

OFFICIAL STATEMENT
Dated December 5, 2013

Rating:
S&P: "AA"/"A"
Insurance: BAM
(See "OTHER INFORMATION
- Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Series 2013A Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters - Series 2013A Certificates" herein, including the alternative minimum tax on corporations. See "TAX MATTERS – SERIES 2013A CERTIFICATES."

THE SERIES 2013A CERTIFICATES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS



\$7,120,000
CITY OF CLYDE, TEXAS
(Callahan County)
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2013A

Dated Date: December 1, 2013
Interest Accrues from Date of Delivery

Due: August 1, as shown on the inside cover page

PAYMENT TERMS . . . Interest on the \$7,120,000 City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013A (the "Series 2013A Certificates") will accrue from the date of their initial delivery and will be payable on February 1 and August 1 of each year commencing August 1, 2014, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Series 2013A 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 Series 2013A Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Series 2013A Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Series 2013A 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 Series 2013A Certificates (see "THE OBLIGATIONS – Book-Entry-Only System"). The initial Paying Agent/Registrar is BOKF, N.A. dba Bank of Texas, Dallas, Texas (see "THE OBLIGATIONS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Series 2013A Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the "Certificate of Obligation Act of 1971") and the ordinance authorizing the issuance of the Series 2013A Certificates (the "2013A Ordinance"). The Series 2013A Certificates constitute direct obligations of the City of Clyde, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a pledge of the surplus revenues of the City's waterworks and sewer system, as provided in the 2013A Ordinance (see "THE OBLIGATIONS – Authority for Issuance" and "THE OBLIGATIONS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Series 2013A Certificates will be used for (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's waterworks and sewer system, including acquisition of water rights in Fort Phantom Hill Reservoir; and (ii) the costs of issuing the Series 2013A Certificates.



The scheduled payment of principal of and interest on the Series 2013A Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2013A Certificates by Build America Mutual Assurance Company.

CUSIP PREFIX: 189702
MATURITY SCHEDULE
See Inside Front Cover

LEGALITY . . . The Series 2013A Certificates are offered for delivery when, as and if issued and received by underwriter (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX C - "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriter by its counsel, Petruska & Associates, A Professional Limited Liability Company, Dallas, Texas.

DELIVERY . . . It is expected that the Series 2013A Certificates will be available for initial delivery through DTC on December 19, 2013.

RAYMOND JAMES

Maturity Schedule

<u>Principal Amount</u>	<u>August 1 Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix ⁽¹⁾</u>
\$ 10,000	2017	2.000%	1.100%	CQ4
10,000	2018	3.000%	1.550%	CR2
10,000	2019	3.000%	2.000%	CS0
10,000	2020	3.000%	2.450%	CT8
10,000	2021	3.000%	2.850%	CU5
10,000	2022	3.000%	3.150%	CV3
10,000	2023	3.250%	3.350%	CW1
***	***	***	***	***
360,000	2030	4.500%	3.750% ⁽²⁾	DD2
375,000	2031	4.500%	3.900% ⁽²⁾	DE0

\$100,000 4.000% Term Certificates due August 1, 2029 Priced to Yield 3.600% ⁽²⁾ - CUSIP Suffix ⁽¹⁾: DC4
\$1,235,000 4.750% Term Certificates due August 1, 2034 Priced to Yield 4.250% ⁽²⁾ - CUSIP Suffix ⁽¹⁾: DH3
\$1,950,000 5.000% Term Certificates due August 1, 2038 Priced to Yield 4.650% ⁽²⁾ - CUSIP Suffix ⁽¹⁾: DM2
\$3,030,000 5.000% Term Certificates due August 1, 2043 Priced to Yield 4.900% ⁽²⁾ - CUSIP Suffix ⁽¹⁾: DS9

(Interest Accrues from Date of Delivery)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Underwriter nor the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Yield shown is yield to first call date, August 1, 2023.

REDEMPTION . . . The City reserves the right, at its option, to redeem Series 2013A Certificates having stated maturities after August 1, 2024, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . The Term Certificates maturing on August 1, 2029, August 1, 2034, August 1, 2038 and August 1, 2043 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under "THE OBLIGATIONS – Mandatory Sinking Fund Redemption".

SEPARATE ISSUES . . . The Series 2013A Certificates are being offered by the City concurrently with the "City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2013B" (the "Series 2013B Certificates"), under a common Official Statement, and the Series 2013A Certificates and such Series 2013B Certificates are hereinafter sometimes referred to collectively herein as the "Obligations." The Series 2013A Certificates and the Series 2013B Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

OFFICIAL STATEMENT
Dated December 5, 2013

Rating:
S&P: "AA"/"A"
Insurance: BAM
(See "OTHER INFORMATION
- Rating" herein)

NEW ISSUE - Book-Entry-Only

The Series 2013B Certificates, defined below, are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. See "TAX MATTERS – SERIES 2013B CERTIFICATES."



\$3,815,000
CITY OF CLYDE, TEXAS
(Callahan County)
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2013B

Dated Date: December 1, 2013
Interest Accrues from Date of Delivery

Due: August 1, as shown on the inside cover page

PAYMENT TERMS . . . Interest on the \$3,815,000 City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2013B (the "Series 2013B Certificates") will accrue from the date of their initial delivery and will be payable on February 1 and August 1 of each year commencing August 1, 2014, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Series 2013B 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 Series 2013B Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Series 2013B Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Series 2013B 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 Series 2013B Certificates (see "THE OBLIGATIONS – Book-Entry-Only System"). The initial Paying Agent/Registrar is BOKF, N.A. dba Bank of Texas, Dallas, Texas (see "THE OBLIGATIONS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Series 2013B Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the "Certificate of Obligation Act of 1971") and the ordinance authorizing the issuance of the Series 2013B Certificates (the "2013B Ordinance"). The Series 2013B Certificates constitute direct obligations of the City of Clyde, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a pledge of the surplus revenues of the City's waterworks and sewer system, as provided in the 2013B Ordinance (see "THE OBLIGATIONS – Authority for Issuance" and "THE OBLIGATIONS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Series 2013B Certificates will be used for (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's waterworks and sewer system, including acquisition of water rights in Fort Phantom Hill Reservoir; and (ii) the costs of issuing the Series 2013B Certificates.



The scheduled payment of principal of and interest on the Series 2013B Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2013B Certificates by Build America Mutual Assurance Company.

CUSIP PREFIX: 189702
MATURITY SCHEDULE
See Inside Front Cover

LEGALITY . . . The Series 2013B Certificates are offered for delivery when, as and if issued and received by underwriter (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX C - "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriter by its counsel, Petruska & Associates, A Professional Limited Liability Company, Dallas, Texas.

DELIVERY . . . It is expected that the Series 2013B Certificates will be available for initial delivery through DTC on December 19, 2013.

RAYMOND JAMES

MATURITY SCHEDULE

<u>Principal Amount</u>	<u>August 1 Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix ⁽¹⁾</u>
\$ 215,000	2014	3.000%	0.550%	DT7
85,000	2015	3.000%	0.850%	DU4
205,000	2016	3.000%	1.210%	DV2
200,000	2017	3.000%	1.720%	DW0
205,000	2018	3.000%	2.270%	DX8
210,000	2019	3.500%	2.780%	DY6
220,000	2020	3.750%	3.280%	DZ3
230,000	2021	4.250%	3.790%	EA7
235,000	2022	4.500%	4.140%	EB5
250,000	2023	4.750%	4.440%	EC3

\$1,760,000 5.500% Term Certificates due August 1, 2029 Priced to Yield 5.250% ⁽²⁾ - CUSIP Suffix ⁽¹⁾: EJ8

(Interest Accrues from Date of Delivery)

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- (2) Yield shown is yield to first call date, August 1, 2023.

REDEMPTION . . . The City reserves the right, at its option, to redeem the Term Certificate in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . The Term Certificate is subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under "THE OBLIGATIONS – Mandatory Sinking Fund Redemption".

SEPARATE ISSUES . . . The Series 2013B Certificates are being offered by the City concurrently with the "City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013A" (the "Series 2013A Certificates"), under a common Official Statement, and such Series 2013A Certificates and Series 2013B Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Series 2013B Certificates and the Series 2013A Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITER 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 REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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

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The cover page hereof, this page, the appendices and schedule included herein and any addenda, supplement or amendment hereto, are part of this 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 OBLIGATIONS..... The Series 2013A Certificates are issued as \$7,120,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013A. The Series 2013A Certificates are issued as Serial Certificates maturing on August 1 in the years 2017 through 2023, 2030 and 2031, and as Term Certificates maturing on August 1, 2029, August 1, 2034, August 1, 2038, and August 1, 2043.

The Series 2013B Certificates are issued as \$3,815,000 Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2013B. The Series 2013B Certificates are issued as Serial Certificates maturing on August 1 in the years 2014 through 2023, and as a Term Certificate maturing on August 1, 2029.

PAYMENT OF INTEREST Interest on the Obligations accrues from the date of their initial delivery, and is payable on August 1, 2014, and each August 1 and February 1 thereafter until maturity or prior redemption (see “THE OBLIGATIONS – Description of the Obligations” and “THE OBLIGATIONS – Optional Redemption”).

AUTHORITY FOR ISSUANCE The Obligations are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the “Certificate of Obligation Act of 1971”), and Chapter 1502, Texas Government Code, as amended, and the respective ordinances adopted by the City Council of the City.

SECURITY..... The Obligations constitute direct obligations of the City, each Series payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and a pledge of the surplus revenues of the City’s waterworks and sewer system. See “THE OBLIGATIONS – Security and Source of Payment.”

TAX MATTERS – SERIES 2013A

CERTIFICATES..... In the opinion of Bond Counsel, the interest on the Series 2013A Certificates will be excludable from gross income for federal income tax purposes under existing law, under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters- Series 2013A Certificates" herein, including the alternative minimum tax on corporations. See “TAX MATTERS – SERIES 2013A CERTIFICATES” for a discussion of the opinion of Bond Counsel.

QUALIFIED TAX-EXEMPT

OBLIGATIONS..... The City has designated the Series 2013A Certificates as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS – SERIES 2013A CERTIFICATES – Qualified Tax-Exempt Obligations for Financial Institutions”).

TAX MATTERS – SERIES 2013B

CERTIFICATES..... In the opinion of Bond Counsel, the interest on the Series 2013B will **NOT** be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS – SERIES 2013B CERTIFICATES” herein.

REDEMPTION The City reserves the right, at its option, to redeem the Series 2013A Certificates having stated maturities after August 1, 2024, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Term Certificates maturing on August 1, 2029, August 1, 2034, August 1, 2038 and August 1, 2043 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under "THE OBLIGATIONS – Mandatory Sinking Fund Redemption".

The City reserves the right, at its option, to redeem the Series 2013B Term Certificate in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Series 2013B Term Certificate is subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under "THE OBLIGATIONS – Mandatory Sinking Fund Redemption".

USE OF PROCEEDS Proceeds from the sale of the Obligations will be used for (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's waterworks and sewer system, including acquisition of water rights in Fort Phantom Hill Reservoir; and (ii) the costs of issuing the Obligations.

GENERAL

THE CITY..... The City of Clyde, Texas, is a political subdivision and Type A general law municipal corporation of the State, located in Callahan County. The City is approximately 2.1 square miles in area (see "INTRODUCTION – Description of the City").

RATING The Obligations have been rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. The underlying rating is "A" by S&P (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. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of 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 the payment of its tax-supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt ⁽²⁾	Per Capita G.O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2010	3,778	\$ 105,841,320	\$ 28,015	\$ 1,833,000	\$ 485	1.73%	99.59%
2011	3,794	106,659,930	27,897	2,511,000	662	2.35%	100.74%
2012	3,813	110,265,210	27,973	2,249,000	590	2.04%	100.88%
2013	3,832	113,124,163	28,775	1,972,000	515	1.74%	98.91%
2014	3,851	117,381,513	29,375	12,400,000 ⁽³⁾	3,220	10.56%	N/A

(1) Source: City of Clyde, Texas.
(2) Includes self-supporting debt.
(3) Projected; includes the Obligations and self-supporting debt.

For additional information regarding the City, please contact:

Keith Selman City Manager City of Clyde 222 Oak Street P.O. Box 1155 Clyde, Texas 79510 (325) 893-4234 (325) 893-5010 Fax	or	Steven A. Adams, CFA Paul N. Jasin Specialized Public Finance Inc. 4925 Greenville Avenue Suite 465 Dallas, Texas 75206 (214) 373-3911 (214) 373-3913 Fax
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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Dustin Hawk Mayor	6 Years	May, 2015	CEO, Medical Clinic
Stephen Kniffen Mayor Pro Tem	1 1/2 Years	May, 2014	Retired
JW Schlee Councilmember	1 1/2 Years	May, 2014	Retired
Mike Foster Councilmember	6 Months	May, 2015	US Postal Service
Jeff Bell ⁽¹⁾ Councilmember	4 Years	May, 2014	Police Officer
Frank Peck Councilmember	11 Years	May, 2015	Self-Employed

(1) Mr. Bell resigned because of a Municipal Court Judge appointment, and by state statute he will continue to serve until replaced.

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service to City</u>
Keith Selman	City Manager	2 Years
C. Jean Gilmore	City Secretary	23 Years

CONSULTANTS AND ADVISORS

Auditors Cameron L. Gulley, CPA
Eastland, Texas

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

Financial Advisor.....Specialized Public Finance Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

\$7,120,000
CITY OF CLYDE, TEXAS,
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2013A
AND
\$3,815,000
CITY OF CLYDE, TEXAS,
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
TAXABLE SERIES 2013B

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$7,120,000 City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013A (the "Series 2013A Certificates") and the issuance of \$3,815,000 City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2013B (the "Series 2013B Certificates" and collectively with the Series 2013A Certificates the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Series 2013A Ordinance") authorizing the issuance of the Series 2013A Certificates and the ordinance (the "Series 2013B Ordinance") authorizing the issuance of the Series 2013B Certificates adopted on the date of sale of the Series 2013A Certificates and the Series 2013B Certificates (collectively, the "Ordinances"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City. The Series 2013A Certificates and the Series 2013B Certificates are being offered by the City concurrently under a common Official Statement, and the Series 2013A Certificates and the Series 2013B Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Series 2013A Certificates and the Series 2013B Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Obligations will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and Type A general law municipal corporation of the State, duly organized and existing under the laws of the State. The City was incorporated in 1907. The City operates under the Aldermanic form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. An appointed City Administrator is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The City covers approximately 2.1 square miles. For more information regarding the City, see APPENDIX A – "General Information Regarding the City".

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated December 1, 2013, and mature on August 1 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest accrues from the date of delivery of the Obligations and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1, commencing August 1, 2014. 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 owners thereof.** Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Obligations are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Ordinances.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Obligations and each Series is further secured by a pledge of the net revenues of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Ordinances.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. The City operates under the general laws of the State as authorized by Article XI, Section 4, of the Texas Constitution, which limits the maximum tax rate to \$1.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all General Obligation Debt, based on 90% tax collection.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Obligations having stated maturities after August 1, 2024, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2023, 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 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 Obligations (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

MANDATORY SINKING FUND REDEMPTION . . . The Series 2013A Certificates maturing on August 1, 2029, August 1, 2034, August 1, 2038 and August 1, 2043 (the "Series 2013A Term Certificates") are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Series 2013A Term Certificates Maturing August 1, 2029		Series 2013A Term Certificates Maturing August 1, 2034	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
8/1/2024	\$ 10,000	8/1/2032	\$ 395,000
8/1/2025	10,000	8/1/2033	410,000
8/1/2026	10,000	8/1/2034 (1)	430,000
8/1/2027	10,000		
8/1/2028	10,000		
8/1/2029 (1)	50,000		
Series 2013A Term Certificates Maturing August 1, 2038		Series 2013A Term Certificates Maturing August 1, 2043	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
8/1/2035	\$ 450,000	8/1/2039	\$ 550,000
8/1/2036	475,000	8/1/2040	575,000
8/1/2037	500,000	8/1/2041	605,000
8/1/2038 (1)	525,000	8/1/2042	635,000
		8/1/2043 (1)	665,000

(1) Stated maturity.

The Series 2013B Certificate maturing on August 1, 2029 (the "Series 2013B Term Certificate" and collectively with the Series 2013A Term Certificates the "Term Certificates") is subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Series 2013B Term Certificate	
Redemption Date	Principal Amount
8/1/2024	\$ 260,000
8/1/2025	275,000
8/1/2026	290,000
8/1/2027	305,000
8/1/2028	325,000
8/1/2029 ⁽¹⁾	305,000

(1) Stated maturity.

The particular Term Certificates to be redeemed shall be chosen by the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) at random by lot or other customary method; provided, however, that the principal amount of the Term Certificates of a stated maturity required to be redeemed pursuant to the operation of the mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of said Term Certificates of like maturity which, at least 50 days prior to mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first-class, postage prepaid, to the registered owners of the Obligation 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, AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, 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 PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Obligation will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligation called for redemption or any other action premised or any such notice.

Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Obligations held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Obligation from the beneficial owners. Any such selection of Obligations to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations for redemption. See "Book-Entry-Only System" herein.

DEFEASANCE . . . The Ordinances provide for the defeasance of the Obligations when payment of the principal of the respective series of 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, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the respective series of Obligations, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinances provide that

"Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) 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 as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (3) 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 as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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 the 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 authorize.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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 The Depository Trust Company ("DTC"), New York, New York, while the Obligations are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act initially 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 each series of the Obligations, in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Obligations. 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 online dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and 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 Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Obligations representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct 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 Obligation 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a Series of 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 any other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. 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, premium, if any, 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 principal, premium, if any, and interest 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 depository with respect to the Obligations at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered in accordance with the Ordinances. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Obligations are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the book-entry-only system should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Obligations may be assigned by the execution of an assignment form on the 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 designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein 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 (i) with respect to any Obligation, during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the fifteenth business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder of a 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.

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so 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 Ordinance does not provide for the appointment of a trustee to represent the interest of the Obligationholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (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, Obligationholders may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinance. 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 Obligationholders 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 Obligations are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Obligations will be The Depository Trust Company. See "Book-Entry-Only System" herein.

AMENDMENTS TO THE ORDINANCE . . . In each Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the owners, (4) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the owners.

The Ordinances further provide that the owners of each Series of the Obligations aggregating in principal amount 51% of each Series of outstanding Obligations shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of each Series of the then outstanding Obligations no amendment may be made of the purpose of: (1) making any change in the maturity of any of each Series of the outstanding Obligations; (2) reducing the rate of interest borne by any of the outstanding Obligations; (3) reducing the amount of the principal payable of each Series of any outstanding Obligations; (4) modifying the terms of payment of principal or of interest or redemption each Series of outstanding Obligations, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of each Series of the Obligations necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Obligations will be applied approximately as follows:

	<u>Series 2013A Certificates</u>	<u>Series 2013B Certificates</u>
SOURCES OF FUNDS		
Par Amount	\$ 7,120,000.00	\$ 3,815,000.00
Net Reoffering Premium	167,901.55	96,717.50
Total Sources	<u>\$ 7,287,901.55</u>	<u>\$ 3,911,717.50</u>
USES OF FUNDS		
Deposit to Project Construction Fund	\$ 7,081,750.00	\$ 3,813,250.00
Insurance Premium	55,323.67	19,963.24
Underwriter's Discount	50,965.65	25,444.93
Rounding Amount	1,512.23	1,859.33
Costs of Issuance	98,350.00	51,200.00
Total Uses	<u>\$ 7,287,901.55</u>	<u>\$ 3,911,717.50</u>

BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

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

Capitalization of BAM . . . BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2013 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$482.7 million, \$12.1 million and \$470.6 million, respectively.

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

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

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

Additional Information Available from BAM . . . **Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at buildamerica.com/creditinsights/.

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

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

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

BOND INSURANCE RISK FACTORS

GENERAL . . . In the event of default of the scheduled payment of principal of or interest on the Obligations when all or a portion thereof becomes due, any owner of the Obligations shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Obligations by the City which is recovered by the City from the registered owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the City (unless BAM chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Obligations is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “THE OBLIGATIONS – Obligationholders’ Remedies”). BAM may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the registered owners.

In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Obligations are payable solely from the City’s annual ad valorem tax as described herein under “THE OBLIGATIONS – Security and Source of Payment”. In the event BAM becomes obligated to make payments with respect to the Obligations, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Obligations.

The long-term ratings on the Obligations are dependent in part on the financial strength of BAM and its claims-paying ability. BAM’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of BAM and of the rating on the Obligations insured by BAM will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Obligations (see “BOND INSURANCE RISK FACTORS – Claims-Paying Ability and Financial Strength of Municipal Bond Insurers”). The obligations of BAM under the Policy are general obligations of BAM and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor or the Purchaser has made independent investigation into the claims-paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. See “BOND INSURANCE” herein for further information provided by BAM and the Policy, which includes further instructions for obtaining current financial information concerning BAM.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody’s Investor Services, Inc., Standard & Poor’s Ratings Service, a Standard & Poor’s Financial Services LLC business and Fitch Ratings (the “Rating Agencies”) have, over the last several years, downgraded and/or placed on negative watch the claims-paying and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Obligations. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Obligations and the claims-paying ability of any such bond insurer, particularly over the life of the Obligations.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Callahan County Appraisal District (the “Appraisal District”). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Texas 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 market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the appraised value of the property for the preceding tax year, (b) the appraised value of the property for the preceding tax year and (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District.

The Appraisal District is required to review the value of property with 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 Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) an exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is \$5,000.

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

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 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children.

Under Article VIII, Section 1-b(h) and State law, a city at its option may provide a prohibition on increasing the total ad valorem tax, except for increases attributable to certain improvements, on the residence homestead of a disabled person or person 65 years of age or older above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year the city chooses to establish the tax limitation. The above-referenced tax limitation is transferable to (1) a different residence homestead within the city and (2) to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. On the receipt of a petition signed by five percent of the registered voters of the City, the City shall call an election to determine by majority vote whether to establish such a tax limitation. If improvements (other than maintenance or repairs) 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 limitation may not be repealed or rescinded.

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 Section 1-d-1.

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

Article VIII, Section 1-j, provides for “freeport property” to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VII, Section 1-n of the Texas Constitution provides for an exemption from taxation for “goods-in-transit,” which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. 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. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a Freeport exemption or a goods-in-transit exemption for items of personal property.

Article VIII, Section 1-I, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

The City may create one or more tax increment financing zones within the City (“TIRZ”), under which the tax values on property in the zone are “frozen” at the value of the property at the time of creation of the zone. Other overlapping taxing units levying taxes in the TIRZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIRZ in excess of the “frozen values” to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the City against the values of real property in the TIRZ in excess of the “frozen” value are not available for general City use but are restricted to paying or financing “project costs” within the TIRZ. The City also may enter into tax abatement agreements to encourage economic development. Under such tax abatement 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. A tax abatement agreement could last for a period of up to 10 years.

Cities are also 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 grant of public fund 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.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its “effective tax rate” and “rollback tax rate”. Effective January 1, 2000, a tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or 103% of the effective tax rate until a public hearing is held on the proposed tax rate following a notice of such public hearing (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. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

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

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

The City has not granted an additional exemption of up to 20% of the market value of residence homesteads; minimum exemption of \$5,000.

The City does not tax nonbusiness personal property; and the Callahan County Tax Assessor/Collector collects taxes for the City.

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

The City does tax freeport property

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy and has not participated in the creation of a tax increment financing zone.

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TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2013/14 Market Valuation of Taxable Property Established by Callahan County Appraisal District (excluding totally exempt property)		\$ 123,238,130
Less Exemptions/Reductions at 100% Market Value:		
Over 65	\$ 1,965,000	
Disabled Veterans	2,420,667	
Productivity Loss	912,280	
Miscellaneous	3,260	
Homestead Cap	<u>555,410</u>	<u>\$ 5,856,617</u>
2013/14 Net Taxable Assessed Valuation		\$ 117,381,513
Debt Payable From Ad Valorem Taxes (as of 9/30/2013):		\$ 1,972,000
The Certificates Tax-Exempt		7,120,000
The Certificates Taxable		<u>3,815,000</u>
		\$ 12,907,000
Less Supported Debt:		
Waterworks and Sewer System General Obligation Debt ⁽¹⁾		\$ 12,277,000
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 630,000
Ratio Net General Obligation Debt Payable from Ad Valorem Taxes to Net Taxable Assessed Valuation		0.54%

2013 Estimated Population - 3,851
Per Capita Taxable Assessed Valuation - \$30,481
Per Capita Net Debt Payable from Ad Valorem Taxes - \$164

(1) Includes 100% of Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2006, Combination Tax and Revenue Certificates of Obligation, Series 2008A, Combination Tax and Revenue Certificates of Obligation, Taxable, Series 2008B, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013A, and the Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2013B. The City's current policy is to provide these payments from respective system revenues; this policy is subject to change in the future.

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TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 92,971,760	75.25%	\$ 89,940,880	75.55%	\$ 88,383,390	74.24%
Real, Residential, Multi-Family	1,470,950	1.19%	1,308,870	1.10%	1,373,080	1.15%
Real, Vacant Platted Lots	863,220	0.70%	942,360	0.79%	873,960	0.73%
Real, Acreage (Land Only)	1,134,540	0.92%	1,461,860	1.23%	1,568,150	1.32%
Real, Farm and Ranch Improvements	281,290	0.23%	-	0.00%	311,440	0.26%
Real, Commercial and Industrial	11,747,160	9.51%	11,455,270	9.62%	11,231,420	9.43%
Real & Intangible Personal, Utilities	2,942,250	2.38%	2,127,830	1.79%	2,013,640	1.69%
Tangible Personal, Business	6,197,900	5.02%	6,653,650	5.59%	6,411,160	5.39%
Tangible Personal, Other	2,080,050	1.68%	1,843,810	1.55%	1,855,340	1.56%
Real, Inventory	15,990	0.01%	15,990	0.01%	18,790	0.02%
Special Inventory	3,843,870	3.11%	3,298,150	2.77%	2,419,370	2.03%
Total Appraised Value Before Exemptions	\$ 123,548,980	100.00%	\$ 119,048,670	100.00%	\$ 116,459,740	97.83%
Less: Total Exemptions/Reductions	6,167,467		5,924,507		6,194,530	
Taxable Assessed Value	<u>\$ 117,381,513</u>		<u>\$ 113,124,163</u>		<u>\$ 110,265,210</u>	

Category	2011		2010	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 87,202,130	77.10%	\$ 84,699,300	74.89%
Real, Residential, Multi-Family	1,373,080	1.21%	1,360,490	1.20%
Real, Vacant Platted Lots	886,010	0.78%	886,860	0.78%
Real, Acreage (Land Only)	1,045,750	0.92%	1,050,000	0.93%
Real, Farm and Ranch Improvements	311,440	0.28%	291,000	0.26%
Real, Commercial and Industrial	11,077,840	9.79%	10,989,560	9.72%
Real & Intangible Personal, Utilities	2,042,320	1.81%	2,884,430	2.55%
Tangible Personal, Business	6,146,670	5.43%	5,643,340	4.99%
Tangible Personal, Other	1,620,630	1.43%	1,586,410	1.40%
Real, Inventory	18,790	0.02%	18,790	0.02%
Special Inventory	1,378,140	1.22%	2,520,720	2.23%
Total Appraised Value Before Exemptions	\$ 113,102,800	20.90%	\$ 111,930,900	22.09%
Less: Total Exemptions/Reductions	6,442,870		6,089,580	
Taxable Assessed Value	<u>\$ 106,659,930</u>		<u>\$ 105,841,320</u>	

Note: Valuations shown are certified taxable assessed values reported by the Callahan County 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 updates records.

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt ⁽³⁾	Ratio G.O. Tax Debt to Taxable Assessed Valuation	Per Capita G.O. Tax Debt
2010	3,778	\$ 105,841,320	\$ 28,015	\$ 1,833,000	1.73%	\$ 485
2011	3,794	106,659,930	28,113	2,511,000	2.35%	662
2012	3,813	110,265,210	28,918	2,249,000	2.04%	590
2013	3,832	113,124,163	29,521	1,972,000	1.74%	515
2014	3,851	117,381,513	30,481	12,400,000 ⁽⁴⁾	10.56%	3,220

(1) Source: The City.

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

(3) Includes self-supporting debt.

(4) Projected; includes the Obligations and self-supporting debt.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Adjusted Tax Levy	% Current Collections	% Total Collections
2010	\$ 0.6987	\$ 0.5325	\$ 0.1662	\$ 701,086	97.44%	99.59%
2011	0.6787	0.5125	0.1662	692,515	98.84%	100.74%
2012	0.6551	0.4973	0.1578	694,879	98.78%	100.88%
2013	0.6551	0.5030	0.1521	714,277	97.42%	98.91%
2014	0.6369	0.4911	0.1458	747,603	In Process of Collection	

TABLE 5 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2012/2013 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Blake Fulenwider Chrysler/Dodge/Jeep LTD	\$ 5,181,320	4.41%
First Financial	1,185,480	1.01%
AEP Texas North Company	1,152,140	0.98%
Mal Enterprises Inc.	826,150	0.70%
White Drilling	789,840	0.67%
Smith & Walski Inc	716,090	0.61%
Union Pacific Railroad	550,620	0.47%
Lawrence Mgt Services	534,580	0.46%
Leo Keith & Susan Len Moore	519,950	0.44%
Philip Mintz	500,890	0.43%
	<u>\$ 11,957,060</u>	<u>10.19%</u>

GENERAL BOND DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law (see “THE OBLIGATIONS - Tax Rate Limitation”).

TABLE 6 – TAX ADEQUACY ⁽¹⁾

2014 Total Debt Principal and Interest Requirements	\$ 905,784
\$0.7875 Tax Rate at 98% Collection Produces	\$ 905,892
Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2014 - 2043	\$ 781,136
\$0.6791 Tax Rate at 98% Collection Produces	\$ 781,195
Maximum Net Tax Supported Debt Principal and Interest Requirements, 2016	\$ 1,077,193
\$0.9365 Tax Rate at 98% Collection Produces	\$ 1,077,292

(1) Includes the Obligations and self-supporting debt.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional obligations since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional obligations, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 10/31/2013
Clyde, City of	\$ 12,907,000 ⁽¹⁾	100.00%	\$ 12,907,000 ⁽¹⁾
Clyde CISD	21,820,000	17.12%	3,735,584
Callahan County	-	21.20%	-
Total Direct and Overlapping G.O. Tax Debt			\$ 16,642,584
Ratio of Direct and Overlapping G.O. Tax Debt to Taxable Assessed Valuation			14.18%
Per Capita Overlapping G.O. Tax Debt			\$ 4,387

(1) Includes the Obligations and self-supporting debt.

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DEBT INFORMATION

TABLE 8 – DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt ⁽¹⁾			The Series 2013A Certificates ⁽²⁾			The Series 2013B Certificates ⁽³⁾			Total Debt	Less: Self- Supporting Debt	Net Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total			
2014	\$ 292,000	\$ 78,927	\$ 370,927	\$ -	\$ 213,837	\$ 213,837	\$ 215,000	\$ 106,020	\$ 321,020	\$ 905,784	\$ 675,052	\$ 230,732
2015	303,000	67,207	370,207	-	346,763	346,763	85,000	165,475	250,475	967,444	739,912	227,532
2016	308,000	54,505	362,505	-	346,763	346,763	205,000	162,925	367,925	1,077,193	853,271	223,922
2017	99,000	41,319	140,319	10,000	346,763	356,763	200,000	156,775	356,775	853,856	853,856	-
2018	104,000	37,082	141,082	10,000	346,563	356,563	205,000	150,775	355,775	853,420	853,420	-
2019	55,000	34,080	89,080	10,000	346,263	356,263	210,000	144,625	354,625	799,968	799,968	-
2020	55,000	32,438	87,438	10,000	345,963	355,963	220,000	137,275	357,275	800,675	800,675	-
2021	61,000	30,089	91,089	10,000	345,663	355,663	230,000	129,025	359,025	805,776	805,776	-
2022	55,000	27,800	82,800	10,000	345,363	355,363	235,000	119,250	354,250	792,413	792,413	-
2023	55,000	25,600	80,600	10,000	345,063	355,063	250,000	108,675	358,675	794,338	794,338	-
2024	60,000	23,400	83,400	10,000	344,738	354,738	260,000	96,800	356,800	794,938	794,938	-
2025	65,000	21,000	86,000	10,000	344,338	354,338	275,000	82,500	357,500	797,838	797,838	-
2026	70,000	18,400	88,400	10,000	343,938	353,938	290,000	67,375	357,375	799,713	799,713	-
2027	70,000	15,600	85,600	10,000	343,538	353,538	305,000	51,425	356,425	795,563	795,563	-
2028	70,000	12,800	82,800	10,000	343,138	353,138	325,000	34,650	359,650	795,588	795,588	-
2029	75,000	10,000	85,000	50,000	342,738	392,738	305,000	16,775	321,775	799,513	799,513	-
2030	80,000	7,000	87,000	360,000	340,738	700,738	-	-	-	787,738	787,738	-
2031	15,000	3,800	18,800	375,000	324,538	699,538	-	-	-	718,338	718,338	-
2032	20,000	3,200	23,200	395,000	307,663	702,663	-	-	-	725,863	725,863	-
2033	20,000	2,400	22,400	410,000	288,900	698,900	-	-	-	721,300	721,300	-
2034	20,000	1,600	21,600	430,000	269,425	699,425	-	-	-	721,025	721,025	-
2035	20,000	800	20,800	450,000	249,000	699,000	-	-	-	719,800	719,800	-
2036	-	-	-	475,000	226,500	701,500	-	-	-	701,500	701,500	-
2037	-	-	-	500,000	202,750	702,750	-	-	-	702,750	702,750	-
2038	-	-	-	525,000	177,750	702,750	-	-	-	702,750	702,750	-
2039	-	-	-	550,000	151,500	701,500	-	-	-	701,500	701,500	-
2040	-	-	-	575,000	124,000	699,000	-	-	-	699,000	699,000	-
2041	-	-	-	605,000	95,250	700,250	-	-	-	700,250	700,250	-
2042	-	-	-	635,000	65,000	700,000	-	-	-	700,000	700,000	-
2043	-	-	-	665,000	33,250	698,250	-	-	-	698,250	698,250	-
	<u>\$ 1,972,000</u>	<u>\$ 549,046</u>	<u>\$ 2,521,046</u>	<u>\$ 7,120,000</u>	<u>\$ 8,247,687</u>	<u>\$ 15,367,687</u>	<u>\$ 3,815,000</u>	<u>\$ 1,730,345</u>	<u>\$ 5,545,345</u>	<u>\$ 23,434,078</u>	<u>\$ 22,751,892</u>	<u>\$ 682,186</u>

(1) Includes self-supporting debt.

(2) Interest calculated at a true interest cost of 4.78%. Includes self-supporting debt.

(3) Interest calculated at a true interest cost of 4.68%. Includes self-supporting debt.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2014 ⁽¹⁾	\$ 905,784
Interest and Sinking Fund, 9/30/2013	-
2013 Interest and Sinking Fund Tax Levy @ 98% Collection	167,719
Less: Self-Supporting Debt	<u>675,052</u>
Estimated Balance, 9/30/2014 ⁽²⁾	<u>\$ (63,013)</u>

(1) Includes the Obligations and self-supporting debt.

(2) Any negative funds shall be paid from transfer from the General Fund.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds.

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

TABLE 11 - OTHER OBLIGATIONS

The City had the following unfunded debt outstanding as of September 30, 2012.

Notes Payable

The City issued a ten-year note to finance the purchase of two fire brush trucks in March, 2009. Total amount financed was \$148,000 at 4.95% interest payable in monthly installments of \$1,570. At September, 30, 2012, principal of \$53,899 was outstanding.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note # K.)

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FINANCIAL INFORMATION

TABLE 12 – CHANGES IN NET ASSETS

	Fiscal Year Ending September 30,				
	2012	2011	2010	2009	2008
Program Revenues:					
Charges for Services	\$ 720,850	\$ 704,432	\$ 683,420	\$ 520,970	\$ 419,295
Operating Grants	100	19,016	241,174	94,891	140,753
General Revenues:					
Taxes	1,239,988	1,218,710	1,188,568	1,127,960	1,092,237
Administrative Costs	251,000	314,500	326,000	326,000	201,000
Investment Earnings	3,537	7,640	5,489	2,961	10,462
Other	(72,858)	(74,830)	(57,060)	(47,334)	(51,679)
Total Revenues	\$ 2,142,617	\$ 2,189,468	\$ 2,387,591	\$ 2,025,448	\$ 1,812,068
Program Expenses:					
General Government	\$ 412,811	\$ 386,086	\$ 323,257	\$ 280,751	\$ 317,939
Senior citizens	16,685	17,392	16,111	17,435	18,429
Cemetery	3,519	1,850	2,671	4,460	5,263
Library	82,881	68,040	57,915	53,820	71,732
Police and municipal court	1,021,547	1,020,335	980,765	726,060	671,262
Fire	117,243	127,644	123,176	188,452	86,676
Parks and recreation	123,807	133,703	97,012	76,407	112,136
Code enforcement and animal control	148,304	164,961	147,030	114,475	112,673
Street	437,105	514,592	391,174	386,736	399,288
Interest expense on long-term debt	48,692	44,422	11,098	9,958	12,560
Total Expenses	\$ 2,412,594	\$ 2,479,025	\$ 2,150,209	\$ 1,858,554	\$ 1,807,958
Excess (Deficiency) before Other Resources, Uses, and Transfers	\$ (269,977)	\$ (289,557)	\$ 237,382	\$ 166,894	\$ 4,110
Other Resources Transfers In (Out)	-	-	-	-	-
Increase (Decrease) in Net Assets	\$ (269,977)	\$ (289,557)	\$ 237,382	\$ 166,894	\$ 4,110
Net Assets-beginning of year	\$ 4,016,222	\$ 4,305,779	\$ 4,068,397	\$ 3,901,503	\$ 3,897,393
Prior period adjustment	-	-	-	-	-
Net Assets-end of year	\$ 3,746,245	\$ 4,016,222	\$ 4,305,779	\$ 4,068,397	\$ 3,901,503

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TABLE 12A – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
<u>Revenues:</u>					
Taxes:					
General Property Tax	\$ 700,625	\$ 697,664	\$ 698,228	\$ 661,293	\$ 644,029
General Sales Tax	408,903	396,012	351,628	353,313	352,073
Other Taxes - Franchise Tax	123,087	116,457	117,131	108,001	87,921
Penalty and Interest on Delinquent Taxes	11,488	9,771	15,261	12,592	11,026
Licenses and Permits	10,530	11,686	16,352	20,423	23,021
Administrative Cost Allocation	251,000	314,500	326,000	326,000	201,000
Charges for Services	11,701	11,633	18,216	51,058	44,929
Fines	693,419	675,913	641,252	438,189	336,845
Grants	-	17,662	239,959	93,781	139,651
Other Revenue	52,142	50,170	38,390	34,986	73,321
Investment Earnings	3,103	7,239	5,131	2,745	9,802
Total Revenues	<u>\$ 2,265,998</u>	<u>\$ 2,308,707</u>	<u>\$ 2,467,548</u>	<u>\$ 2,102,381</u>	<u>\$ 1,923,618</u>
<u>Expenditures:</u>					
General Government	\$ 418,295	\$ 373,048	\$ 312,810	\$ 282,304	\$ 318,526
Senior Citizens	14,173	20,280	14,139	15,463	16,457
Cemetery	3,519	1,850	2,671	4,460	5,263
Library	78,895	64,800	55,322	49,952	68,804
Police	582,762	651,056	604,888	489,627	479,453
Municipal Court	406,392	379,276	375,714	222,094	216,046
Fire	45,132	1,017,622	73,395	310,971	52,153
Domestic Preparedness	46,121	-	-	-	-
Parks and Recreation	55,304	170,695	319,184	276,834	192,499
Code Enforcement	37,552	39,690	42,973	30,563	53,233
Animal Control	105,594	125,471	99,516	76,594	78,607
Streets	283,226	605,442	265,723	221,828	232,145
Debt Service:					
Principal	66,425	60,291	59,332	44,363	78,919
Interest and Fiscal Charges	47,459	74,771	11,852	9,778	12,842
Total Expenditures	<u>\$ 2,190,849</u>	<u>\$ 3,584,292</u>	<u>\$ 2,237,519</u>	<u>\$ 2,034,831</u>	<u>\$ 1,804,947</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 75,149	\$ (1,275,585)	\$ 230,029	\$ 67,550	\$ 118,671
Other Financing Sources (Uses):					
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ 9,771
Transfers Out	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
Loan Proceeds	-	1,145,000	-	148,000	-
Insurance Proceeds	-	-	29,550	42,680	-
Total Other Sources (Uses)	<u>\$ (125,000)</u>	<u>\$ 1,020,000</u>	<u>\$ (95,450)</u>	<u>\$ 65,680</u>	<u>\$ (115,229)</u>
Net Change in Fund Balances	\$ (49,851)	\$ (255,585)	\$ 134,579	\$ 133,230	\$ 3,442
Beginning Fund Balance	\$ 352,805	\$ 608,390	\$ 473,811	\$ 340,581	\$ 337,139
Prior Period Adjustment	-	-	-	-	-
Ending Fund Balance	<u>\$ 302,954</u>	<u>\$ 352,805</u>	<u>\$ 608,390</u>	<u>\$ 473,811</u>	<u>\$ 340,581</u>

The estimated unaudited General Fund balance as of 9/30/2013 was \$200,000.

TABLE 13 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On May 6, 1995, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½% of 1%) for economic development. Collection for the additional tax went into effect in December, 1995. The sales tax for economic development is collected solely for the benefit of Clyde Economic Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2009	\$ 353,313	53.46%	\$ 0.3513	\$ 94
2010	351,628	50.15%	0.3322	95
2011	396,012	57.18%	0.3713	107
2012	407,104	58.59%	0.3692	110
2013	448,698	62.82%	0.3966	121

Source: Texas Comptroller of Public Accounts.

(1) Excludes collections of the one-half percent (1/2%) sales and use tax for economic development.

(2) Based on population estimates of the City.

FINANCIAL POLICIES

Basis of Accounting . . . Governmental Funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for service, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.

General Fund Balance . . . The General Fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds . . . These funds are used to account for the proceeds of specific revenue sources (other than special assessments of major capital projects) that are legally restricted to expenditures for specified purposes.

Budgetary Procedures . . . Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund and the proprietary funds, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. All unencumbered budget appropriations lapse at the end of each fiscal year.

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INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities including, obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or; (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, as amended, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a contribution of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAn" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3)

collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements, (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City’s investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TABLE 14 – CURRENT INVESTMENTS

As of October 31, 2013, the City’s investable funds were invested in the following categories:

Description	% of Portfolio	Market Value
Money Market Savings	100.00%	\$ 145,449
Total	100.00%	\$ 145,449

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TAX MATTERS - SERIES 2013A CERTIFICATES

OPINIONS . . . On the date of initial delivery of the Series 2013A Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render opinions that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Series 2013A Certificates (i) will be excludable from the "gross income" of the holders thereof for federal income tax purposes, and (ii) the Series 2013A Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2013A Certificates. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2013A Certificates. See APPENDIX C - "Forms of Bond Counsel's Opinions".

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, and (b) covenants of the City contained in the Series 2013A Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Series 2013A Certificates and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Series 2013A Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2013A Certificates in order for interest on the Series 2013A Certificates be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2013A Certificates to be included in gross income retroactively to the date of issuance of the Series 2013A Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2013A Certificates.

Bond Counsel's opinions represent its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinions are not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Series 2013A Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Series 2013A Certificates or the property financed or refinanced with proceeds of the Series 2013A Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Series 2013A Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Obligationholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Series 2013A Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Series 2013A Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Series 2013A Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Series 2013A Certificates, and (ii) the initial offering price to the public of such Original Issue Discount Series 2013A Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Series 2013A Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Series 2013A Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Series 2013A Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Series 2013A Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Series 2013A Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Series 2013A Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Series 2013A Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Series 2013A Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of

compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Series 2013A Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Series 2013A Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Series 2013A Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Series 2013A Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Series 2013A Certificates.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Series 2013A Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2013A CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Series 2013A Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2013A Certificates, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Series 2013A Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The City has designated the Series 2013A Certificates as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the City covenanted to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Series 2013A Certificates as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of such amounts is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount**

of such premium is not disregarded, then such obligations might fail to satisfy the dollar limitation and the Series 2013A Certificates would not be “qualified tax-exempt obligations.”

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2013A Certificates under Federal or state law and could affect the market price or marketability of the Series 2013A Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Series 2013A Certificates should consult their own tax advisors regarding the foregoing matters.

TAX MATTERS – SERIES 2013B CERTIFICATES

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE SERIES 2013B CERTIFICATES, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2013B CERTIFICATES UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS . . . General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Series 2013B Certificates and is based on the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Series 2013B Certificates and does not address U.S. federal gift or estate tax or the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, taxpayers who may be subject to other personal holding company provisions of the Code) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Series 2013B Certificates as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the U.S. dollar. This summary is further limited to investors who will hold the Series 2013B Certificates as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code.

As used herein, the term "U.S. Holder" means a beneficial owner of a Series 2013B Certificate who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Series 2013B Certificate that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF SERIES 2013B CERTIFICATES IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE SERIES 2013B CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2013B CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE SERIES 2013B CERTIFICATES.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2013B CERTIFICATES UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS . . . *Periodic Interest Payments and Original Issue Discount.* The Series 2013B Certificates are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Series 2013B Certificates or original issue discount, if any, accruing on the Series 2013B Certificates will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Series 2013B Certificates. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Series 2013B Certificate equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Series 2013B Certificates. Generally, a U.S. Holder's tax basis in the Series 2013B Certificates will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Series 2013B Certificates has been held for more than one year.

Defeasance of the Series 2013B Certificates. Defeasance of any a Series 2013B Certificate may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

Other Tax Consequences. Effective for tax years beginning after December 31, 2012, pursuant to the Health Care and Education Reconciliation Act of 2010, which was intended to help finance the cost of healthcare reform, certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Series 2013B Certificates. **PROSPECTIVE PURCHASERS OF THE SERIES 2013B CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.**

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS . . . A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Series 2013B Certificate, will not be subject to U.S. federal income or withholding tax in respect of a Series 2013B Certificate, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Series 2013B Certificate.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2013B Certificates will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2013. The City will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"). The updated information will include audited financial statements of the City, if the City commissions an audit and it is completed by the required time. If the audit of such financial statements is not complete within such period, then the City shall provide unaudited financial information for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statements become available. Any such financial

statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to Texas law or regulation.

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

NOTICE OF CERTAIN EVENTS . . . The City will provide notice to the MSRB of any of the following events with respect to the Obligations, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of Obligationholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Obligations; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The City will also provide notice to the MSRB of any of the following events with respect to the Obligations without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the City (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City).

The City will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The City will also provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under "Annual Reports" and "Material Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Should the Rule be amended to obligate the City to make filing with or provide notices to entities other than the MSRB, the City agrees to undertake such obligation with respect to the Obligations in accordance with the Rule as amended.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above.

The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreements may be amended by the City 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, but only if (1) the provisions, as amended, would have permitted an underwriter to purchase or sell Obligations in the primary offering of the Obligations in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Order that authorizes such an amendment) of the Outstanding Obligations consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of the 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 amends its agreements, it must 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 information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City became obligated to file in 2010. Since then, the City has made all Required Filings with the exception of the Fiscal Year 2011 and 2012 Annual Financial Report. These reports have since been filed including a notice of late filing, and has put certain administrative procedures in place to help ensure timely compliance with its annual disclosure obligations in the future.

OTHER INFORMATION

RATING . . . The Obligations have been rated “AA/Stable” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. The underlying rating is “A” by S&P. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any such rating 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 . . . Chapter 1201.041, Texas Government Code, as amended, provides that the Obligations are negotiable instruments and investment securities governed by Chapter 8, Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipal 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, as amended, 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 – Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

LEGAL OPINIONS . . . The City will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Obligation of each series and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Series 2013A Certificates will be excludable from gross income for federal income tax purposes under Section 103 of the Code, subject to the matters described under “TAX MATTERS – SERIES 2013A CERTIFICATES” herein, including the alternative minimum tax on corporations. Though it may represent the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in the issuance of the Obligations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Obligations will also be furnished to the Underwriter. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P. has reviewed the information contained under the captions “THE OBLIGATIONS” (exclusive of subcaptions “Book-Entry-Only System,” “Obligationholders’ Remedies and “Sources and Uses of Proceeds”), “TAX MATTERS – SERIES 2013A CERTIFICATES,” “TAX MATTERS – SERIES 2013B CERTIFICATES,” “CONTINUING DISCLOSURE OF INFORMATION” (with the exception of the information set forth under the subcaption “- Compliance with Prior Undertakings”), “OTHER INFORMATION - Legal Opinions (excluding the last sentence of the first paragraph thereof),” and “OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas,” 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, conforms to the provisions of the Obligations and the Ordinances. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligation is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed on for the Underwriter by its counsel, Petruska & Associates, A Professional Limited Liability Company, Dallas, Texas, whose fee is also contingent upon the issuance and delivery of the Obligations.

The 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 expressly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

NO-LITIGATION CERTIFICATE . . . The City will furnish to the Underwriter a certificate, dated as of the date of delivery of the Obligations, executed by both the Mayor and Secretary of the City, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Obligations; restraining or enjoining the issuance, execution or delivery of the Obligations; affecting the provisions made for the payment of or security for the Obligations; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Obligations; or affecting the validity of the Obligations.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Underwriter to take and pay for the Obligations, and of the City to deliver the Obligations, are subject to the condition that, up to the time of delivery of and receipt of payment for the Obligations, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in this Official Statement.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. 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. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and 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.

UNDERWRITING . . . The Underwriter has agreed, subject to certain conditions, to purchase the Series 2013A Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of \$50,965.65 for the Series 2013A Certificates. The Underwriter will be obligated to purchase all of the Series 2013A Certificates if any Series 2013A Certificates are purchased. The Series 2013A Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Series 2013A Certificates into investment trusts) at prices lower than the public offering prices of such Series 2013A Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has agreed, subject to certain conditions, to purchase the Series 2013B Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 4 of this Official Statement, less an underwriting discount of \$25,444.93 for the Series 2013B Certificates. The Underwriter will be obligated to purchase all of the Series 2013B Certificates if any Series 2013B Certificates are purchased. The Series 2013B Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Series 2013B Certificates into investment trusts) at prices lower than the public offering prices of such Series 2013B Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS . . . 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 forward-looking statements 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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

Reference is made to original documents in all respects. The Ordinance authorizing the issuance of the 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 Underwriter.

The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in “CONTINUING DISCLOSURE OF INFORMATION” herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the “end of the underwriting period” which shall end when the City delivers the Obligations to the Underwriter at closing, unless extended by the Underwriter. All information with respect to the resale of the Obligations subsequent to the “end of the underwriting period” is the responsibility of the Underwriter.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission’s rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

Dustin Hawk
Mayor
City of Clyde, Texas

ATTEST:

C. Jean Gilmore
City Secretary
City of Clyde, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND POPULATION

The City of Clyde is located in Callahan County and has a 2013 estimated population of 3,794. The 2010 U.S. Census population for Callahan County is 13,544 and is located approximately 130 miles west of the City of Fort Worth and 15 miles east of the City of Abilene. The City of Baird is the County Seat. Other incorporated towns in Callahan County are Cross Plains and Putnam.

ECONOMY

The City of Clyde benefits from its proximity to Abilene, with many residents commuting to jobs in Abilene, and the City is located favorably on Interstate Highway 20. Local manufacturers produce steel storage tanks, pickup camper tops and aluminum portable buildings.

The County's economy is based on agriculture and mineral production. Agricultural crops include beef cattle, wheat, peanuts, grain sorghums and some irrigation of grasses for hay. The Railroad Commission of Texas reported that in 2005 there were 160,583 barrels of crude oil and 912,458 MCF of natural gas recovered in the County.

LABOR FORCE FOR CALLAHAN COUNTY

	August	Average Annual			
	2013	2012	2011	2010	2009
Civilian Labor Force	6,988	6,976	7,014	7,053	7,127
Total Employed	6,657	6,623	6,577	6,631	6,717
Total Unemployed	331	353	437	422	410
% Unemployed	4.7%	5.1%	6.2%	6.0%	5.8%

(1) Source: Texas Workforce Commission; figures subject to revision.

TRANSPORTATION FOR CALLAHAN COUNTY

The County is served by Interstate Highway 20, State Highway 36 and a well-developed system of farm-to-market roads. The Union Pacific Railroad passes through the City on its main line from Dallas to El Paso, and one motor freight trucking company serves the City. Commercial air service is available at Abilene Regional Airport, located approximately 15 miles west of the City.

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APPENDIX B

**EXCERPTS FROM THE
CITY OF CLYDE, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2012**

The information contained in this APPENDIX consists of excerpts from the City of Clyde, 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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Cameron L. Gulley

CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 163
Eastland, Texas 76448
(325)669-9795
cgulley@txol.net

Independent Auditor's Report

City Commission
City of Clyde, Texas
P. O. Box 1155
Clyde, Texas 79510

Members of the City Commission:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clyde, Texas (the "City") 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's administrators. My responsibility is to express an opinion on them based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provide a reasonable basis for my opinion.

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


Management's discussion and analysis, the budgetary analysis schedule and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiring of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion in it.

My audit was made for the purpose of forming an opinion on the basic financial statements. In addition, the combining and individual nonmajor fund financial statements listed supplementary information in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. Those schedules and statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The remaining other information listed on pages 41-45 of the table of contents required by other organizations has been presented by management but has not been audited by me and, accordingly, I express no opinion on those schedules.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 8, 2013, on my consideration of the City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Respectfully submitted,


Cameron L. Gulley
Certified Public Accountant

April 8, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of City of Clyde, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2012. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements which begin on page 10.

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 (on pages 10 - 11). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these 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 tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 3. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue sharing programs from other governments received and fees charged for utility services (program revenues), and revenues provided by the taxpayers or by the State of Texas (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and 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, however, you should consider nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two activities:

Governmental activities - Most of the City's basic services are reported here, including public safety, maintenance of city streets and alleys, community services, and general administration. Property taxes, franchise and other fees, and state and federal grants finance most of these services.

Business-type activities - The City charges a fee to "customers" to help it cover all or most of the cost of services it provides in the utility waterworks, sewer, and solid waste funds.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the City as a whole. Laws and contracts require the City to establish some funds, such as a debt service fund used to provide sources of revenues to service the City's general obligation bonds. The City's administration establishes many other 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 - Most of the City's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds - the City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total net assets of the City's governmental activities decreased from \$4,016,222 to \$3,746,245. 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 - decreased from \$421,548 to \$374,421 at September 30, 2012. Current assets decreased by \$210,105 due to reductions in cash balances. Capital assets decreased by \$288,042 due to current year asset depreciation expense in excess of asset additions. Long-term liabilities decreased a net of \$67,530 due to retirement of existing debt principal. Other liabilities decreased by \$160,640 due to decreases in ending accounts payable from last year.

Net assets of the business-type activities decreased by \$157,252. Current assets decreased by \$194,813 due to increases in internal liability balances and decreases in cash. Capital assets decreased by \$128,232 due to current year depreciation expense in excess of current year asset additions. Long-term liabilities decreased by \$252,202 due to liquidation of outstanding debt. Other liabilities increased by \$86,409 due to higher ending accounts payable.

Table I
City of Clyde, Texas
Net Assets

	Governmental Activities 2012	Governmental Activities 2011	Variance Increase/ (Decrease)
Current and other assets	\$ 557,130	\$ 767,235	\$ (210,105)
Capital assets	4,551,294	4,839,336	(288,042)
Total assets	5,108,424	5,606,571	(498,147)
Long-term liabilities	1,237,076	1,304,606	(67,530)
Other liabilities	125,103	285,743	(160,640)
Total liabilities	1,392,179	1,590,349	(228,170)
Net assets:			
Invested in capital assets net of related debt	3,371,824	3,594,674	(222,850)
Unassigned	374,421	421,548	(47,127)
Total net assets	\$ 3,746,245	\$ 4,016,222	\$ (269,977)
	Business-type Activities 2012	Business-type Activities 2011	Variance Increase/ (Decrease)
Current and other assets	\$ 278,582	\$ 473,395	\$ (194,813)
Capital assets	3,647,914	3,776,146	(128,232)
Total assets	3,926,496	4,249,541	(323,045)
Long-term liabilities	1,281,167	1,533,369	(252,202)
Other liabilities	216,495	130,086	86,409
Total liabilities	1,497,662	1,663,455	(165,793)
Net assets:			
Invested in capital assets net of related debt	2,588,496	2,466,549	121,947
Restricted for debt service	80,498	136,852	(56,354)
Unassigned	(240,160)	(17,315)	(222,845)
Total net assets	\$ 2,428,834	\$ 2,586,086	\$ (157,252)

Table II
City of Clyde, Texas
Changes in Net Assets

	Governmental Activities 2012	Governmental Activities 2011	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 720,850	\$ 704,432	\$ 16,418
Operating grants and contributions	100	19,016	(18,916)
General Revenues:			
Maintenance and operations taxes	707,998	706,241	1,757
Sales and hotel/motel taxes	408,903	396,012	12,891
Franchise fees	123,087	116,457	6,630
Administrative cost allocation	251,000	314,500	(63,500)
Investment earnings	3,537	7,640	(4,103)
Miscellaneous and transfers	(72,858)	(74,830)	1,972
Total Revenues	2,142,617	2,189,468	(46,851)
Expenses:			
General government	412,811	386,086	(26,725)
Senior citizens	16,685	17,392	707
Cemetery	3,519	1,850	(1,669)
Library	82,881	68,040	(14,841)
Police and municipal court	1,021,547	1,020,335	(1,212)
Fire	117,243	127,644	10,401
Parks and recreation	123,807	133,703	9,896
Code enforcement and animal control	148,304	164,961	16,657
Street	437,105	514,592	77,487
Interest expense on long-term debt	48,692	44,422	(4,270)
Total Expenses	2,412,594	2,479,025	66,431
Increase in Net Assets	(269,977)	(289,557)	19,580
Net Assets - beginning of year	4,016,222	4,305,779	(289,557)
Prior period adjustment			0
Net Assets - end of year	\$ 3,746,245	\$ 4,016,222	\$ (269,977)

Table II - Continued
City of Clyde, Texas
Changes in Net Assets

	Business-type Activities 2012	Business-type Activities 2011	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 1,876,206	\$ 1,835,854	\$ 40,352
Operating grants and contributions	18,471	18,471	0
Investment income	1,531	1,603	(72)
Miscellaneous and transfers	127,130	224,206	(97,076)
Total Revenues	2,023,338	2,080,134	(56,796)
Expenses:			
Water, sewer and sanitation	2,180,590	2,229,902	49,312
Total Expenses	2,180,590	2,229,902	49,312
Increase in Net Assets	(157,252)	(149,768)	(7,484)
Net Assets - beginning of year	2,586,086	2,735,854	(149,768)
Prior period adjustment			0
Net Assets - end of year	\$ 2,428,834	\$ 2,586,086	\$ (157,252)

The City's total revenues of its governmental activities decreased by \$47,000 from the previous year. Most of the decrease was due reduced interfund administration charges to the utility fund of \$63,500. Other external revenues were slightly higher for the year.

Total expenses of the City's governmental activities dropped by approximately \$66,000 from the previous year. Most of the decrease was related to lower street infrastructure expenditures incurred this year. Police, fire and animal control expenditures were down cumulatively by nearly \$26,000 for the year. General government increased expenses were legal and zoning issues.

The City's total revenues of its business-type activities decreased by \$56,796 from the previous year. However, there were one-time revenues received in the previous year for old asset sales and reimbursements from the general fund for park improvements which totaled approximately \$97,000 not received this year.

Total expenses of the business-type activities decreased by approximately \$50,000 from the previous year. Salaries decreased by over \$50,000 from the previous year. Secondary water purchases were higher by over \$206,000 due to low lake levels. That expense was partially offset by reduced plant expenses since the City did not produce as much water as in previous years. Additionally, expenses were cut for the administration cost allocation fee paid to the general fund by approximately \$64,000.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$384,576, a decrease of \$44,117 in the City's governmental funds from last year's fund balance of \$428,693. The decrease in fund balance was due to the changes in revenues and expenses discussed above with exceptions for depreciation expense and capital acquisitions and related debt service principal reductions.

The City Commission did not amended its general fund throughout the year as necessary. Most amendments made during the year were in administration for legal and zoning issues in addition to municipal reinvestment zoning activities.

The City's General Fund balance of \$302,954 reported on pages 14 and 35 differs from the projected budgetary fund balance of \$267,862 due to actual expenditures being less than the final amended budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the City had \$17,582,238 invested in a broad range of capital assets including infrastructure, water treatment and wastewater disposal facilities and equipment and maintenance of City streets and alleys. This amount represents a net increase of \$151,384 (net of dispositions) from last fiscal year. This year's major additions included:

Capitalized costs associated with lake acquisition	\$ 124,338
Sewer equipment	32,000
Real estate lots	6,000
Street infrastructure improvements	11,144
General machinery and equipment	18,233
Total	\$ 191,715

Debt

At year-end, the City had \$2,302,899 in notes, bonds and capital leases outstanding as shown below.

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Bonds	\$ 1,154,000	\$ 1,191,000	\$ 1,095,000	\$ 1,350,000
Notes	53,899	83,324	0	0
Capital leases	0	0	0	0
Total	\$ 1,207,899	\$ 1,274,324	\$ 1,095,000	\$ 1,350,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City adopted water rate structure increases for all its utility billings effective at the March 12, 2013 council meeting which basically doubled the minimum rates on customers. The rate increase will be increased ratably over a three-month period and should increase utility fund revenues by approximately \$500,000. The rate increase is necessary to fund the acquisition of water rights from Fort Phantom Hill Reservoir in Abilene, Texas discussed below.

The City has obtained the right to purchase 2,500 acre-feet of new water sources from Fort Phantom Reservoir in Abilene, Texas where the City will be the sole owner of the water rights. Such rights should provide the City with a sustainable water source for the next 100 years in addition to its existing lake. In order to finance the water rights, the City is in the preliminary stages of offering certificates of obligation totaling approximately \$10,000,000 with the issuance and close dates expected to occur in the 2012-13 fiscal year. The proceeds will be used to fund the water right acquisition.

The City should better its financial health during the 2012-13 fiscal year. Budgeted expenditures for next fiscal year are approximately the same as they were for the 2011-12 fiscal year. The City has projected a balanced budget for 2012-13. Therefore, the fund balance of the City is projected to remain at or near \$300,000 and the net assets should remain at or near \$2,450,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's business office at: City of Clyde, Texas, P. O. Box 1155, Clyde, Texas 79510.

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BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 364,118	\$ 64,761	\$ 428,879	\$ 264,269
Receivables (net of allowance for uncollectibles):				
Property taxes	19,022		19,022	
Accounts receivable		194,997	194,997	
Other	33,962		33,962	10,819
Internal balances	104,734	(104,734)	(0)	
Restricted assets:				
Cash and cash equivalents			0	
Revenue bond covenant accounts		80,498	80,498	
Deferred charges	35,294	43,060	78,354	
Capital assets:				
Land	326,528	163,154	489,682	17,143
Buildings and improvements	1,841,423	1,218,362	3,059,785	
Machinery and equipment	1,402,606	578,574	1,981,180	
Infrastructure	5,108,726	6,942,865	12,051,591	
Less: accumulated depreciation	(4,127,989)	(5,255,041)	(9,383,030)	
TOTAL ASSETS	<u>5,108,424</u>	<u>3,926,496</u>	<u>9,034,920</u>	<u>292,231</u>
LIABILITIES				
Accounts payable	103,174	198,613	301,787	
Accrued liabilities and other payables	15,064	10,404	25,468	0
Accrued interest payable	6,865	7,478	14,343	
Due to other governments			0	
Notes payable - current	17,889		17,889	
Capital leases payable - current			0	
Bonds payable - current	42,000	235,000	277,000	
Deferred revenue	0		0	
Noncurrent liabilities:				
Notes payable - due in more than one year	36,010		36,010	
Capital leases payable - due in more than one year			0	
Bonds payable - due in more than one year	1,112,000	860,000	1,972,000	
Accrued compensable absences payable	29,177	17,322	46,499	
Customer deposits		168,845	168,845	
TOTAL LIABILITIES	<u>1,362,179</u>	<u>1,497,662</u>	<u>2,859,841</u>	<u>0</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,371,824	2,588,496	5,960,320	17,143
Restricted for debt service		80,498	80,498	
Unassigned	374,421	(240,160)	134,261	275,088
TOTAL NET ASSETS	<u>\$ 3,746,245</u>	<u>\$ 2,428,834</u>	<u>\$ 6,175,079</u>	<u>\$ 292,231</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Totals	
		Charges for Services	Operating Grants & Contributions			(Memo Only) Primary Govt	Component Unit
Governmental activities:							
General government	\$ 412,811	\$ 3,807	\$	\$ (409,004)	\$	\$ (409,004)	\$
Senior citizens	16,685	900		(15,785)		(15,785)	
Cemetery	3,519	5,200	100	1,781		1,781	
Library	82,881			(82,881)		(82,881)	
Police	610,391			(610,391)		(610,391)	
Municipal court	411,156	693,419		282,263		282,263	
Fire	117,243			(117,243)		(117,243)	
Parks and recreation	66,058	6,723		(59,335)		(59,335)	
Clyde lake	57,749			(57,749)		(57,749)	
Code enforcement	41,425	2,307		(39,118)		(39,118)	
Animal control	106,879	8,494		(98,385)		(98,385)	
Street	437,105			(437,105)		(437,105)	
Interest expense on long-term debt	48,692			(48,692)		(48,692)	
Total governmental activities	<u>2,412,594</u>	<u>720,850</u>	<u>100</u>	<u>(1,691,644)</u>	<u>0</u>	<u>(1,691,644)</u>	
Business-type activities:							
Water, sewer and sanitation	2,043,134	1,876,206			(166,928)	(166,928)	
Abilene water line	137,456		18,471		(118,985)	(118,985)	
Total business-type activities	<u>2,180,590</u>	<u>1,876,206</u>	<u>18,471</u>	<u>0</u>	<u>(285,913)</u>	<u>(285,913)</u>	
Total primary government	<u>\$ 4,593,184</u>	<u>\$ 2,597,056</u>	<u>\$ 18,571</u>	<u>(1,691,644)</u>	<u>(285,913)</u>	<u>(1,977,557)</u>	
Component units:							
Clyde Economic Development Corporation	94,804						(94,804)
Total component units	<u>\$ 94,804</u>	<u>\$ 0</u>	<u>\$ 0</u>				<u>(94,804)</u>
General revenues:							
Property taxes				707,998		707,998	
Sales taxes				408,903		408,903	136,301
Franchise taxes				123,087		123,087	
Administrative cost allocation				251,000		251,000	
Investment income				3,537	1,531	5,068	2,059
Other revenues				52,142	2,130	54,272	2,011
Gain (loss) on sale of assets						0	
Transfers				(125,000)	125,000	0	
Total general revenues				<u>1,421,667</u>	<u>128,661</u>	<u>1,550,328</u>	<u>140,371</u>
Changes in net assets				(269,977)	(157,252)	(427,229)	45,567
Beginning net assets				4,016,222	2,586,086	6,602,308	246,664
Beginning net asset adjustment						0	
Ending net assets				<u>\$ 3,746,245</u>	<u>\$ 2,428,834</u>	<u>\$ 6,175,079</u>	<u>\$ 292,231</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND OTHER DEBITS			
Assets:			
Cash and cash equivalents	\$ 282,496	\$ 81,622	\$ 364,118
Receivables (net of allowance for uncollectibles):			
Property taxes	19,022		19,022
Accounts receivable			0
Other	33,962		33,962
Due from other funds	104,734		104,734
Total assets and other debits	<u>\$ 440,214</u>	<u>\$ 81,622</u>	<u>\$ 521,836</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 103,174	\$	\$ 103,174
Accrued liabilities and other payables	15,064		15,064
Due to other funds	(0)		(0)
Due to other governments			0
Deferred revenue	19,022		19,022
Total liabilities	<u>137,260</u>	<u>0</u>	<u>137,260</u>
Fund Balances:			
Uncommitted	<u>302,954</u>	<u>81,622</u>	<u>384,576</u>
Total fund balances	<u>302,954</u>	<u>81,622</u>	<u>384,576</u>
Total liabilities and fund balances	<u>\$ 440,214</u>	<u>\$ 81,622</u>	<u>\$ 521,836</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government
Total Fund Balances - Governmental Funds	\$ 384,576
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$8,684,238 and the accumulated depreciation was \$3,844,902. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	3,594,674
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.	101,802
3 The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(323,419)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(11,388)
Net Assets of Governmental Activities	\$ 3,746,245

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUE:			
Taxes:			
General property taxes	\$ 700,625	\$	\$ 700,625
General sales and use taxes	408,903		408,903
Other taxes - franchise taxes	123,087		123,087
Penalty and interest on delinquent taxes	11,488		11,488
Licenses and permits	10,530		10,530
Administrative cost allocation	251,000		251,000
Charges for services	11,701	5,200	16,901
Fines	693,419		693,419
Grants		100	100
Other revenue	52,142		52,142
Investment earnings	3,103	434	3,537
Total revenues	2,265,998	5,734	2,271,732
EXPENDITURES:			
General government	418,295		418,295
Senior citizens	14,173		14,173
Cemetery	3,519		3,519
Library	78,895		78,895
Police	582,762		582,762
Police seizure training			0
Municipal court	406,392		406,392
Fire	45,132		45,132
Parks and recreation	46,121		46,121
Clyde lake	55,304		55,304
Code enforcement	37,552		37,552
Animal control	105,594		105,594
Streets	283,226		283,226
Debt service:			
Principal	66,425		66,425
Interest and fiscal charges	47,459		47,459
Total expenditures	2,190,849	0	2,190,849
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	75,149	5,734	80,883
OTHER FINANCING RESOURCES (USES):			
Transfers in (out)	(125,000)		(125,000)
Loan proceeds		0	0
Insurance proceeds			0
Total other financing resources (uses)	(125,000)	0	(125,000)
NET CHANGE IN FUND BALANCES	(49,851)	5,734	(44,117)
Fund balances - beginning	352,805	75,888	428,693
Prior period adjustment			0
Fund balances - ending	\$ 302,954	\$ 81,622	\$ 384,576

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Primary Government
Net change in fund balances - total governmental funds	\$ (44,117)
1 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.	101,802
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(323,419)
3 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(4,243)
Change in net assets of governmental activities	\$ (269,977)

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Enterprise Funds		
	Water, Sewer & Sanitation Fund	Abilene Water Line Fund	Total Enterprise Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 235,795	\$ (171,034)	\$ 64,761
Accounts receivable (net of allowance for uncollectibles)	194,997		194,997
Other receivables			0
Due from other funds			0
Total current assets	<u>430,792</u>	<u>(171,034)</u>	<u>259,758</u>
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Cash			0
Revenue bond covenant accounts	80,498		80,498
Deferred charges	43,060		43,060
Capital assets:			
Land	163,154		163,154
Buildings and improvements	1,218,362		1,218,362
Machinery and equipment	571,638	6,936	578,574
Infrastructure	5,390,354	1,552,511	6,942,865
Less: accumulated depreciation	<u>(4,537,352)</u>	<u>(717,689)</u>	<u>(5,255,041)</u>
Total noncurrent assets	<u>2,929,714</u>	<u>841,758</u>	<u>3,771,472</u>
Total assets	<u>3,360,506</u>	<u>670,724</u>	<u>4,031,230</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	193,526	5,087	198,613
Accrued wages and withholdings	6,238	4,166	10,404
Accrued interest payable	7,478		7,478
Due to other funds	104,734	0	104,734
Notes payable			0
Capital leases payable			0
Revenue bonds payable	235,000		235,000
Total current liabilities	<u>546,976</u>	<u>9,253</u>	<u>556,229</u>
Noncurrent liabilities:			
Notes payable			0
Capital leases payable			0
Revenue bonds payable	860,000		860,000
Accrued compensable absences payable	17,322		17,322
Customer deposits	168,845		168,845
Total noncurrent liabilities	<u>1,046,167</u>	<u>0</u>	<u>1,046,167</u>
Total liabilities	<u>1,593,143</u>	<u>9,253</u>	<u>1,602,396</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,746,738	841,758	2,588,496
Restricted for debt service	80,498		80,498
Unrestricted net assets	<u>(59,873)</u>	<u>(180,287)</u>	<u>(240,160)</u>
Total net assets	<u>\$ 1,767,363</u>	<u>\$ 661,471</u>	<u>\$ 2,428,834</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		
	Water, Sewer & Sanitation Fund	Abilene Water Line Fund	Total Enterprise Funds
	Fund	Fund	Funds
OPERATING REVENUES:			
Charges for sales and services:			
Water sales - retail	\$ 874,446	\$	\$ 874,446
Water sales - wholesale	125,860		125,860
Sewer charges	470,912		470,912
Sanitation charges	362,888		362,888
Penalties on accounts	29,454		29,454
Other services	12,646		12,646
Intergovernmental revenue		18,471	18,471
Other revenue	2,130		2,130
Total operating revenues	<u>1,878,336</u>	<u>18,471</u>	<u>1,896,807</u>
OPERATING EXPENSES:			
Personnel services - salaries and wages	314,260	34,251	348,511
Personnel services - employee benefits	137,056	13,831	150,887
Purchased professional and technical services	32,035		32,035
Administrative cost allocation	247,000	4,000	251,000
Operations, maintenance and repairs	149,145	8,753	157,898
General insurance	29,360	368	29,728
Supplies	18,885		18,885
Utilities	45,162	23,769	68,931
Water purchases	417,296		417,296
Landfill expenses	322,160		322,160
Depreciation	232,820	51,750	284,570
Bad debts	17,953		17,953
Other expenses	17,256	734	17,990
Total operating expenses	<u>1,980,388</u>	<u>137,456</u>	<u>2,117,844</u>
Operating income	<u>(102,052)</u>	<u>(118,985)</u>	<u>(221,037)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	1,531		1,531
Intergovernmental grant revenue			0
Gain (loss) on sale of assets			0
Interest expense	(62,746)		(62,746)
Total non-operating revenues (expenses)	<u>(61,215)</u>	<u>0</u>	<u>(61,215)</u>
Income before transfers	<u>(163,267)</u>	<u>(118,985)</u>	<u>(282,252)</u>
TRANSFERS IN (OUT):			
Transfers in	125,000		125,000
Transfers out			0
Net transfers in (out)	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Change in net assets	(38,267)	(118,985)	(157,252)
Net assets - beginning	1,805,630	780,456	2,586,086
Prior period adjustment			0
Net assets - ending	<u>\$ 1,767,363</u>	<u>\$ 661,471</u>	<u>\$ 2,428,834</u>

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		
	Water, Sewer & Sanitation Fund	Abilene Water Line Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 1,868,583	\$	\$ 1,868,583
Cash payments to employees for services	(467,109)	(49,209)	(516,318)
Cash payments to other suppliers for goods and services	(1,184,071)	(33,360)	(1,217,431)
Other operating cash receipts (payments)	14,776	18,471	33,247
Net cash provided (used) by operating activities	<u>232,179</u>	<u>(64,098)</u>	<u>168,081</u>
Cash flows from non-capital financing activities:			
Proceeds from property taxes for debt service	125,000		125,000
Proceeds from increased customer deposits	4,945		4,945
Net interfund borrowing activity	68,787	0	68,787
Net cash provided by non-capital financing activities	<u>198,732</u>	<u>0</u>	<u>198,732</u>
Cash flows from capital and related financing activities:			
Cash received from investments for debt service	56,354		56,354
Acquisition of capital assets	(156,338)		(156,338)
Debt service principal payments	(255,000)		(255,000)
Debt service interest and fiscal agent fee payments	(67,967)		(67,967)
Net cash used for capital and related financing activities	<u>(422,951)</u>	<u>0</u>	<u>(422,951)</u>
Cash flows from investing activities:			
Interest and dividends on investments	1,531		1,531
Net cash provided by investing activities	<u>1,531</u>	<u>0</u>	<u>1,531</u>
Net increase (decrease) in cash and cash equivalents	9,491	(64,098)	(54,607)
Cash and cash equivalents - beginning of year	226,304	(106,936)	119,368
Cash and cash equivalents - end of year	<u>\$ 235,795</u>	<u>\$ (171,034)</u>	<u>\$ 64,761</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (102,052)	\$ (118,985)	\$ (221,037)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	232,820	51,750	284,570
Amortization	10,042		10,042
Change in assets and liabilities:			
Decrease (increase) in receivables	5,023		5,023
Increase (decrease) in accounts payable	102,139	4,264	106,403
Increase (decrease) in accrued wages payable	(15,793)	(1,127)	(16,920)
Net cash provided (used) by operating activities	<u>\$ 232,179</u>	<u>\$ (64,098)</u>	<u>\$ 168,081</u>

The accompanying notes are an integral part of this statement.

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CITY OF CLYDE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2012

I. Summary of significant accounting policies

The City of Clyde, Texas (the "City") is a general law city in which citizens elect the mayor at large and five council members. The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The City's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds apply only those Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting entity

For financial reporting purposes, the City includes all funds and account groups for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with GASB Statement 14, "The Financial Reporting Entity."

The accompanying financial statements present the City's primary government and component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The Clyde Economic Development Corporation (the "CEDC") is a non-profit corporations specifically governed by sections 4A and 4B of the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Art 5190.6. The CEDC was organized exclusively for the purposes of benefitting and accomplishing public purposes of the City by promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. The CEDC does not meet the criteria for blending and is, therefore, reported discretely using a government fund type.

B. Government-wide and fund financial statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City and its component unit(s) nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, franchise fees, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include fees charged for use of the public swimming pool, fines, sanitation charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include grants under the U.S. Department of Agriculture Rural Development Program. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund accounting

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

2. **Water, Sewer and Sanitation Enterprise Fund** - The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

3. **Abilene Water Line Enterprise Fund** - The City's activities of water distribution through the water line built from Abilene to provide water for the cities of Clyde and Baird.

The City reports the following non-major governmental funds:

4. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

E. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The City reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, and water/sewer pipe fittings. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. The City's policy does permit employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City and the component units is depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	50
Building Improvements	Various
Infrastructure	30
Vehicles	2-15
Equipment	3-10
Technology Equipment	3

6. In accordance with GASB 54 governmental fund balances are characterized into the following categories:

Non-spendable fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

City Policies Concerning Fund Balances are as follows:

The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Council.

Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action of the City Council.

When it is appropriate for fund balance to be assigned, only the City Council has the authority to assign fund balance by formal council action.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At September 30, 2012, none of the City's fund balances were committed or assigned.

II. Stewardship, compliance, and accountability

A. Budgetary data

The City Secretary submits an annual budget to the City Council in accordance with the City Charter. In August, the City Council adopts annual fiscal year budgets for specified City funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

B. Excess of expenditures over appropriations by more than \$2,500:

Streets (\$3,045)

C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Deposits and investments

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

City Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2012, the City had the following investments.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1 Year	1-5	6-10	More Than 10
None					
Total					

Additional policies and contractual provisions governing deposits and investments for the City are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2012, the City's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This included securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City limits investments to less than 5% of its total investments. The City further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

B. Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent taxes receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund balances and transfers

Interfund balances are as follows:

Fund	Due From	Due To	Purpose	Current?
General Fund	\$104,734		Operating activities	Yes
Water, Sewer & Sanitation Fund		\$104,734	Operating activities	Yes
Total	<u>\$104,734</u>	<u>\$104,734</u>		

Transfers are as follows:

Fund	Transfer In	Transfer Out	Purpose
Water, Sewer & Sanitation Fund	\$125,000		Allocation of tax for bond payments
General Fund		\$125,000	Allocation of tax for bond payments
Total	<u>\$125,000</u>	<u>\$125,000</u>	

E. Disaggregation of receivables and payables

Receivables at September 30, 2012 were as follows:

	Property Taxes	Accounts	Other	Total Receivables
Governmental Activities:				
General Fund	\$19,022		\$33,962	\$52,984
Total Governmental Activities	<u>\$19,022</u>		<u>\$33,962</u>	<u>\$52,984</u>
Business-type Activities:				
Water, Sewer & Sanitation Fund		\$194,997		\$194,997
Total Business-type Activities		<u>\$194,997</u>		<u>\$194,997</u>

Payables at September 30, 2012 were as follows:

	Accounts	Salaries and Benefits	Interest	Total Payables
Governmental Activities:				
General Fund	\$103,174	\$15,064	\$6,865	\$125,103
Total Governmental Activities	<u>\$103,174</u>	<u>\$15,064</u>	<u>\$6,865</u>	<u>\$125,103</u>
Business-type Activities:				
Water, Sewer & Sanitation Fund	\$198,613	\$10,404	\$7,478	\$216,495
Total Business-type Activities	<u>\$198,613</u>	<u>\$10,404</u>	<u>\$7,478</u>	<u>\$216,495</u>

F. Capital asset activity

Capital asset activity for the City for the year ended September 30, 2012, was as follows:

	Balance 9/30/11	Additions	Deletions	Balance 9/30/12
Governmental activities:				
Land	\$ 320,528	\$ 6,000		\$ 326,528
Buildings and improvements	1,841,423			1,841,423
Machinery and equipment	1,424,705	18,233	\$ 40,332	1,402,606
Infrastructure	5,097,582	11,144		5,108,726
Totals	<u>8,684,238</u>	<u>35,377</u>	<u>40,332</u>	<u>8,679,283</u>
Less accum depreciation for:				
Buildings and improvements	374,379	40,485		414,864
Machinery and equipment	955,277	111,451	40,332	1,026,396
Infrastructure	2,515,246	171,483		2,686,729
Total accum depreciation	<u>3,844,902</u>	<u>323,419</u>	<u>40,332</u>	<u>4,127,989</u>
Governmental activities capital assets, net	<u>\$4,839,336</u>	<u>\$ (288,052)</u>	<u>\$ 0</u>	<u>\$4,551,294</u>

	Balance 9/30/11	Additions	Deletions	Balance 9/30/12
Business-type activities:				
Land	\$163,154			\$163,154
Buildings and improvements	1,218,362			1,218,362
Machinery and equipment	546,574	\$ 32,000		578,574
Infrastructure	6,818,527	124,338		6,942,865
Totals	8,746,617	156,338		8,902,955
Less accum depreciation for:				
Buildings and improvements	562,973	24,367		587,340
Machinery and equipment	371,136	43,621		414,757
Infrastructure	4,036,362	216,582		4,252,944
Total accum depreciation	4,970,471	284,570		4,970,471
Business-type activities capital assets, net	\$ 3,776,146	\$ (128,232)		\$ 3,647,914

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

Governmental activities:

General government	\$ 9,817
Senior citizens	2,512
Library	3,104
Police	33,366
Municipal court	4,544
Fire	72,111
Parks and recreation	27,719
Code enforcement	4,175
Animal control	1,532
Streets	165,285
Total depreciation expense - governmental activities	\$ 323,419

Business-type activities:

Water	\$ 96,012
Sewer	134,909
Sanitation	1,899
Abilene Water Line	51,750
Total depreciation expense - business-type activities	\$ 284,570

G. Long-term obligations

Revenue bonds

In June, 2006, the City issued Combination Tax and Revenue Refunding Bonds, Series 2006, at interest rates ranging from 3.5% to 4.15%. The original principal amount of the 2006 bonds issued was \$1,980,000. The proceeds from the bond issue were used to pay off bonds and tax notes that were originally issued in 1997, 1999 and 2002 at interest rates ranging from 5.0% to 5.5%. Payments of principal and interest are due on February 1 and August 1 of each year through 2016. As of September 30, 2012, bond principal of \$825,000.

Additionally, the bond covenants require the City to maintain a reserve fund with a balance of \$25,000. The balance at September 30, 2012 was \$80,498.

Certificates of obligation

In June, 2006, the City issued Certificates of Obligation, Series 2006 in the principal amount of \$115,000, with interest rates ranging from 4.3% to 5.25%. Payments of principal and interest are due on September 1 and March 1 of each year through 2021. As of September 30, 2012, principal of \$79,000 was outstanding.

In August, 2008, the City issued Certificates of Obligation, Series 2008A in the principal amount of \$265,000, with an interest rate of 4.75%. Payments of principal and interest are due on February 15 and August 15 of each year through 2018. As of September 30, 2012, principal of \$174,000 was outstanding.

In August, 2008, the City issued Certificates of Obligation, Series 2008B in the principal amount of \$145,000, with an interest rate of 7.0%. Payments of principal and interest are due on February 15 and August 15 of each year through 2018. As of September 30, 2012, principal of \$96,000 was outstanding.

In October, 2010, the City issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010 in the principal amount of \$1,145,000, with an interest rates ranging from 2.0% to 4.0%. Payments of principal and interest are due on February 1 and August 1 of each year through 2016. Additionally, subsequent maturity schedules for years 2019, 2023, 2028 and 2035 are due in lump sum principal payments of \$130,000, \$205,000, \$335,000 and \$250,000, respectively. Interest and sinking fund reserve set-asides for the accumulation of those principal payment amounts are required annually. As of September 30, 2012, principal of \$1,075,000 was outstanding.

Notes payable

The City acquired a ten-year note payable to finance the purchase of two fire brush trucks in March, 2009. Total amount financed was \$148,000 at 4.95% interest payable in monthly installments of \$1,570. At September 30, 2012, principal of \$53,899 was outstanding.

A summary of changes in general long-term debt for the year ended September 30, 2012 is as follows:

Description	Amounts Outstanding 10/1/11	Issued	Retired	Amounts Outstanding 9/30/12	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation bonds	\$1,191,000		\$ 37,000	\$1,154,000	\$ 42,000
Notes payable	83,324		29,425	53,899	17,889
Accrued compensable absences	30,282	\$29,177	30,282	29,177	0
Total Governmental Activities	\$1,304,606	\$29,177	\$96,707	\$1,237,076	\$59,889
Business-type activities:					
Revenue and tax bonds	\$1,350,000		\$255,000	\$1,095,000	\$235,000
Accrued compensable absences	19,469	\$17,322	19,469	17,322	0
Customer deposits	163,900	34,175	29,230	168,845	0
Total Business-type Activities	\$1,533,369	\$51,497	\$303,699	\$1,281,167	\$235,000

H. Capital leases

None.

I. Debt service requirements - bonds, notes and capital leases

The annual debt service requirements to maturity for long-term notes payable as of September 30, 2012 are as follows:

Year Ending September 30,	Governmental Activities			Total
	Principal	Escrow Set-Aside	Interest	
2013	\$ 42,000		\$ 42,565	\$ 84,565
2014	47,000		41,532	88,532
2015	48,000		40,368	88,368
2016	48,000		38,774	86,774
2017	9,000	\$ 40,000	37,149	86,149
2018-2022	170,000	110,000	160,098	440,098
2023-2027	250,000	115,000	104,000	424,000
2028-2032	335,000	(75,000)	36,800	296,800
2033-2035	250,000	(190,000)	4,800	64,800
	<u>\$1,154,000</u>	<u>\$ 0</u>	<u>\$506,086</u>	<u>\$1,660,086</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2013	\$ 235,000	\$ 47,410	\$ 282,410
2014	245,000	37,395	282,395
2015	255,000	26,839	281,839
2016	260,000	15,731	275,731
2017	50,000	4,170	54,170
2018	50,000	1,390	51,390
	<u>\$1,095,000</u>	<u>\$132,935</u>	<u>\$1,227,935</u>

The Texas Water Development Board requires the disclosure of the revenue and tax supported bond debt service requirements as follows:

Year Ending September 30,	Revenue and Tax Bonds Debt Service		
	Principal	Interest	Total
2013	\$ 235,000	\$ 47,410	\$ 282,410
2014	245,000	37,395	282,395
2015	255,000	26,839	281,839
2016	260,000	15,731	275,731
2017	50,000	4,170	54,170
2018	50,000	1,390	51,390
	<u>\$1,095,000</u>	<u>\$132,935</u>	<u>\$1,227,935</u>

J. Accumulated unpaid vacation and sick leave benefits

The City has the following accrued leave policy for vacation benefits (none for unused sick leave benefits):

Employees with less than fifteen (15) years of continuous service with the City are allowed to accrue a maximum amount of 160 hours (20 days) of vacation benefits with any days in excess of the maximum carryover amount to be used no later than the anniversary month of employment. Any excess days not used during the anniversary month are forfeited unless previously approved by the City Administrator.

Employees with at least fifteen (15) years of continuous service with the City are allowed to accrue a maximum amount of 200 hours (25 days) of vacation benefits with any days in excess of the maximum carryover amount to be used no later than the anniversary month of employment. Any excess days not used during the anniversary month are forfeited unless previously approved by the City Administrator.

K. Texas Municipal Retirement System

Plan Description -

The City provides pension benefits for all of its full-time 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:

	Plan Year 2011	Plan Year 2012
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% repeating, transfers	100% repeating, transfers
Annuity Increases (to retirees)	70% of CPI repeating	70% of CPI repeating

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 (overfunded) actuarial liability (asset) over the applicable period for that 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) are as follows:

1. Annual Required Contribution (ARC)	\$ 206,105
2. Interest on Net Pension Obligation	0
3. Adjustment to the ARC	0
4. Annual Pension Cost (APC)	206,105
5. Contributions Made	(206,105)
6. Increase (decrease) in net pension obligation	0
7. Net Pension Obligation / (Asset), beginning of year	0
8. Net Pension Obligation / (Asset), end of year	\$ 0

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

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	28 years; closed period	27.2 years; closed period	26.2 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 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	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1) / (2)	Unfunded AAL (UAAL) (4) (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4) / (5)
12/31/11	\$1,956,424	\$2,544,066	76.9%	\$587,642	\$1,065,755	55.1%

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 calculations 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 in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents 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.

L. OPEB - Supplemental death benefits plan

The City participates in a cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

Your city offers supplemental death to:	Plan Year 2011	Plan Year 2012
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

Schedule of Contribution Rates:			
Plan/ Calendar year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2009	0.03%	0.03%	100.0%
2010	0.03%	0.03%	100.0%
2011	0.03%	0.03%	100.0%
2012	0.03%	0.03%	100.0%

M. Deferred revenues

Deferred revenue at year-end consisted of the following:

	Net Tax Revenue	Total
General Fund	\$19,022	\$19,022
Total Deferred Revenue	\$19,022	\$19,022

N. Risk financing

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for the above-described insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

O. Health care coverage

During the year ended September 30, 2012, employees of the City were covered by a health insurance plan (the "Plan"). The City paid premiums of \$238 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, 2012, and terms of coverage and premium costs are included in the contractual provision.

Latest financial statements for the Hendrick First Care are available for the year ended December 31, 2011, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

\$7,120,000
CITY OF CLYDE, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2013A

AS BOND COUNSEL FOR THE CITY OF CLYDE TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013A, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature and are subject to redemption on the dates, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates of Obligation (the "Ordinance").

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates of Obligation is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates of Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates of Obligation and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or

upon a failure by the Issuer to comply with such covenants, interest on the Certificates of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates of Obligation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates of Obligation, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

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

Respectfully,

Proposed Form of Opinion of Bond Counsel

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

\$3,815,000
CITY OF CLYDE, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2013B

AS BOND COUNSEL FOR THE CITY OF CLYDE TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2013B, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature and are subject to redemption on the dates, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates of Obligation (the "Ordinance").

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

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

WE EXPRESS NO OPINION as to any federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates of Obligation.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates of Obligation is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates of Obligation under the

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

THE FOREGOING IS LIMITED to the extent described herein and should not be viewed as a guarantee, but is an indication as to the legal basis for such conclusions under statutes, regulations, rulings, notices and court decisions existing as of the date hereof. You are advised to obtain continuing independent tax advice regarding the Certificates of Obligation based on the particular circumstances. The discussion above relating to the Bonds was not intended or written to be used and cannot be used, for the purpose of avoiding federal taxpayer penalties. This opinion was written to support the promotion or marketing of the Certificates of Obligation.

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.

Respectfully,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal amount
of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. This Policy is being issued under and pursuant to, and shall be construed under and governed by, the laws of the State of New York, without regard to conflict of law provisions. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By _____
Authorized Officer

SPECIAL

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-235-5214 (attention: Claims)

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES