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

COMPLIANCE WITH PRIOR UNDERTAKINGS... Due to an administrative oversight, the City did not make its 2009 Continuing Disclosure Filing, consisting of its 2009 Audited Financial Statements and Annual Financial Information and Operating Data, until December 22, 2010. The City also filed a Notice of Failure to File Disclosure on December 22, 2010. The City has now implemented additional procedures to ensure timely and complete filings of its 15c2-12 information in the future. Except as described in this paragraph, during the last five years, the City has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds have been rated "A1" by Moody's Investors Services, Inc. ("Moody's"). The Certificates are expected to be rated "AA-" (stable outlook) by S&P by virtue of a municipal bond insurance policy to be issued by AGM upon delivery of the Certificates to the Initial Purchaser of the Certificates. Additionally the Certificates have been rated "A1" by Moody's Investors Service, Inc. ("Moody's") without regard to any credit enhancement The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or more of such rating companies, if in the judgment of any or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Obligations.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

Legal Matters

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

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

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

Verification of Arithmetical and Mathematical Calculations

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

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

Financial Advisor

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER OF THE BONDS

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

INITIAL PURCHASER OF THE CERTIFICATES

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

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CERTIFICATION OF THE OFFICIAL STATEMENT

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

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

Sean Terry
Mayor
City of Celina, Texas

ATTEST:

Vicki Faulkner
City Secretary
City of Celina, Texas

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SCHEDULE OF REFUNDED OBLIGATIONS

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

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

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

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

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION

The City of Celina is located in north central Collin County, thirty-five miles north of Dallas and fifteen miles south of the City of McKinney. Access to the City is provided by State Highway 289 and Farm Road 455. They City covers approximately 1.7 square miles. The City's location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. The City's 2010 census figure was 6,028. They City's current population estimate is 8,576.

ECONOMY

Major employers in the City are:

Employer	Type of Business	Employees
Celina ISD	Education	274
Brookshire	Retail Grocery	78
City of Celina	Government	44
Fini Enterprises Inc.	Chemical Manufacturing	40
Celina Ready-Mix Concrete	Cement Manufacturing	20
Independent Bank	Banking	20
Dickerson Construction	Construction	17

Source: Municipal Advisory Council of Texas.

EDUCATION

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

RESIDENTIAL AND COMMERCIAL BUILDING CONSTRUCTION

	Residential		Commercial		Total	
Fiscal Year Ended 9-30	Number of Permits	Property Value $ Amount	Number of Permits	Property Value $ Amount	Number of Permits	Property Value $ Amount
2008	48	$ 14,239,875	0	$ -	48	$ 14,239,875
2009	23	6,362,990	0	-	23	6,362,990
2010	52	14,326,150	0	-	52	14,326,150
2011	82	24,040,307	2	1,367,500	84	25,407,807
2012	87	30,944,400	0	-	87	30,944,400
2013 (1)	24	9,226,600	0	-	24	9,226,600

Source: City Staff.
(1) As of March 31, 2013.

HISTORICAL EMPLOYMENT (AVERAGE ANNUAL) [1]

Collin County

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

(1) Source: Texas Workforce Commission.
(2) Data through February 2013.

APPENDIX B

EXCERPTS FROM THE

CITY OF CELINA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2012

The information contained in this Appendix consists of excerpts from the City of Celina, Texas Annual Financial Report for the Year Ended September 30, 2012, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Kelley D. Fincher, CPA
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Members of:
American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Celina, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Celina, Texas as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Celina, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Celina, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 20 and 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Celina, Texas's financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

Scott, Singleton, Fincher and Company, PC

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

March 18, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

The City of Celina presents the City's financial statements. This overview is an analysis of the financial activities of the City for the fiscal year ended September 30, 2012. This discussion should be read in conjunction with the financial statements and related notes. Comparative data is also presented for government-wide and fund financial statements at the end of this section.

FINANCIAL HIGHLIGHTS:

- Government-wide net assets reported in the Statement of Net Assets are $17,725,314. Of this amount $16,338,068 is invested in capital assets or restricted for debt service and capital projects, and the balance of $1,387,246 is available as unrestricted net assets.
- Government-wide net assets increased by $1,389,384 during 2012.
- Each of the City's fund financial statements reported changes in equity as follows:
  General Fund – $642,304 increase
  Water & Sewer Fund - $809,175 increase
  Debt Service Fund - $20,320 decrease
  Capital Projects Fund - $2,094,723 increase

USING THIS ANNUAL REPORT:

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

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

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

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

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Net assets serve as one useful indicator of a government's financial position. In the case of the City, the combined net assets exceeded liabilities by $17,725,314 and $16,898,644 at the close of FY 2012 and FY 2011, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

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

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets reported in governmental activities and business-type activities was $17,566,161 and $13,940,974. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's net investment in capital assets for the current fiscal year was $1,303,388 and ($76,822) in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

Long-term Debt – at year-end the City had $20,905,735 in bonds and capital leases outstanding – an increase of $3,371,954. Additional information on long-term liabilities can be found in note 6 to the financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

Visitors passing through Celina cannot help notice it's a city on the rise, and continues to attract new residents at a brisk pace. The 2000 Census estimated the population to be 1,810, while the 2012 population estimate is roughly 6,700 residents. Despite the national economic slowdown, individuals continue to relocate to Celina as a destination live, play, attend exemplary schools, and raise a family. The City has taken the initiative through comprehensive planning to prepare for its future growth.

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

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

The CIP models are based on projects needed over the next five years assuming growth is consistent with Comprehensive Plan projections. Projects are initiated by need or stress placed on the system. Growth in the tax base, or increased water customers are examples of triggers for projects. The CIP models are also built with flexibility of the debt service schedule in mind. If the triggers do not materialize in a given year, the financing planned such as refunding of existing bond or issuance of the new bonds are delayed to a future year. If the triggers accelerate past the projections, projects may be moved forward in the CIP plan. Additionally, the CIP plan allows the City to be proactive with economic development opportunities by moving a project forward, capturing an unforeseen opportunity. If the growth does not materialize in the manner assumed, the projects are delayed until appropriate time. If the City does not have flexible and aggressive planning the growth will eventually overwhelm the infrastructure systems. Without proactive planning services, residents, and businesses all will suffer with infrastructure systems at capacity.

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

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

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

In 2012, the City of Celina initiated a series of planned refunding of its existing debt to take advantage of historically low interest rate and stay within its debt management strategy guidelines. This refunding allowed the City to generate a new debt capacity for issuance of a new bond. In July 2012 the City of Celina issued an additional 4.5 Million Dollars in bonds to purchase City Hall and the United Methodist Church buildings. The City has a plan to use the church building as a performing art center. The City has accomplished all of these while maintaining its tax rate at $0.645 per $100.00 of property value.

In 2012, TXDOT started widening of Preston Road through Celina to the High School. This project will enable our city to grow and meet our current and future transportation needs. Additional transportation projects are in the planning stages including an Outer Loop that will allow citizens of Celina to more conveniently travel through Celina from Dallas North Toll way to State Highway 75.

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

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

The City of Celina continued to enjoy constant but moderate growth in 2012. The City issued 81 building permits, compared to 75 permits last year. Accordingly, permit fee collections have increased by $78,493 or 31 percentage points for the same period. For the fiscal year 2011-2012, the City collected $329,432 in permit fees compared with $250,939 for the same period last year. The City of Celina possesses a vast amount of land that makes it attractive to housing developers. The increase in building permits and fees can be contributed to the improvement in housing construction for the region as well as the state.

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

Total assessed value of the properties for the City of Celina increased from $461,631,888 in FY 2011 to $481,645,071 FY 2012. This increase represents a recovery from declining property values and is a sign that economy stabilizing in this region. The City of Celina has completely recovered from drop in property values in recent years. The increase resulted from new construction and annexation of new parcels of land. Reviewing the history of the City's assessed property values provides evidence of the City's measurable growth in last decade.

Years	Assessed Value	% Change
2002	87,908,272.00	
2003	114,041,371.00	30%
2004	143,297,951.00	26%
2005	183,200,000.00	28%
2006	224,412,066.00	23%
2007	284,847,298.00	27%
2008	418,824,688.00	47%
2009	463,330,201.00	9%
2010	454,151,622.00	-2%
2011	461,631,888.00	1.6%
2012	481,645,071.00	4.3%

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

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

Years	Water Sales	% Change
2002	502,048.00	
2003	707,367.00	41%
2004	818,403.00	16%
2005	1,157,066.00	41%
2006	1,871,163.00	62%
2007	1,298,932.00	(30%)
2008	1,598,567.00	23%
2009	1,602,364.00	0.24%
2010	1,944,348.00	21%
2011	2,549,933.00	31%
2012	2,548,942.00	0%

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

The increase of $48,063 or 5 percentage points entirely is the result of increase in sale since the second utility rate increase in April 2011 excluded the Sewer. A review of the history of the City's sewer sales over past few years indicates a healthy average increase of more than 14 percentage points in sewer sales. History of sewer sales is illustrated below:

Years	Sewer Sales	% Change
2002	268,979.00	
2003	309,581.00	15%
2004	341,976.00	10%
2005	403,498.00	18%
2006	509,798.00	26%
2007	485,948.00	(5%)
2008	546,556.00	13%
2009	572,299.00	4.7%
2010	774,022.00	35%
2011	946,269.00	22%
2012	994,332.00	5.1%

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please do not hesitate to contact Mike Foreman, City Manager, or Jay Toutounchian, Director of Finance, by phone at (972) 382-2682 or by E-mail at mforeman@celina-tx.gov or jtoutounchian@celina-tx.gov .

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF NET ASSETS

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

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF ACTIVITIES

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

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

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

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

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

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

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

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

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

(Continued)

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

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

BASIC FINANCIAL STATEMENTS

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

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Pooled cash and cash equivalents	$ 1,451,301	$ 473,576	$ -	$ 1,924,877
Cash and cash equivalents - restricted			3,494,081	3,494,081
Investment in Texpool	2,373			2,373
Sales taxes receivable	65,226			65,226
Property taxes receivable, net	49,810	9,488		59,298
EMS receivable, net	434,615			434,615
Other receivables	63,775			63,775
Due from other funds	400,000			400,000
Due from component units	27,979			27,979
Total Assets	$ 2,495,079	$ 483,064	$ 3,494,081	$ 6,472,224
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	138,142		20,725	158,867
Accrued salaries and benefits	49,560			49,560
Other accrued liabilities	73,102	153		73,255
Due to other funds		20,278	647,965	668,243
Due to component units	93,795			93,795
Deferred revenue	445,535	9,488	516,320	971,343
	800,134	29,919	1,185,010	2,015,063
FUND BALANCES				
Restricted for:				
Capital Projects			2,309,071	2,309,071
Debt Service		453,145		453,145
Unassigned	1,694,945			1,694,945
Total Fund Balances	1,694,945	453,145	2,309,071	4,457,161
Total Liabilities and Fund Balances	$ 2,495,079	$ 483,064	$ 3,494,081	$ 6,472,224

Governmental fund balances as presented above:	4,457,161
Amounts presented for governmental activities in the statement of net assets are different because:	
Capital assets reported in the statement of net assets are not financial resources and are not reported in the fund balance sheet.	17,566,161
Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred property taxes of $59,298 and EMS and fines receivable of $395,368 and $13,288.	467,954
Interest due on long-term debt is recorded as accrued interest payable in the statement of net assets but do not become a liability on the fund statements until the date due.	(60,944)
Long-term liabilities are reported in the statement of net assets but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet.	(12,066,943)
	$ 10,363,389

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

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

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

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

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

Net change in fund balances - total governmental funds	**$ 2,716,707**
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of $1,938,419 exceeded depreciation expense of $(630,332).	1,308,087
In the statement of actvities, the gain on the disposal of assets is reported, but in the governmental funds, proceeds from the sale increase current financial resources. The change in net assets differs from the change in fund balance by the net book value of the assets disposed.	(4,699)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt retired for the year $406,270 and refunded $106,590 less bonds issued ($4,060,000).	(3,547,140)
Changes in the liability for compensated absences do not require the use of current resources and therefore are not recorded in the funds.	(12,540)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable deferred ad valorem taxes of $1,915, court fines receivable $5,881, and EMS receivables $124,072.	131,868
Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the amortization of bond premiums, $(15,781); and the increase in accrued interest on debt $27,855.	(12,074)
Change in net assets of governmental activities	**$ 580,209**

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

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

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

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

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

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

(Continued)

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

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

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

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

(Continued)

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

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

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

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

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

1. Introduction and Summary of Significant Accounting Policies

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

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

(A) Reporting Entity and Related Organizations

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

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

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

Discretely Presented Component Units:

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

Neither CEDC nor CCDC prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

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

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

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

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

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

Proprietary Funds

The City reports the following major enterprise fund:

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

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

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

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

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

Inventories and Prepaids

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

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

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 stated at fair value on the date donated. The City generally capitalizes assets with a cost of $5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

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

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

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

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

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

Fund Equity

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

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

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

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

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

Unassigned - all other spendable amounts in the general fund.

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

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

Compensated Absences

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

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

(F) Risk Management

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

1. Introduction and Summary of Significant Accounting Policies – continued

(G) Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

3. Deposits and Investments

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

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

3. Deposits and Investments - continued

Investments

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

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

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

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

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

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

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

4. Receivables, Uncollectible Accounts, and Deferred Revenue

Enterprise Fund Receivables, Uncollectible Accounts and Deferred Revenue

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

Accounts receivable, gross	$552,013
Less: allowance for uncollectible accounts	-0-
Net accounts receivable	$552,013

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

Property Taxes Receivable, Deferred Revenue, and Property Tax Calendar

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

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

Maintenance and operations-General Fund	.5652
Debt Service Fund	.0798
Total tax rate	.6450

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

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

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

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

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

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

Allowance for Uncollectible Taxes

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

Fines and Court Costs Receivable and Related Allowances

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

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

Grants Receivable

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

5. Capital Assets

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

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

5. Capital Assets - continued

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

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

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

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

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

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

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

Business-type Activities - Revenue Bonds

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

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

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

6. Long-Term Obligations - continued

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

6. Long-Term Obligations - continued

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

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

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

Debt Service Requirements to Maturity

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

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

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

6. **Long-Term Obligations - continued**

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

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

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

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

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

7. **Refunded Debt**

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

8. **Retirement Plan**

Plan Description

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

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

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

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

Contributions

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

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

Three Year Trend Information

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

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

8. **Retirement Plan - continued**

Annual Pension Cost

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

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

Analysis of Funding Progress
(in Thousands of Dollars)

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

8. **Retirement Plan - continued**

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

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

9. **Litigation**

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

10. **Contingencies**

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

11. **Balances and Transfers/Payments Within the Reporting Entity**

Receivables and Payables

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

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

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

Transfers and Payments

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

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

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

Fund	Transfers In	Transfers Out
General Fund	$ 95,000	$
Enterprise Fund		95,000

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

12. Service Area Acquisition

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

13. Operating Lease

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

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

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

14. Economic Dependence

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

15. Subsequent Events

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

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

15. Subsequent Events – continued:

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

16. Prior Period Adjustments

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

APPENDIX C

FORM OF BOND COUNSEL'S OPINION
(THE BONDS)

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[Closing Date]

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

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

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

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

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

 52790388.1/11214811

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

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

APPENDIX D

FORM OF BOND COUNSEL'S OPINION
(THE CERTIFICATES)

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[Closing Date]

NORTON ROSE FULBRIGHT

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

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

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

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

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

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

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

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

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

APPENDIX E

BOND INSURANCE SPECIMEN FOR THE CERTIFICATES

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ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

Financial Advisory Services
Provided By

FirstSouthwest

OFFICIAL STATEMENT

Dated August 14, 2018

Rating:
S&P: "AA"
Moody's: "Aa3"
(see "OTHER INFORMATION – Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

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

$5,785,000
CITY OF CELINA, TEXAS
(Collin and Denton Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018

Dated Date: August 1, 2018
Interest accrues from date of delivery

Due: September 1, as shown on page 2

PAYMENT TERMS. . . Interest on the $5,785,000 City of Celina, Texas, General Obligation Refunding Bonds, Series 2018 (the "Bonds" and together with the City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 [the "Certificates"] being offered herein, collectively known as the "Obligations") will accrue from the date of delivery (anticipated to be September 13, 2018), and will be payable March 1 and September 1 of each year commencing March 1, 2019, 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 U.S. Bank National Association, 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"), particularly Chapter 1207, Texas Government Code, as amended, and constitute direct obligations of the City of Celina, Texas (the "City"), payable from a levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City as provided in the ordinance authorizing the issuance of 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 (the "Refunded Obligations") in order to lower the overall debt service requirements of the City (see "PLAN OF FINANCING"; also see Schedule I attached hereto for a detailed description of the Refunded Obligations) and (ii) pay the costs of issuance of the Bonds.

CUSIP PREFIX: 151141
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

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

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

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on September 13, 2018.

CUSIP Prefix: 151141 [(1)]

MATURITY SCHEDULE

Principal Amount	Maturity 1-Sept	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
$ 670,000	2019	5.000%	1.630%	UV8
520,000	2020	5.000%	1.790%	UW6
410,000	2021	5.000%	1.920%	UX4
235,000	2022	5.000%	2.050%	UY2
235,000	2023	5.000%	2.190%	UZ9
260,000	2024	5.000%	2.330%	VA3
270,000	2025	5.000%	2.460%	VB1
285,000	2026	5.000%	2.600%	VC9
460,000	2027	5.000%	2.650%	VD7
745,000	2028	3.000%	2.800%	VE5
775,000	2029	3.000%	2.900% [(2)]	VF2
300,000	2030	3.000%	3.000%	VG0
305,000	2031	3.000%	3.142%	VH8
315,000	2032	3.000%	3.224%	VJ4

(Interest to accrue from the date of delivery.)

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

(2) Yield shown is yield to first call date, September 1, 2028.

Optional Redemption . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on or after September 1, 2029, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on September 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

HTSContinuingDisclosureServices
A Division of HilltopSecurities

OFFICIAL STATEMENT

Dated August 14, 2018

Rating:
S&P: "AA"
Moody's: "Aa3"
(see "OTHER INFORMATION – Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

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

$50,890,000
CITY OF CELINA, TEXAS
(Collin and Denton Counties)
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: August 1, 2018
Interest accrues from date of delivery

Due: September 1, as shown on page 2

PAYMENT TERMS. . . Interest on the $50,890,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 (the "Certificates", and together with the City of Celina, Texas, General Obligation Refunding Bonds, Series 2018 [the "Bonds] being offered herein, collectively known as the "Obligations") will accrue from the date of delivery (anticipated to be September 13, 2018), and will be payable March 1 and September 1 of each year commencing March 1, 2019, 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 U.S. Bank National Association, 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 issuance of 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) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor, (ii) acquiring land for a future City Hall site, (iii) constructing, equipping and improving City Hall and additional municipal buildings, and the acquisition of land therefor (iv) constructing and improving parking facilities for municipal facilities, including the acquisition of sites therefor, (v) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage and traffic signalization and the acquisition of land and rights-of-way therefor, (vi) constructing, equipping and improving fire-fighting facilities and (vii) professional services rendered in connection with such projects and the financing thereof (together, the "Project").

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

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

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Certificate Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas, (see Appendix C, "Form of Bond Counsel's Opinions").

DELIVERY. It is expected that the Certificates will be available for delivery through DTC on September 13, 2018

CUSIP Prefix: 151141 (1)

MATURITY SCHEDULE

Principal Amount	Maturity 1-Sept	Interest Rate	Initial Yield	CUSIP Suffix (1)
$ 125,000	2019	5.000%	1.630%	VK1
1,680,000	2020	5.000%	1.780%	VL9
1,700,000	2021	5.000%	1.920%	VM7
1,795,000	2022	5.000%	2.050%	VN5
1,890,000	2023	5.000%	2.190%	VP0
2,105,000	2024	5.000%	2.330%	VQ8
2,205,000	2025	5.000%	2.460%	VR6
2,320,000	2026	5.000%	2.600%	VS4
2,435,000	2027	5.000%	2.650%	VT2
2,555,000	2028	5.000%	2.710%	VU9
2,685,000	2029	5.000%	2.770% (2)	VV7
2,820,000	2030	4.000%	3.000% (2)	VW5
2,935,000	2031	3.000%	3.142%	VX3
3,020,000	2032	4.000%	3.180% (2)	VY1
3,140,000	2033	3.250%	3.378%	VZ8
3,240,000	2034	4.000%	3.290% (2)	WA2
3,375,000	2035	3.375%	3.493%	WB0
3,485,000	2036	4.000%	3.370% (2)	WC8
3,625,000	2037	3.500%	3.610%	WD6
3,755,000	2038	3.500%	3.678%	WE4

(Interest to accrue from the date of delivery.)

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

(2) Yield shown is yield to first call date, September 1, 2028.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after September 1, 2029, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on September 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

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, which includes the cover page and the Appendices hereto, does not constitute an offer to sell, nor is it to be used in connection with an offer to sell or the solicitation of an offer to buy, the 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 that the City and the Initial Purchaser believe to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Initial Purchaser. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

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

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH THE UNITED STATES 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 OF THE CITY, THE INITIAL PURCHASER, OR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC"), AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

The agreements of the City and others related to the 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 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 and Denton Counties, Texas. The City covers approximately 78 square miles (see "INTRODUCTION - Description of the City").

THE OBLIGATIONS .... The $5,785,000 General Obligation Refunding Bonds, Series 2018 are issued as serial bonds maturing September 1 in the years 2019 through 2032 (see "THE OBLIGATIONS – Description of the Obligations").

The Certificates are issued as $50,890,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 (the "Certificates"). The Certificates are issued as serial certificates maturing September 1 in the years 2019 through 2038 (see "THE OBLIGATIONS - Description of the Obligations").

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the date of delivery (anticipated to be September 13, 2018), and is payable March 1 and September 1 of each year, commencing March 1, 2019, until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and genera laws of the State, including particularly Chapter 1207, Texas Government Code, as amended and an ordinance passed by the City Council (the "Bond Ordinance") (see "THE OBLIGATIONS – Authority for Issuance").

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 ").

The Bond Ordinance and the Certificate Ordinance are referred to as the "Ordinances" herein.

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing 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").

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 Ordinance (see "THE OBLIGATIONS – Security and Source of Payment").

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on or after September 1, 2029, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on September 1, 2028, 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.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City has not designated the Obligations as "Qualified Tax-Exempt Bonds" for financial institutions.

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 (the "Refunded Obligations") in order to lower the overall debt service requirements of the City (see "PLAN OF FINANCING"; also see Schedule I attached hereto for a detailed description of the Refunded Obligations) and (ii) pay the costs of issuance of the Bonds.

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) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor, (ii) acquiring land for a future City Hall site, (iii) constructing, equipping and improving City Hall and additional municipal buildings, and the acquisition of land therefor (iv) constructing and improving parking facilities for municipal facilities, including the acquisition of sites therefor, (v) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage and traffic signalization and the acquisition of land and rights-of-way therefor, (vi) constructing, equipping and improving fire-fighting facilities and (vii) professional services rendered in connection with such projects and the financing thereof (together, the "Project").

RATINGS .... The Obligations and the presently outstanding tax-supported debt of the City are rated "AA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "Aa3" by Moody's Investor Services ("Moody's"), without regard to credit enhancement (see "Other Information – Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 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]	Net 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	% Total Collections
2014	8,600	$ 508,695,836	$ 19,483,778	$ 59,151	3.83%	$ 2,266	101.67%
2015	8,756	554,892,312	18,817,640	63,373	3.39%	2,149	106.07%
2016	9,028	660,868,270	20,236,515	73,202	3.06%	2,242	107.06%
2017	11,871	872,961,920	25,894,005	73,537	2.97%	2,181	108.98%
2018	14,515	1,108,101,685	45,890,000 [4]	76,342 [4]	4.14% [4]	3,162 [4]	102.82% [5]

(1) Provided by City staff.
(2) As reported by the Collin and Denton Central Appraisal Districts on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Excludes self-supporting debt. See Table 10 – Computation of Self-Supporting Debt.
(4) Projected, subject to change.
(5) Partial year collections as of May 31, 2018.

For additional information regarding the City, please contact:

City of Celina		Hilltop Securities		Hilltop Securities
Jay Toutounchian		Jason L. Hughes		Nick Bulaich
Director of Finance/City Treasurer		Managing Director		Managing Director
142 N. Ohio Street	or	1201 Elm Street, Suite 3500	or	777 Main Street, Suite 1200
Celina, Texas 75009		Dallas, Texas 75270		Fort Worth, Texas 76102
(972) 382-2682		(214) 953-4000		(817) 332-9710
jtoutounchian@celina-tx.gov		jason.hughes@hilltopsecurities.com		nick.bulaich@hilltopsecurities.com

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	On Council Since	Term Expires May
Sean Terry	Mayor	2008	2020
Bill Weber	Council Member	2014	2019
Wayne Nabors	Council Member	2007	2021
Andy Hopkins	Council Member	2015	2021
Carmen Roberts	Council Member	2011	2020
Mindy Koehne	Council Member	2014	2020
Chad Anderson	Mayor Pro-Tem, Council Member	2013	2019

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years with the City
Jason W. Laumer	City Manager	1
Jay Toutounchian	City Director of Finance/ City Treasurer	13
Lance Vanzant	City Attorney	14
Vicki Faulkner	City Secretary	23
Alan Fourmentin	Director of Public Works	3

CONSULTANTS AND ADVISORS

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

Bond Counsel .... Norton Rose Fulbright US LLP
Dallas, Texas

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

OFFICIAL STATEMENT

RELATING TO

$5,785,000
CITY OF CELINA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018

AND

$50,890,000
CITY OF CELINA, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the $5,785,000 City of Celina, Texas, General Obligation Refunding Bonds, Series 2018 (the "Bonds") and the $50,890,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 (the "Certificates"). The Bonds and the Certificates are collectively referred to herein as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances adopted on the date of sale of the Obligations which authorized the issuance of the respective Obligations, except as otherwise indicated herein. The ordinance authorizing the issuance of the Bonds (the "Bond Ordinance") and the ordinance authorizing the issuance of the Certificates (the "Certificate Ordinance"), are sometimes herein referred to jointly as the "Ordinances".

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, Hilltop Securities Inc., Dallas, Texas.

DESCRIPTION OF THE CITY... The City is a political subdivision and is a home rule municipality of the State of Texas, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City adopted a Home Rule Charter on May 12, 2007. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers who are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administration officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 6,028, while the estimated 2018 estimated population is 14,515. The City covers approximately 78 square miles.

PLAN OF FINANCING

PURPOSE

The Bonds... Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt (the "Refunded Obligations") in order to lower the overall debt service requirements of the City (see Schedule I attached hereto for a detailed description of the Refunded Obligations); and (ii) pay the costs of issuance of the Bonds.

The Certificates ... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor, (ii) acquiring land for a future City Hall site, (iii) constructing, equipping and improving City Hall and additional municipal buildings, and the acquisition of land therefor (iv) constructing and improving parking facilities for municipal facilities, including the acquisition of sites therefor, (v) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage and traffic signalization and the acquisition of land and rights-of-way therefor, (vi) constructing, equipping and improving fire-fighting facilities and (vii) professional services rendered in connection with such projects and the financing thereof (together, the "Project").

REFUNDED OBLIGATIONS ... A description and identification of the Refunded Obligations appears on Schedule I attached hererto. The Refunded Obligations are being called for redemption on September 20, 2018 (the "Redemption Date"). The principal and interest due on the Refunding Obligations are to be paid on the Redemption Date from funds to be deposited with the paying agent/registrar for the Refunded Obligations (the "Refunded Obligations Paying Agent"). The Bond Ordinance will provide that with respect to the Refunded Obligations, a portion of the proceeds from the sale of the Bonds, will be irrevocably deposited with the Refunded Obligations Paying Agent on the Redemption Date. U.S. Bank National Association, in its capacity as Paying Agent for the Refunded Obligations, will certify as to the sufficiency of the amounts initially deposited with the Refunded Obligations Paying Agent to pay the principal of and interest on the Refunded Obligations when due at the scheduled date of redemption. Such funds will be held uninvested by the Refunded Obligations Paying Agent in a trust clearing account pending their disbursement to redeem the Refunded Obligations on the Redemption Date. By the deposit with the Refunded Obligations Paying Agent in such trust clearing account, the City will have effected the defeasance of all the Refunded Obligations in accordance with the applicable law.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS. . . The Obligations are dated August 1, 2018 (the "Dated Date"), and mature on September 1 in each of the years and in the amounts shown on page 2 with respect to the Bonds and on Page 4 with respect to the Certificates. Interest will accrue from the date of delivery of the Obligations (anticipated to be September 13, 2018), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year commencing March 1, 2019 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("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. . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly Texas Government Code, Chapter 1207, as amended, and the Bond Ordinance.

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 the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT OF THE OBLIGATIONS. . . The Obligations 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. Additionally, the Certificates are payable 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.

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, 2029, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on September 1, 2028, 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 a 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.

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 Obligations.

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

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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 instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.**

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct 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 relating to the Obligations 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 and other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (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 or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligations are required to be printed and delivered.

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

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar for the Obligations is U.S. Bank National Association, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. 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 of 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 Obligations 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.

OBLIGATION HOLDERS' 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 Ordinance 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 Obligations 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. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. V. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city, Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist then 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 Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

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 Obligations then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Ordinances; except that, without the consent of the registered owners of all of the 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.

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

	The Bonds	The Certificates
SOURCES OF FUNDS:		
Par Amount	$ 5,785,000.00	$ 50,890,000.00
Net Premium	371,001.40	3,794,224.55
TOTAL SOURCES	$ 6,156,001.40	$ 54,684,224.55
USES OF FUNDS:		
Deposit to Project Fund	$ -	$ 54,069,060.00
Deposit to Escrow Fund	6,022,089.61	-
Deposit to Debt Service Fund	3,196.89	297.88
Costs of Issuance	80,000.00	230,000.00
Underwriter's Discount	50,714.90	384,866.67
TOTAL USES	$ 6,156,001.40	$ 54,684,224.55

TAX INFORMATION

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

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

Article VIII of the Texas 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. Unless otherwise indicated references to sections and articles below are references to those provisions found in the Texas Constitution.

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 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 Property 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 Property 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(1)	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 PROPERTY 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 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.

Economic Development Initiatives

The City of Celina is located within Collin County, which is rapidly developing county in the State of Texas. The growing population directly influences the local housing industry and commercial properties, and ultimately the City's property tax base, sales tax revenues, franchise fees, permits and licenses, and other revenues of the City. Additionally, the City encompasses a vast area of raw land that makes it attractive to residential developers. The City has implemented various means to manage and continue this growth while maintaining a stable property tax rate.

The City has created several public improvement districts, which are briefly described below. The City established the public improvement districts to undertake improvement projects that confer a special benefit on property located within the particular public improvement district, whether located within the City limits or the City's extraterritorial jurisdiction. The City may levy and collect special assessments on property in the particular public improvement district based on the benefit conferred by an improvement project to pay all or part of its cost. To the extent bonds have been issued to finance such public improvements, detailed information on these developments may be obtained from the City or from disclosure documents for such bonds filed at www.emma.msrb.org.

Creeks of Legacy Public Improvement District

The Creeks of Legacy Public Improvement District ("Creeks PID") was created by the City on April 29, 2014 and is an approximately 322 acre master planned project located within the City limits on the corner of Legacy and Frontier Parkway. The Creeks PID is located in a fast growing development area situated directly between the City and the City of Prosper. The Creeks PID is expected to be developed in approximately three phases over a 7 year period and is expected to include road, water, sewer and storm drainage infrastructure and community improvements (such as amenities, parks, trails, and lakes) and residential lots. Upon completion, the Creeks PID is expected is expected to have approximately 1,021 single family homes.

In July 2014, the City issued $15,325,000 in bonds secured by the special assessments levied on property within the Creeks PID to commence development of roadway, water, wastewater and drainage improvements. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within the Creeks PID as described above.

On August 14, 2018 the City sold bonds in the amount of $10,625,000 secured by the special assessments levied on property within the Creeks PID to fund improvements within the Creeks PID and fund a reserve fund for payments of the bonds. These bonds are scheduled to deliver on August 30, 2018.

On May 22, 2014, the City created a tax increment reinvestment zone to overlay the Creeks PID ("Creeks TIRZ") and the Creeks TIRZ is coterminous with the boundaries of the Creeks PID. The tax increment base of Creeks TIRZ is the total taxable value of all real property taxable by the City located in the Creeks TIRZ as of January 1, 2014 (the "Tax Increment Base"). To pay a portion of debt service on bonds issued for improvements in the Creeks PID, the City has agreed to set aside an amount equal to 47.63% of the Tax Increment for each year, which consists of property taxes levied, assessed, and collected by the City for that year on the captured appraised value of real property taxable by City and located in the Creeks TIRZ (the "Tax Increment"); however, these funds are not pledged to the bonds issued to construct improvements for the Creeks PID. The "captured appraised value" of real property for a year is the total appraised value of all real property taxable by the City and located in the Creeks TIRZ for that year less the Tax Increment Base. Currently, there are no other taxing units participating in the Creeks TIRZ. The term of the Creeks TIRZ is the earlier of 27 years from the date the Creeks TRIZ was created or when the amount of Tax Increment revenue collected and transferred by the City to pay the costs of improvements equals $22,218,846.

The Lakes at Mustang Ranch Public Improvement District

The Lakes at Mustang Ranch Public Improvement District ("Lakes PID") was created by the City on March 10, 2008 and is an approximately 682 acre master planned community located within the City limits and situated in the northwest quadrant of the intersection of FM 2478 and FM 1461. The Lakes PID is located in a rapidly growing area in the southeastern quadrant of the City and is located approximately two miles east of Preston Road and approximately three miles north of US 380, and just north of the

City of Prosper. The Lakes PID is expected to be developed in approximately nine phases over an approximately 10 year period and is expected to include road, water, sewer and storm drainage infrastructure and community improvements (such as amenities, parks, trails, and lakes) and residential lots. Upon completion, the Lakes PID is expected to have approximately 1,799 single family homes.

In January 2015, the City issued $22,150,000 in bonds, secured by the special assessments levied on property within the Lakes PID, to commence development of roadway, water, wastewater and drainage improvements. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within the Lakes PID as described above.

The City expects to construct and install certain permanent public improvements that benefit the entire Lakes PID, including certain water, wastewater, and drainage improvements mostly outside of the boundaries of the Lakes PID but which will benefit the property within the Lakes PID. The special assessment levied on parcels within the Lakes PID includes an additional component attributable to a portion of debt service related to City general obligation debt issued in part to improvements benefitting the Lakes PID. Such additional component is not pledged to the payment of the City general obligation debt, and is reduced up to the corresponding amount of ad valorem taxes paid by owners of the property in the Lakes PID each year pursuant to a 380 Grant Agreement between the City, the developer of the Lakes PID and the developer of the Parks PID.

The Parks at Wilson Creek Public Improvement District

The Parks at Wilson Creek Public Improvement District ("Parks PID") was created by the City on November 11, 2014 and is an approximately 540 acre master planned community located in the City's extra territorial jurisdiction southeast of the City. The Parks PID is located in a development area situated between the City and the City of Prosper. The Parks PID is expected to be developed in approximately nine phases and is expected to include road, water, sewer and storm drainage infrastructure and community improvements (such as amenities, parks, trails, and lakes) and residential lots. Upon completion, the Parks PID is expected to have approximately 1,874 single family homes. To date, no bonds have been issued to fund projects within the Parks PID. The City has, however, levied a special assessment on property within the Parks PID consisting of the portion of debt service related to City general obligation debt issued relating to improvements benefitting the Parks PID. Such assessment is not pledged to the payment of the City general obligation debt, and is reduced up to the corresponding amount of ad valorem taxes paid by owners of the property in the Parks PID each year pursuant to a 380 Grant Agreement between the City, the developer of the Lakes PID and the developer of the Parks PID.

Wells South Public Improvement District

The Wells South Public Improvement District ("Wells South PID") was created by the City on July 14, 2015 and is an approximately 400 acre master planned project located in a fast growing development area in the southeastern portion of the City. The Wells South PID will consist of primarily residential homesites and parcels to be used for commercial businesses and mixed-use residential/retail development (with approximately 135 townhomes). Wells South PID is expected to be developed in approximately five phases with the initial phase consisting of the infrastructure improvements to serve the entire Wells South PID as well as the first neighborhood of residential sites followed by three subsequent phases of improvements in smaller neighborhood areas. The public improvements will include road, water, sewer and storm drainage infrastructure and community improvements (such as amenities, parks, trails, and lakes) and residential lots. Upon completion, the Wells South PID is expected to have approximately 1,236 single family homes in addition to the commercial and mixed-use properties discussed above.

In December 2015, the City issued $13,830,000 in bonds secured by the special assessments levied on property within the Wells South PID to commence development of roadway, water, wastewater and drainage improvements for the entire Wells South PID as well as commence constructing similar infrastructure for the first neighborhood of residential homesites. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within the Wells South PID. It is expected that additional bonds will be issued in the future for improvements within each of the four remaining neighborhood residential tracts.

The City expects to construct and install certain permanent public improvements that benefit the Wells South PID, including water, wastewater, and drainage improvements mostly located outside of the boundaries of the Wells South PID but which will benefit the property within the Wells South PID. The City issued its Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014A in December of 2014 and its Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015 in October of 2015 to fund such improvements. The City may issue future obligations to finance the costs of the city improvements as more neighborhood areas of Wells South PID are developed. The special assessment levied on parcels within the Wells South PID includes an additional component attributable to a portion of debt service related to City ad valorem tax debt issued to finance improvements benefitting the Wells South PID. However, assessments that are allocable to the City's ad valorem tax debt for such improvements are offset each year by a credit equal to the ad valorem taxes collected by the City from the each property in the Wells South PID during the previous year to be used for reducing the annual special assessments installments allocable to the City-financed improvements, thus lowering the net effective tax rate of property owners in Wells South PID.

Wells North Public Improvement District

The Wells North Public Improvement District ("Wells North PID") was created by the City on February 9, 2016 and is an approximately 244 acre master planned project located in a fast growing development area in the southeastern portion of the City. The Wells North PID will consist of primarily residential homesites and parcels to be used for commercial businesses and mixed-use residential/retail development as well as approximately 12 acres reserved for a public elementary school. Wells North PID is expected to be developed in approximately four phases with the initial phase consisting of the infrastructure improvements to serve the entire Wells North PID as well as the first neighborhood of residential sites followed by three subsequent phases of improvements in smaller neighborhood areas. The public improvements will include road, water, sewer and storm drainage infrastructure and community improvements (such as amenities, parks, trails, and lakes) and residential lots. Upon completion, the Wells North PID is expected to have approximately 846 single family homes in addition to the commercial and mixed-use properties discussed above.

In April 2016, the City issued $9,660,000 in bonds secured by the special assessments levied on property within the Wells North PID to commence development of roadway, water, wastewater and drainage improvements for the entire Wells North PID as well as commence constructing similar infrastructure for the first neighborhood of residential homesites. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within the Wells North PID as described above. It is expected that additional bonds will be issued in the future for improvements within each of the three remaining neighborhood residential tracts.

Sutton Fields II Public Improvement District

The Sutton Fields Public Improvement District ("Sutton Fields PID") was created by the City on October 13, 2015 and is an approximately 622 acre master planned project located in a fast growing development area of the City located directly north of the City of Prosper. The Sutton Fields PID will consist of primarily residential homesites. Sutton Fields PID is expected to be developed in approximately five phases over nine years with the initial phase consisting of the infrastructure improvements to serve the entire Sutton Fields PID as well as the first neighborhood of residential sites followed by three subsequent phases of improvements in smaller neighborhood areas. The public improvements will include road, water, sewer and storm drainage infrastructure and community improvements (such as amenities, parks, trails, and lakes) and residential lots. Upon completion, the Sutton Fields PID is expected to have approximately 2,247 single family homes.

In December 2015, the City issued $28,385,000 in bonds secured by the special assessments levied on property within the Sutton Fields PID to commence development of roadway, water, wastewater and drainage improvements for the entire Sutton Fields PID as well as commence constructing similar infrastructure for the first neighborhood of residential homesites. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within the Sutton Fields PID as described above. It is expected that additional bonds will be issued in the future for improvements within each of the four remaining neighborhood residential tracts.

380 Agreement for Parks PID and Lakes PID

Pursuant to a separate 380 Grant Agreement between the City, the developer of the Lakes PID and the developer of the Parks PID, the City has agreed to provide grant payments from lawfully available funds in each of the years 2021, 2022 and 2023 to each developer for completion of homes within the Lakes PID and the Parks PID. Such grant payments will be determined based on the number of homes completed in the respective PID by July 25th of 2020, 2021 and 2022 and will be apportioned to the developer based on a fixed percentage.

Ownsby Farms Public Improvement District

The Ownsby Farms Public Improvement District ("Ownsby Farms PID") was created by the City on June 9, 2015 and is an approximately 113.5 acre master planned project located in a fast growing development area of the City located near the intersection of Preston Road and CR 53. The Ownsby Farms PID will consist of primarily residential homesites. Ownsby Farms PID is expected to be developed in approximately two phases over five years with the initial phase consisting of the infrastructure improvements to serve the entire Ownsby Farms PID as well as the first neighborhood of residential sites followed by subsequent phases of improvements. The public improvements will include road, water, sewer and storm drainage infrastructure and residential lots. Upon completion, the Ownsby Farms PID is expected to have approximately 372 single family homes.

In January 2017, the City issued $6,230,000 in bonds secured by the special assessments levied on property within the Ownsby Farms PID to commence development of roadway, water, wastewater and drainage improvements for the entire Ownsby Farms PID as well as commence constructing similar infrastructure for the first neighborhood of residential homesites. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within the Ownsby Farms PID as described above. It is expected that additional bonds will be issued in the future for improvements.

On September 13, 2016, the City created a tax increment reinvestment zone to overlay the Ownsby Farms PID ("Ownsby Farms TIRZ") and the Ownsby Farms TIRZ is coterminous with the boundaries of the Ownsby Farms PID. The tax increment base of Ownsby Farms TIRZ is the total taxable value of all real property taxable by the City located in the Ownsby Farms TIRZ as of

January 1, 2016 (the "Tax Increment Base"). To pay a portion of debt service on bonds issued for improvements in the Ownsby Farms PID, the City has agreed to set aside an amount equal to $0.2232 per $100 assessed valuation of the Tax Increment for each year, which consists of property taxes levied, assessed, and collected by the City for that year on the captured appraised value of real property taxable by City and located in the Ownsby Farms TIRZ (the "Tax Increment"); however, these funds are not pledged to the bonds issued to construct improvements for the Ownsby Farms PID. The "captured appraised value" of real property for a year is the total appraised value of all real property taxable by the City and located in the Ownsby Farms TIRZ for that year less the Tax Increment Base. Currently, there are no other taxing units participating in the Ownsby Farms TIRZ. The term of the Ownsby Farms TIRZ is the earlier 2045 or when the amount of Tax Increment revenue collected and transferred by the City to pay the costs of improvements equals $1,850,912.

Chalk Hill Public Improvement District

The Chalk Hill Public Improvement District ("Chalk Hill PID") was created by the City on December 12, 2017 and is an approximately 94.8 acre master planned project located in a fast growing development area of the City located near the intersection of Legacy Drive and Preston Road. The Chalk Hill PID will consist of primarily residential homesites. Chalk Hill PID is expected to be developed in approximately three phases over five years with the initial phase consisting of the infrastructure improvements to serve the entire Chalk Hill PID as well as the first neighborhood of residential sites followed by subsequent phases of improvements. The public improvements will include road, water, sewer and storm drainage infrastructure and residential lots. Upon completion, the Chalk Hill PID is expected to have approximately 441 single family homes.

In April 2018, the City issued $8,015,000 in bonds secured by the special assessments levied on property within the Chalk Hill PID to commence development of roadway, water, wastewater and drainage improvements for the entire Chalk Hill PID as well as commence constructing similar infrastructure for the first neighborhood of residential homesites. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within the Chalk Hill PID as described above. It is expected that additional bonds will be issued in the future for improvements.

On November 14, 2017, the City created a tax increment reinvestment zone to overlay the Chalk Hill PID ("Chalk Hill TIRZ") and the Chalk Hill TIRZ is coterminous with the boundaries of the Chalk Hill PID. The tax increment base of Chalk Hill TIRZ is the total taxable value of all real property taxable by the City located in the Chalk Hill TIRZ as of January 1, 2017 (the "Tax Increment Base"). To pay a portion of debt service on bonds issued for improvements in the Chalk Hill PID, the City has agreed to set aside an amount equal to 34.2% of the Tax Increment for each year, which consists of property taxes levied, assessed, and collected by the City for that year on the captured appraised value of real property taxable by City and located in the Chalk Hill TIRZ (the "Tax Increment"); however, these funds are not pledged to the bonds issued to construct improvements for the Chalk Hill PID. The "captured appraised value" of real property for a year is the total appraised value of all real property taxable by the City and located in the Chalk Hill TIRZ for that year less the Tax Increment Base. Currently, there are no other taxing units participating in the Chalk Hill TIRZ. The term of the Chalk Hill TIRZ is the earlier 2048 or when the amount of Tax Increment revenue collected and transferred by the City to pay the costs of improvements equals $10,770,317.

The Columns Public Improvement District

The Columns Public Improvement District ("The Columns PID") was created by the City on November 14, 2017 and is an approximately 48.7 acre master planned project located in a fast growing development area of the City located near the intersection of Light Farms Way and CR 51. The Columns PID will consist of primarily residential homesites. The Columns PID is expected to be developed in one phase over two years. The public improvements will include road, water, sewer and storm drainage infrastructure and residential lots. Upon completion, The Columns PID is expected to have approximately 261 single family homes.

In May 2018, the City issued $6,470,000 in bonds secured by the special assessments levied on property within The Columns PID to commence development of roadway, water, wastewater and drainage improvements for the entire The Columns PID as well as commence constructing similar infrastructure for the first neighborhood of residential homesites. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within The Columns PID as described above.

On November 14, 2017, the City created a tax increment reinvestment zone to overlay The Columns PID ("The Columns TIRZ") and The Columns TIRZ is coterminous with the boundaries of The Columns PID. The tax increment base of The Columns TIRZ is the total taxable value of all real property taxable by the City located in The Columns TIRZ as of January 1, 2017 (the "Tax Increment Base"). To pay a portion of debt service on bonds issued for improvements in The Columns PID, the City has agreed to set aside an amount equal to 34.2% of the Tax Increment for each year, which consists of property taxes levied, assessed, and collected by the City for that year on the captured appraised value of real property taxable by City and located in The Columns TIRZ (the "Tax Increment"); however, these funds are not pledged to the bonds issued to construct improvements for The Columns PID. The "captured appraised value" of real property for a year is the total appraised value of all real property taxable by the City and located in The Columns TIRZ for that year less the Tax Increment Base. Currently, there are no other taxing units participating in The Columns TIRZ. The term of The Columns TIRZ is the earlier 2048 or when the amount of Tax Increment revenue collected and transferred by the City to pay the costs of improvements equals $6,403,309.

Cambridge Crossing Public Improvement District

The Cambridge Crossing Public Improvement District ("Cambridge Crossing PID") was created by the City on February 28, 2017 and is an approximately 484.074 acre master planned project located in a fast growing southwestern quadrant of the. The Cambridge Crossing PID will consist of primarily residential homesites. The Cambridge Crossing PID is expected to be developed in seven phases over an approximate 10 year period. The public improvements will include road, water, sewer and storm drainage infrastructure and residential lots. Upon completion, Cambridge Crossing PID is expected to have approximately 1,528 single family homes.

In August 2018, the City sold $23,350,000 in bonds secured by the special assessments levied on property within Cambridge Crossing PID to commence development of roadway, water, wastewater and drainage improvements for the entire Cambridge Crossing PID as well as commence constructing similar infrastructure for the first neighborhood of residential homesites. The bonds are not a debt of the general credit or taxing power of the City and are secured only by special assessments levied within Cambridge Crossing PID as described above. These bonds are scheduled to deliver on August 30, 2018.

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TABLE 1 – ASSESSED VALUATION AND EXEMPTIONS

2017/2018 Market Valuation Established by the Collin Central Appraisal District (excludes totally exempt property)		$ 1,805,544,462
Less Exemptions/Reductions at 100% Market Value:		
Local Over 65/Disabled Homestead Exemption	12,070,193	
Disabled/Deceased Veterans	6,977,240	
Agricultural Productivity Value Loss	637,698,795	
10% Value Cap Loss	40,571,807	
Other (Pollution Control)	124,742	697,442,777
2017/2018 Taxable Assessed Valuation		$ 1,108,101,685

General Obligation Debt Principal Outstanding (As of 6/15/2018)[(1)]	
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2004	$ 20,000
Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 2007 (TWDB)	215,000
General Obligation Refunding Bonds, Series 2007	300,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2011	1,190,000
General Obligation Refunding Bonds, Series 2012	2,670,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012	185,000
General Obligation Refunding Bonds, Series 2013	3,505,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013	5,185,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014	5,010,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014A	1,625,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015	14,970,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2016	9,600,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2017	9,500,000
Total Gross General Obligation Debt Oustanding:	$ 53,975,000
Plus:	
The Bonds	$ 5,785,000
The Certificates	50,890,000
Less: Self-Supporting General Obligation Debt Principal [(1)]	
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2004 (W&S)	$ 17,111
Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 2007 (TWDB) (W&S)	215,000
General Obligation Refunding Bonds, Series 2007 (W&S)	216,780
General Obligation Refunding Bonds, Series 2012 (W&S)	2,590,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012 (W&S)	30,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 (W&S)	2,300,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014A (PID)	575,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014A (W&S)	1,050,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015 (PID)	4,780,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015 (W&S)	8,100,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2016 (PID)	1,470,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2016 (W&S)	6,015,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2017 (W&S)	5,110,000
The Certificates (W&S)	30,855,000
Total Self-Supporting General Obligation Debt Principal	$ 63,323,891
Total Net General Obligation Debt Principal Outstanding:	$ 47,326,110
General Obligation Interest and Sinking Fund Balance as July 31, 2018	$ 3,015,513
Ratio of Gross General Obligation Debt Principal to FY 2018 Certified Net Taxable Assessed Valuation	4.87%
Ratio of Net General Obligation Debt Principal to FY 2018 Certified Net Taxable Assessed Valuation	4.27%
FY 2018 Certified Net Taxable Assessed Valuation	$ 1,108,101,685

2018 Population (Estimate)		14,515
Per Capita Certified Net Taxable Assessed Valuation	$	76,342
Per Capita Gross General Obligation Debt Principal	$	3,719
Per Capita Net General Obligation Debt Principal	$	3,260

(1) Excludes the Refunded Obligations
(2) General Obligation debt in the amount shown for which repayment is provided from revenues from enterprise funds of the City The amount of self-supporting debt is based on the revenue support as shown in Tables 8 and 10 It is the City's current policy to provide these payments from enterprise fund revenues, but this policy is subject to change in the future and, if changed to reduce the amount of revenue support of tax-supported debt, the City would be required to increase its debt service tax to compensate for the reduction in revenue support or to use other legally available funds to pay the principal of and interest on the debt

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2018		2017		2016	
Category	% of Amount	% of Total	% of Amount	% of Total	% of Amount	% of Total
Real, Residential, Single-Family	$ 839,968,624	46.52%	$ 654,045,135	47.81%	$ 518,723,878	47.89%
Real, Residential, Multi-Family	5,561,634	0.31%	4,059,391	0.30%	4,107,838	0.38%
Real, Vacant Lots/Tracts	24,417,348	1.35%	24,125,161	1.76%	20,090,554	1.85%
Real, Acreage (Land Only)	640,344,608	35.47%	456,693,560	33.39%	401,909,707	37.11%
Real, Farm and Ranch Improvements	67,569,178	3.74%	95,727,065	7.00%	42,873,683	3.96%
Real, Commercial	54,687,017	3.03%	54,316,403	3.97%	45,532,125	4.20%
Real, Industrial	18,874,916	1.05%	15,334,639	1.12%	11,718,140	1.08%
Real and Tangible Personal, Utilities	10,263,277	0.57%	8,987,843	0.66%	7,955,761	0.73%
Tangible Personal, Commercial	33,061,796	1.83%	24,804,963	1.81%	23,493,818	2.17%
Tangible Personal, Other	6,969	0.00%	6,200	0.00%	6,016	0.00%
Real Property, Inventory	110,789,095	6.14%	29,783,538	2.18%	6,754,091	0.62%
Total Appraised Value Before Exemptions	$ 1,805,544,462	100.00%	$ 1,367,883,898	100.00%	$ 1,083,165,611	100.00%
Less: Total Exemptions/Reductions	697,442,777		494,061,576		421,495,519	
Adjustment	-		(860,402)		(801,822)	
Taxable Assessed Value	$ 1,108,101,685		$ 872,961,920		$ 660,868,270	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
Category	% of Amount	% of Total	% of Amount	% of Total
Real, Residential, Single-Family	$ 438,792,784	47.91%	$ 401,786,855	48.88%
Real, Residential, Multi-Family	3,851,836	0.42%	3,661,196	0.45%
Real, Vacant Lots/Tracts	18,706,460	2.04%	17,892,261	2.18%
Real, Acreage (Land Only)	347,903,979	37.98%	301,321,485	36.66%
Real, Farm and Ranch Improvements	19,994,142	2.18%	18,327,338	2.23%
Real, Commercial	39,389,591	4.30%	36,111,095	4.39%
Real, Industrial	10,666,475	1.16%	10,217,974	1.24%
Real and Tangible Personal, Utilities	7,889,040	0.86%	7,367,688	0.90%
Tangible Personal, Commercial	19,771,132	2.16%	19,070,220	2.32%
Tangible Personal, Other	3,075	0.00%	5,556	0.00%
Real Property, Inventory	8,954,249	0.98%	6,247,353	0.76%
Special Inventory	-	0.00%	751	0.00%
Total Appraised Value Before Exemptions	$ 915,922,763	100.00%	$ 822,009,772	100.00%
Less: Total Exemptions/Reductions	365,644,470		316,113,558	
Adjustment	4,614,019		2,799,622	
Taxable Assessed Value	$ 554,892,312		$ 508,695,836	

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

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation [(2)]	Net 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
2014	8,600	$ 508,695,836	$ 19,483,778	$ 59,151	3.83%	$ 2,266
2015	8,756	554,892,312	18,817,640	63,373	3.39%	2,149
2016	9,028	660,868,270	20,236,515	73,202	3.06%	2,242
2017	11,871	872,961,920	25,894,005	73,537	2.97%	2,181
2018	14,515	1,108,101,685	45,890,000 [(4)]	76,342 [(4)]	4.14% [(4)]	3,162 [(4)]

(1) Provided by City staff.
(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Excludes self-supporting debt. See Table 10 – Computation of Self-Supporting Debt.
(4) Projected, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2014	$ 0.6450	$ 0.4616	$ 0.1834	$ 3,263,030	100.15%	101.67%
2015	0.6450	0.4327	0.2123	3,549,295	102.25%	106.07%
2016	0.6450	0.4335	0.2115	4,164,231	102.34%	107.06%
2017	0.6450	0.4233	0.2217	5,064,321	106.56%	108.97%
2018	0.6450	0.4278	0.2172	7,147,256	100.63% [(1)]	102.82% [(1)]

(1) Partial year collections as of May 31, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2017/2018 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Celina 682 Partners LP	Real Estate	$ 12,851,987	1.16%
Wells South Development Phase 1 LLC	Development	11,471,000	1.04%
Lennar Homes of Texas LTD	Real Estate	8,953,079	0.81%
First Texas Homes Inc.	Real Estate	6,801,596	0.61%
CTMGT Frontier 80 LLC	Real Estate	6,674,083	0.60%
Highland Homes - Dallas LLC	Home Builder	6,635,677	0.60%
Celina Town Center	Retail	6,325,301	0.57%
CADG Ownsby Farms LLC	Development	5,629,710	0.51%
Chemtrade Sulfate Chemicals Inc.	Manufacturing	5,428,036	0.49%
Bluewood Phase 1 LLC	Development	5,238,480	0.47%
		$ 76,008,949	6.86%