE OF THE CERTIFICATES	The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council (the "Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Certificates").
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "THE OBLIGATIONS - Security and Source of Payment of the Bonds").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues from the operation of the City's Waterworks and Sewer System, as provided in the Certificate Ordinance (see "THE OBLIGATIONS – Security and Source of Payment of the Certificates").
QUALIFIED TAX-EXEMPT OBLIGATIONS	The City will designate the Obligations as "Qualified Tax-Exempt Obligations" for financial institutions (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

OPTIONAL REDEMPTION	The City reserves the right, at its option, to redeem Obligations having stated maturities on or after September 1, 2022, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").
TAX EXEMPTION.....	In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS", including the alternative minimum tax on corporations.
USE OF PROCEEDS FOR THE BONDS.....	Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt as shown in <u>Schedule I</u> (the "Refunded Obligations") to achieve a present value debt service savings, and (ii) pay costs of professional services including the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose for the Bonds" and <u>Schedule I</u> herein.
USE OF PROCEEDS FOR THE CERTIFICATES	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring, constructing, improving and equipping fire-fighting facilities, including the acquisition of land therefor, (ii) acquiring, constructing, improving and equipping park and recreational facilities, including the acquisition of land therefor, (iii) constructing and improving streets and (iv) professional services rendered in connection with such projects and the financing thereof.
BOND INSURANCE FOR THE CERTIFICATES	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY MUNICIPAL CORP. See "BOND INSURANCE FOR THE CERTIFICATES".
RATINGS FOR THE BONDS.....	The Bonds have been rated "A1" by Moody's Investors Service, Inc. ("Moody's") (see "OTHER INFORMATION – Ratings").
RATINGS FOR THE CERTIFICATES	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 (see "OTHER INFORMATION – Ratings").
BOOK-ENTRY-ONLY SYSTEM.....	The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System")
PAYMENT RECORD	The City has never defaulted in payment of its general obligation bonds since 1939 when all bonds were refunded at par with a reduction in interest rate. The City has never defaulted on its revenue bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽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) Estimates based off of trends from the 2000 and 2010 U.S. Census Bureau data.

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

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

(4) Excludes the Refunded Obligations, includes the Obligations. Projected, subject to change.

For additional information regarding the City, please contact:

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Director of Finance
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City of Celina
City Hall
142 N. Ohio Street
Celina, TX 75009
(972) 382-2682

or

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

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

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

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Years with the City</u>
Mike Foreman	City Manager	2 Year
Jay Toutounchian	City Treasurer	8 Years
Vicki Faulkner	City Secretary	17 Years
Lance Vanzant	City Attorney	10 Years
Joseph Johnson	Director of Public Works	15 Years
Helen-Eve Liebman	Director of Planning and Development Service	2 Year

CONSULTANTS AND ADVISORS

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

Bond Counsel Fulbright & Jaworski L.L.P.
Dallas, Texas

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

**OFFICIAL STATEMENT
RELATING TO
\$4,315,000
CITY OF CELINA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013**

**\$5,325,000
CITY OF CELINA, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2013**

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the \$4,315,000 City of Celina, Texas, General Obligation Refunding Bonds, Series 2013 (the "Bonds") and the \$5,325,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013 (the "Certificates", and together with the Bonds sometimes referred to collectively as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the applicable ordinances to be adopted on the date of sale of the Obligations which will authorize the issuance of the respective Obligations (the "Certificate Ordinance" and the "Bond Ordinance", and sometimes referred to collectively as the "Ordinances"), except as otherwise indicated herein.

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

SEPARATE ISSUES. . . The Bonds and the Certificates are being offered concurrently by the City under a common Official Statement and are sometimes referred to collectively herein as the "Obligations". The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of holders, and other features.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and is a home rule municipality of the State of Texas, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City adopted a Home Rule Charter on May 12, 2007. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers who are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administration officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 6,028, while the estimated 2013 estimated population is 8,576. The City covers approximately 1.7 square miles.

PLAN OF FINANCING

PURPOSE FOR THE BONDS. . . Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt as shown in Schedule I (the "Refunded Obligations") to achieve a present value debt service savings and to pay costs of issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their redemption date.

PURPOSE FOR THE CERTIFICATES. . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring, constructing, improving and equipping fire-fighting facilities, including the acquisition of land therefor, (ii) acquiring, constructing, improving and equipping park and recreational facilities, including the acquisition of land therefor, (iii) constructing and improving streets and (iv) professional services rendered in connection with such projects and the financing thereof.

REFUNDED OBLIGATIONS... The principal and interest due on the Refunded Obligations are to be paid on the interest payment dates and redemption date of such Refunded Obligations from funds to be deposited pursuant to a certain Special Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Initial Purchaser and other available City funds, if any, the City will deposit with the Escrow Agent the amount that, together with investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and/or (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Initial Purchaser the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations").

By the deposit of a portion of the Bond proceeds and the Escrowed Securities purchased with a portion of the Bond proceeds with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton LLP, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from the Net Revenues of the System nor for the purpose of applying any limitation on the issuance of debt.

In the Escrow Agreement, the City covenants to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

SOURCES AND USES OF BOND PROCEEDS . . . The proceeds from the sale of the Bonds, together with certain available funds from the City, are expected to be expended as follows:

SOURCES OF FUNDS:

Par Amount of Bonds	\$ 4,315,000.00
Net Premium	46,204.92
Transfer from Prior Issue Debt Service Funds	73,492.29
TOTAL SOURCES	\$ 4,434,697.21

USES OF FUNDS:

Deposit to Refunding Escrow Fund	\$ 4,353,311.49
Costs of Issuance	81,385.72
TOTAL USES	\$ 4,434,697.21

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

SOURCES OF FUNDS:	
Par Amount of Certificates	\$ 5,325,000.00
Net Premium	49,687.93
TOTAL SOURCES	<u>\$ 5,374,687.93</u>
USES OF FUNDS:	
Deposit to Project Fund	\$ 5,300,000.00
Costs of Issuance	74,687.93
TOTAL USES	<u>\$ 5,374,687.93</u>

BOND INSURANCE FOR THE CERTIFICATES

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as Appendix E to this Official Statement.

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

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of the shareholders of AGL or AGM is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of certificates insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the report, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3". AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moody's.com, for the complete text of Moody's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013.

Capitalization of AGM

At March 31, 2013, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,468,362,848 and its total net unearned premium reserve was approximately \$1,990,661,506, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013).
- (ii) The Quarterly report on Form 10-Q for the quarterly period ended March 31, 2013 (filed by AGL with the SEC on May 10, 2013).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE FOR THE CERTIFICATES – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Certificates or any uninsured certificates offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Certificates or uninsured certificates for investment or may sell or otherwise dispose of such Certificates or uninsured certificates at any time or from time to time.

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

BOND INSURANCE RISKS FACTORS

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

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

The long-term rating on the Certificates is dependent in part on the financial strength of AGM and its claims paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the Certificates insured by AGM will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER INFORMATION - Ratings" herein for a description of the ratings.

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

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS. . . The Obligations are dated July 1, 2013 (the "Dated Date"), and mature on September 1 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest will accrue from the date of delivery of the Obligations (anticipated to be July 10, 2013), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable, with respect to the Bonds, on March 1 and September 1 of each year commencing September 1, 2013 until maturity or prior redemption, and, with respect to the Certificates, on March 1 and September 1 of each year commencing March 1, 2014 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE OF THE BONDS . . . The Bonds are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance passed by City Council (the "Bond Ordinance").

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

SECURITY AND SOURCE OF PAYMENT OF THE BONDS. . . All taxable property located within the City is subject to a continuing direct annual ad valorem tax levied by the City sufficient to provide for the payment of principal of and interest on the Bonds, which tax must be levied within the limits prescribed by law.

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

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

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City authorizes the constitutional maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the

Attorney General of the State of Texas will permit allocation of the \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance based on a 90% collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on or after September 1, 2022, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of such Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION FOR THE CERTIFICATES. . . The Certificates maturing on September 1 in the years 2023, 2025, 2027 and 2029 (the "Term Certificates") are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on September 1 in the following years:

<u>Term Certificates Due September 1, 2023</u>		<u>Term Certificates Due September 1, 2025</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 1, 2022	\$220,000	September 1, 2024	\$240,000
September 1, 2023 (maturity)	\$235,000	September 1, 2025 (maturity)	\$250,000

<u>Term Certificates Due September 1, 2027</u>		<u>Term Certificates Due September 1, 2029</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 1, 2026	\$260,000	September 1, 2028	\$275,000
September 1, 2027 (maturity)	\$280,000	September 1, 2029 (maturity)	\$290,000

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by the lot the numbers of the Term Certificates to be redeemed on the next following September 1 from moneys set aside for that purpose in the Certificate Fund (as defined in the Certificate Ordinance). Any Term Certificate not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of Term Certificates required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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

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

DEFEASANCE . . . The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity,

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

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

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

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

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Obligations in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

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

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

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

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

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

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

Principal of the Obligations will be payable to the registered owner at maturity or prior redemption upon presentation at the principal office of the Paying Agent/Registrar. Interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (see "THE OBLIGATIONS – Record Date for Interest Payment" herein), and such interest shall be paid (i) by check sent by United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Obligations shall be a Saturday, Sunday, legal holiday or day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Obligations, payments of principal and interest on the Obligations will be made as described in "THE OBLIGATIONS - Book-Entry-Only System" herein.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Obligations and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or integral multiples thereof for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS - Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

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

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

MUTILATED, DESTROYED, LOST AND STOLEN OBLIGATIONS. . . If any Obligation is mutilated, destroyed, stolen or lost, a new Obligation in the same principal amount as the Obligation so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Obligation, such new Obligation will be delivered only upon surrender and cancellation of such mutilated Obligation. In the case of any Obligation issued in lieu of and substitution for any Obligation which has been destroyed, stolen or lost, such new Obligation will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that

such Obligation has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Obligation must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

OBLIGATIONHOLDERS' REMEDIES. . . The Ordinances do not specify events of default with respect to the Obligations. If the City defaults in the payment of principal, interest or redemption price on the Obligations when due, or if it fails to make payments into any fund or funds created in the Ordinances, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinances, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the Obligations or the Ordinances covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

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

TAX INFORMATION

AD VALOREM TAX LAW. . . The appraisal of property within the City is the responsibility of the Collin Central Appraisal District (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 1 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:

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

(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)	86,387	298,841,351
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		4,110,000
Total Gross General Obligation Debt Outstanding:		<u>\$ 16,015,000</u>
Plus:		
The Bonds		\$ 4,315,000
The Certificates		5,325,000
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		4,005,000
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	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	<u>\$ 482,795,602</u>		<u>\$ 461,631,888</u>		<u>\$ 454,073,487</u>	

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	<u>\$ 464,198,797</u>		<u>\$ 463,326,983</u>	

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

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	Estimated Percent Applicable	(1)	Overlapping G.O. Debt as of 6/1/13
City of Celina	\$ 482,795,602		\$ 0.6450		\$ 25,655,000 (2)	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⁾

	<u>As Of</u> <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

<u>Fiscal Year Ending 9-30</u>	<u>Annual Lease Requirement</u>
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, join contributory, hybrid defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The TMRS is a contributory, annuity-purchase type plan, which is covered by the State statute and is administered by six trustees appointed by the Governor of the State of Texas. The TMRS operates independently of its member cities.

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

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

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

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

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

placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

TABLE 20 - CURRENT INVESTMENTS

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

Type of Investments	Book Value	
	Amount	Percent
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