

TABLE 9 – FUND BALANCES ⁽¹⁾

	As Of 8/1/2015
General Fund Money Market Acct.	\$ 4,914,843
General Operating Fund	35,427
General Obligation Debt Service Fund	1,041,631
Capital Projects Fund	13,788,624
Water & Sewer Operating Fund	4,193,220
Total	\$ 23,973,745

(1) As reported by the City.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

Fiscal Year Ended 9/30/2014	
Net W&S System Revenues Available for Debt Service ⁽¹⁾	\$ 3,441,534
Less: Requirement for Fiscal Year Ended 9/30/2015 Revenue Bonds	-
Balance Available for Other Purposes	<u>\$ 3,441,534</u>
Requirement for Fiscal Year Ended 9/30/2015 General Obligation Debt Paid from W&S System Revenues ⁽²⁾	\$ 1,128,243
Percentage of W&S System General Obligation Debt Self-Supporting	100%

No public improvement district Assessment Revenue was received for payment of PID assessment revenue self-supporting debt as of Fiscal Year Ended 9/30/2014. The Assessment Revenue is expected to be received in Fiscal Year 2016 and the City expects to apply such Assessment Revenue to the payment of PID assessment revenue self-supporting debt service to begin on March 1, 2016.

(1) Exclusive of garbage fees and expenses.

(2) The City considers a portion of the general obligation debt shown in "Table 8 – General Obligation Debt Service Requirements" to be self-supporting due to the transfer of certain revenues of the City. See Table 1 – Assessed Valuation and Exemptions and Table 8 – Pro Forma General Obligation Debt Service Requirements. The transfers of such revenues and funds to make debt service payments on such general obligation debt is discretionary and may be discontinued by the City, in whole or in part, at any time. In the event the City chooses to discontinue such transfers for such general obligation debt, the City will be required to levy ad valorem taxes or to appropriate other lawfully funds of the City in amounts sufficient to pay debt service on such general obligation debt.

TABLE 11 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

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

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT. . . The City anticipates the issuance of at least \$7,200,000 additional general obligation debt within the next twelve months.

TABLE 12 – OTHER OBLIGATIONS

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

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

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

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

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

The City's contributions for the fiscal year 2014 were based on a covered payroll for \$2,756,000. Both the City and the covered employees made the required contributions, with the City's contribution amounting to \$98,688.

In December 2007, the TMRS Board of Trustees approved changes in the actuarial assumptions and funding methodology for all TMRS plans. For more detailed information concerning the City's retirement plan for Fiscal Year 2014 see "APPENDIX B – EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014" – Note 7.

[The remainder of this page left blank intentionally]

FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
<u>Revenues:</u>					
Ad Valorem Taxes	\$ 2,377,555	\$ 2,332,848	\$ 2,645,688	\$ 2,692,510	\$ 2,466,194
Franchise Taxes	320,805	325,167	299,999	355,576	253,501
Sales Taxes	505,221	384,289	338,053	290,835	271,670
Permits and Inspection Fees	1,321,510	455,454	340,547	257,605	172,173
Settlement Reimbursement	-	-	-	-	-
Fire Department and EMS Fees	196,753	174,678	244,505	262,435	180,203
Park Fees	169,000	161,345	85,111	18,907	24,786
Development Fees	239,739	124,743	56,411	16,286	45,894
Fines	155,962	197,248	186,302	95,016	93,866
Other Income	296,867	85,140	96,809	82,758	40,999
Collin County Road Contribution	-	-	-	236,623	144,460
Donations	305,430	142,682	175,346	155,935	134,565
Interest	27,419	24,383	22,355	13,775	14,471
Federal and State Grants	1,165	-	32,760	294,205	149,284
Total Revenues	\$ 5,917,426	\$ 4,407,977	\$ 4,523,886	\$ 4,772,466	\$ 3,992,066
<u>Expenditures:</u>					
Administration	\$ 1,106,865	\$ 870,419	\$ 774,209	\$ 979,059	\$ 880,101
Library	135,315	134,625	126,116	126,482	129,637
Judicial	88,531	79,863	70,066	70,205	70,102
Fire and Emergency Services	1,083,464	1,057,979	1,062,174	1,140,328	1,049,716
Development Services	702,862	417,119	472,329	363,133	329,794
Public Works	505,659	416,690	350,295	568,890	392,527
Police Department	770,254	741,361	729,737	913,898	865,304
Parks and Recreation	443,625	349,742	288,239	176,313	222,959
Main Street Project	26,869	135,388	99,726	57,880	60,868
Economic Development	-	-	-	-	-
Capital Outlay	529,439	63,536	34,094	1,464,171	474,465
Debt Service	17,042	50,922	-	-	-
Total Expenditures	\$ 5,409,925	\$ 4,317,644	\$ 4,006,985	\$ 5,860,359	\$ 4,475,473
Excess (deficit) of Revenues Over Expenditures	\$ 507,501	\$ 90,333	\$ 516,901	\$ (1,087,893)	\$ (483,407)
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In (Out)	\$ 348,050	\$ 345,000	\$ 95,000	\$ 75,000	\$ 325,000
Proceeds of Capital Leases	-	30,752	-	-	174,797
Proceeds from Issuance of Bonds	-	-	-	1,400,000	-
Bond Issuance Costs	-	-	-	(33,292)	-
Proceeds from Sale of Assets	15,279	26,100	30,403	48,381	73,283
Transfers for Debt Service	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 363,329	\$ 401,852	\$ 125,403	\$ 1,490,089	\$ 573,080
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 870,830	\$ 492,185	\$ 642,304	\$ 402,196	\$ 89,673
Beginning Fund Balance	2,187,131	1,694,946	1,052,642 ⁽¹⁾	864,794	775,121
Ending Fund Balance	\$ 3,057,960	\$ 2,187,131	\$ 1,694,946	\$ 1,266,990	\$ 864,794

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

TABLE 14 – DEBT SERVICE FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
<u>Beginning Fund Balance</u>	\$ 515,274	\$ 453,145	\$ 473,465	\$ 593,598	\$ 458,260
<u>Revenues:</u>					
Current Tax Collections	\$ 937,036	\$ 821,403	\$ 374,197	\$ 282,632	\$ 549,313
Delinquent Tax Collections	-	-	-	-	-
Penalty and Interest	-	-	-	-	-
Fines	-	-	-	-	-
Donations / EDC Contributions	170,000	170,000	340,000	165,000	165,000
Interest	3,763	4,077	8,487	2,799	4,704
Total Revenues	\$ 1,110,799	\$ 995,480	\$ 722,684	\$ 450,431	\$ 719,017
<u>Expenditures:</u>					
Debt Service					
Principal Retirement	\$ 495,593	\$ 451,994	\$ 363,145	\$ 257,590	\$ 251,798
Interest & Fiscal Charges	589,110	826,054	379,859	312,974	331,881
Total Expenditures	\$ 1,084,703	\$ 1,278,048	\$ 743,004	\$ 570,564	\$ 583,679
Excess (Deficit) of Revenues Over Expenditures	\$ 26,096	\$ (282,568)	\$ (20,320)	\$ (120,133)	\$ 135,338
<u>Other Financing Sources (Uses):</u>					
Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Lease Purchase Proceeds	-	-	-	-	-
Operating Transfer In (Out)	-	-	-	-	-
Issuance of Refunding Bonds	-	4,434,697	112,046	-	-
Payment to Bond Refunding Agency	-	(4,090,000)	(109,528)	-	-
Bond Issuance Cost	-	-	(2,518)	-	-
Transfers Out for Debt Service	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ 344,697	\$ -	\$ -	\$ -
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 26,096	\$ 62,129	\$ (20,320)	\$ (120,133)	\$ 135,338
Ending Fund Balance	\$ 541,370	\$ 515,274	\$ 453,145	\$ 473,465	\$ 593,598

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

<u>Residential Usage</u>	<u>In City Limits Rates</u>	<u>Outside City Limits Rates</u>
0 - 2,000 Gallons (Minimum)		
5/8 and 3/4 inch meters	\$ 22.25	\$ 33.38
1 inch meter	38.93	58.40
1 1/2 inch meter	77.87	116.81
2 inch meter	124.59	186.89
2,001 - 10,000 Gallons per 1K	\$ 4.96	\$ 7.44
10,001 - 20,000 Gallons per 1K	7.44	11.16
20,001 - 30,000 Gallons per 1K	8.68	13.02
30,001 Gallons and above per 1K	12.40	18.60
<u>Commercial Usage</u>	<u>In City Limits Rates</u>	<u>Outside City Limits Rates</u>
0 - 2,000 Gallons (Minimum)		
5/8 and 3/4 inch meters	\$ 27.81	\$ 41.72
1 inch meter	48.67	73.01
1 1/2 inch meter	97.34	146.01
2 inch meter	155.74	233.61
3 inch meter	233.60	350.40
4 inch meter	389.34	584.01
2,001 - 10,000 Gallons per 1K	\$ 4.96	\$ 7.44
10,001 - 20,000 Gallons per 1K	7.44	11.16
20,001 - 30,000 Gallons per 1K	8.68	13.02
30,001 Gallons and above per 1K	12.40	18.60

[The remainder of this page left blank intentionally]

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

<u>Residential Usage</u>	<u>In City Limits Rates</u>	<u>Outside City Limits Rates</u>
0 - 2,000 Gallons (Minimum)		
5/8 and 3/4 inch meters	\$ 20.60	\$ 30.90
1 inch meter	38.63	57.95
1 1/2 inch meter	72.10	108.15
2 inch meter	123.60	185.40
2,001 - 10,000 Gallons per 1K	\$ 5.73	\$ 8.60
Usage fees cap at 14,000 Gallons	89.45	134.18

<u>Commercial Usage</u>	<u>In City Limits Rates</u>	<u>Outside City Limits Rates</u>
0 - 2,000 Gallons (Minimum)		
5/8 and 3/4 inch meters	\$ 25.75	\$ 38.63
1 inch meter	48.29	72.44
1 1/2 inch meter	90.13	135.20
2 inch meter	154.50	231.75
4 inch meter	386.25	579.38
2,001 Gallons and up per 1K	\$ 5.73	\$ 8.60

TABLE 17 – WATER AND WASTEWATER CUSTOMERS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Number of Residential/Commercial Water Users with 3/4 inch meters	2,400	2,275	2,128	2,068	2,063
Number of Commercial Water Users with larger than 3/4 inch meters	406	329	338	330	329
Number of Residential/Commercial Sewer Users with 4 inch meters	2,226	1,860	1,670	1,663	1,583
Number of Commercial Users with larger than 4 inch meters	N/A	N/A	N/A	N/A	N/A

TABLE 18 – WATER AND WASTEWATER SYSTEM REVENUE AND EXPENDITURES

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Revenues					
Water Sales	\$ 2,780,983	\$ 2,772,632	\$ 2,548,942	\$ 2,549,933	\$ 1,944,348
Sewer Sales	1,160,403	1,060,773	994,332	946,269	774,022
Garbage Fees	402,514	359,565	328,534	308,022	310,997
Penalties	58,682	70,447	66,785	70,218	55,372
Tap and Reconnect Fees	633,765	187,691	146,007	107,470	78,931
Water and Sewer Impact Fees	977,688	234,750	203,756	143,829	127,007
Other Revenues	140,276	95,652	89,570	64,401	69,840
Total Revenues	\$ 6,154,311	\$ 4,781,510	\$ 4,377,926	\$ 4,190,142	\$ 3,360,517
Expenses					
Salaries	\$ 373,648	\$ 355,949	\$ 319,695	\$ 328,438	\$ 335,575
Garbage fees	368,754	341,359	321,236	307,009	297,545
Licenses and permits	-	10,181	8,369	6,993	6,452
Materials and supplies	104,757	104,207	73,336	106,768	111,855
Engineering	-	142,041	82,341	5,737	31,745
Postage	30,120	23,072	23,881	21,089	19,022
Repairs and facility maintenance	177,015	145,546	276,330	119,667	112,768
General insurance	11,914	9,787	12,949	5,449	15,588
Vehicle expense	-	35,736	36,122	34,739	19,863
Utilities and telephone	252,189	237,511	218,316	243,239	256,066
Chemicals	-	18,330	18,132	23,785	17,652
Water purchases and related fees	1,344,283	1,272,029	1,190,776	1,134,597	1,063,361
Capital outlay	-	-	-	-	5,256
Bad debt provision	-	-	-	611	3,523
Depreciation & amortization	456,509	446,013	469,758	529,712	533,064
Other expense	28,040	24,450	51,730	28,664	29,202
Total Expenses	\$ 3,147,229	\$ 3,166,211	\$ 3,102,971	\$ 2,896,497	\$ 2,858,537
Non-Operating Revenues (Expenses)					
Interest Income	\$ 10,153	\$ 38,126	\$ 28,306	\$ 9,245	\$ 8,144
Gain on sale of fixed assets	1,550	-	-	830	-
Interest and fiscal charges	(349,553)	(298,123)	(469,086)	(409,838)	(566,614)
Total Nonoperating Revenues (Expenses)	\$ (337,850)	\$ (259,997)	\$ (440,780)	\$ (399,763)	\$ (558,470)
Capital grants	\$ -	\$ -	\$ 70,000	\$ -	\$ -
Transfers in for debt service	-	-	-	-	-
Operating Transfer In (Out)	(348,050)	(345,000)	(95,000)	(75,000)	(325,000)
Change in Net Assets	2,321,182	1,010,302	809,175	818,882	(381,490)
Total net assets, October 1	8,372,227	7,361,925	6,873,536	6,054,654	6,436,144
Prior Period Adjustment	-	-	(320,786)	-	-
Total net assets, September 30	\$ 10,693,409	\$ 8,372,227	\$ 7,361,925	\$ 6,873,536	\$ 6,054,654

TABLE 19 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Additionally, the City's voters approved a sales and use tax of 1/2 of 1% for the Celina Economic Development Corporation (4A), effective October of 1995, and a sales and use tax of 1/2 of 1% for the Celina Community Development Corporation (4B), effective April of 2004. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year	Total	1% Tax	% of	Equivalent	Per
Fnded 9/30	Collected ⁽¹⁾	Collections ⁽²⁾	Ad Valorem Tax Levy	Ad Valorem Tax Rate	Capita
2010	\$ 526,607	\$ 263,304	8.80%	\$ 0.1134	\$ 87.36
2011	561,849	280,925	9.60%	0.1237	82.87
2012	655,529	327,765	11.01%	0.1420	85.97
2013	737,081	368,540	11.83%	0.1527	85.95
2014	968,298	484,149	14.74%	0.1902	112.59
2015 ⁽³⁾	1,184,753	592,376	16.53%	0.2133	137.76

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

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

(3) Collections through September, 2015.

FINANCIAL POLICIES

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

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

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

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

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

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

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

INVESTMENTS

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

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

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

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

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

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

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

TABLE 20 - CURRENT INVESTMENTS

As of August, 2015 the City's investable funds were invested in the following categories:

Type of Investments	Book Value	
	Amount	Percent
Money Market Account	\$ 9,108,062	99.94%
TexPool	5,546	0.06%
	<u>\$ 9,113,608</u>	<u>100.00%</u>

[The remainder of this page left blank intentionally]

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2015, financial information and operating data with respect to the City of the general type of information contained in Tables 1 through 6, 8 through 14, and 19 through 20 in the Official Statement, and (2) within twelve months after the end of each fiscal year ending in or after 2015, audited financial statements of the City. Any financial statements so provided shall be prepared in accordance with the accounting principles described in described in Appendix B to the Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. If audited financial statements are not available within 12 months after the end of any fiscal year, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available.

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

The City's current fiscal year end is September 30. Accordingly, it must provide updated information in the numbered tables above by March 31 in each year and audited financial statements (or unaudited financial statements if audited financial statements are not

yet available) by September 30, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS... The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent/registrant or the change of name of a paying agent/registrant, if material. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

AVAILABILITY OF INFORMATION. . . The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the respective outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends its continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

OTHER INFORMATION

RATINGS

The Certificates are rated "A1" by Moody's Investors Service and "AA-" by Standard & Poor's without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL MATTERS

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

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing

under captions "THE CERTIFICATES" (except under the subcaptions "Book-Entry-Only System," "Sources and Uses of Certificate Proceeds" and "Certificateholders' Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings") and the subcaptions "Legal Matters" (except for the last sentence of the first paragraph thereof), "Registration and Qualification of Certificates for Sale" and "Legal Investments And Eligibility To Secure Public Funds In Texas," under the caption "OTHER INFORMATION" and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance.

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

FINANCIAL ADVISOR

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

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

UNDERWRITING FOR THE CERTIFICATES

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices shown on page 2 of this official statement less an underwriting discount of \$101,742.94. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Underwriters.

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

The Ordinance authorizing the issuance of the Certificates 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 Certificates by the Underwriters.

ATTEST:

/s/ Vicki Faulkner
City Secretary
City of Celina, Texas

/s/ Sean Terry
Mayor
City of Celina, Texas

(This Page Intentionally Blank)

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

(This Page Intentionally Blank)

THE CITY

LOCATION

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

ECONOMY

Major employers in the City are:

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

Source: Municipal Advisory Council of Texas.

EDUCATION

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

RESIDENTIAL AND COMMERCIAL BUILDING CONSTRUCTION

Fiscal Year Ended 9-30	Residential		Commercial		Total	
	Number of Permits	Property Value \$ Amount	Number of Permits	Property Value \$ Amount	Number of Permits	Property Value \$ Amount
2009	23	\$ 6,362,990	0	\$ -	23	\$ 6,362,990
2010	52	14,326,150	0	-	52	14,326,150
2011	82	24,040,307	2	1,367,500	84	25,407,807
2012	87	30,944,400	0	-	87	30,944,400
2013	97	36,479,908	0	-	97	36,479,908
2014	346	122,602,573	3	3,685,234	349	126,287,807
2015 (1)	326	103,839,802	0	-	326	103,839,802

Source: City Staff.

(1) As of June 20, 2015.

HISTORICAL EMPLOYMENT (AVERAGE ANNUAL) ⁽¹⁾

Collin County

	Average Annual				
	2015 ⁽²⁾	2014	2013	2012	2011
Civilian Labor Force	475,793	471,554	458,845	450,346	441,295
Total Employed	458,986	450,277	432,890	422,620	410,287
Total Unemployed	16,807	21,277	25,955	27,726	31,008
Unemployment Rate	3.5%	4.5%	5.7%	6.2%	7.0%

(1) Source: Texas Workforce Commission.

(2) Data through August, 2015.

[The remainder of this page left blank intentionally]

APPENDIX B

EXCERPTS FROM THE
CITY OF CELINA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2014

The information contained in this Appendix consists of excerpts from the City of Celina, Texas Annual Financial Report for the Year Ended September 30, 2014, 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.

(This Page Intentionally Blank)

SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4815-A KING STREET
TELEPHONE 903-455-4765
FAX 903-455-5312
GREENVILLE, TEXAS 75401

Kelley D. Fincher, CPA
Tommy L. Nelson, CPA
Hannah C. Nelson-Rix, CPA
Abi E. Evans, CPA

Members of:
American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Celina, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of City of Celina, Texas ("City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of City of Celina, Texas as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and the schedule of funding progress on pages 7 through 21, and pages 52 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Respectfully submitted,

Scott, Singleton, Fincher and Company, PC

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

February 9, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

The City of Celina presents the City's financial statements. This overview is an analysis of the financial activities of the City for the fiscal year ended September 30, 2014. This discussion should be read in conjunction with the financial statements and related notes. Comparative data is also presented for government-wide and fund financial statements at the end of this section.

FINANCIAL HIGHLIGHTS:

- Government-wide net position reported in the Statement of Net Position is \$26,797,372. Of this amount \$21,793,310 is invested in capital assets or restricted for debt service and capital projects, and the balance of \$5,004,062 is available as unrestricted net position.
- Government-wide net position increased by \$5,977,259 during 2014.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund – \$870,830 increase
Water & Sewer Fund - \$2,321,182 increase
Debt Service Fund - \$26,096 decrease
Capital Projects Fund - \$4,735,615 increase

USING THIS ANNUAL REPORT:

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

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

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

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

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Net position serves as one useful indicator of a government's financial position. In the case of the City, the combined net position exceeded liabilities by \$26,797,372 and \$20,820,113 at the close of FY 2014 and FY 2013, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The combined net position of the City's activities increased from \$20,820,113 to \$26,797,372 or \$5,977,259 during 2014. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$5,004,062.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds \$14,479,793 and proprietary fund \$10,693,409 reported combined fund balance and net position of \$25,173,202 a \$7,953,723 increase from last year. Most of the increase (\$4,735,615) took place in the capital projects fund as a result of bonds issued for capital improvements in 2014. Water and sewer operations also provided \$2,321,182 of the increase.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets reported in governmental activities and business-type activities was \$21,612,194 and \$16,903,679, respectively. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's net investment in capital assets for the current fiscal year was \$751,673 and \$994,661 in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

Long-term Debt – at year-end the City had \$29,017,227 in bonds and capital leases outstanding – an increase of \$4,330,147. Additional information on long-term liabilities can be found in note 6 to the financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

Over the past few years, the City of Celina has grown by leaps and bounds. We have added new retail in the downtown area as well as new restaurants and service providers for our citizens. At the same time we have added new homes at an astonishing pace. During this growth, the city staff has implemented new ways to improve our services to our community. As recently as this month the national news has covered stories on our Police Department's transparency efforts by leading the nation in the use of body cameras. We are also installing new water meters and a billing system that will automatically read water usage and provide reports that will enable customers to gauge their usage and also provide our customer service representatives support when answering customer's questions.

We added a new building inspector to aid in the review of building plans and the inspection of new homes. When council approved this measure it provided a new level of customer service not only to our current residents, but also to our new builders, developers and the citizens of the future. We also added a new customer service representative to help with billing issues facing our customers. Internally we added a Human Resource position that has relieved some of the duties from several employees and provided a higher level of support to all of our employees.

Each of our employees provides a uniqueness to our team. We began bridging the gap between technology and access to government by using the special talents of our employees. Our citizens and our employees have an expectation for our organization to be absolutely transparent. Now you can find all of our financial information online with just the click of a button. We were just given the Gold Award from the Texas Comptroller's office for Transparency in Financial Management. We also continued to renovate our website to make it easier for our employees to provide accessible information for our citizens.

We provided new vehicles for our Police Department to aid them in their goal of preventing crime and providing support to our citizens in their time of need. By anticipating the rate of growth for the City, for our next budget cycle, we have asked and council approved two more fire personnel as well as three new police officers. Once again this shows council's continued support for our community's public safety needs.

The Police Department's Criminal Investigation division began using an innovative case management system that facilitated the effective and efficient investigation of offenses, case processing, and case presentation to the District Attorney's Office. New policies affecting property forfeiture was established that created additional seizures of cash and automobiles. A property and evidence management system was created to provide effective, efficient, and code compliant operation of the property and evidence room.

The Police and Fire Departments aided in the coordination and implementation of the Celina High School's '18 Seconds' Program aimed at preventing underage drinking. Two additional police and community initiatives directed at underage drinking and domestic violence were also created. These initiatives formed partnerships between the police and the community. The police department also partnered with Hope's Door of Collin County to expand awareness of domestic violence and support the mission of Hope's Door. In August, the Celina community responded with great generosity to a back to school supply drive that was conducted for the children of Hope's Door.

The Fire Department began the process of developing a hazard mitigation plan and continued to develop the Texas Best Practices program to improve our service delivery processes. Fire Department installed the City's first all-hazard alert warning siren at Old Celina Park for immediate warning applications during special events

Our Parks department continued to expand our programs by hosting a Lacrosse tournament that was so successful that it overcrowded our park and restated our need for more fields for tournaments as well as recreational sports. They continued to provide baseball, basketball, flag football, girls' softball, 7-on-7 football, soccer and adult softball tournaments to our citizens as well as too many visitors of our community.

As development comes to Celina, our Planning and Development staff has been working hard to educate our development community on the International Code Council's 2012 Building & Fire Codes. Celina also adopting the city's first hotel/motel tax. The planning staff grew by adding a City Engineer and an additional Building Inspector. Many projects were completed this year including the rezoning of three different tracts and adding three annexed tracts into one Master Planned Community PD (Creeks of Legacy). The Preston Road Overlay design requirements were also updated. And the staff aided in the design and completion of two commercial projects, Taco Bell and CVS pharmacy.

The City of Celina has increased its use of social media to help in collaborating with citizens on issues that concern them. We will continue using social media to network, organize and reach out to our customers on changes to our systems, special events, volunteer opportunities and happenings in Celina. We continue to create avenues for citizens to obtain data via our website. We encourage citizens to use the data to improve their knowledge of how local government operates.

Public infrastructure and public safety remained a priority during fiscal year 2013-2014 and will remain a priority in the 2014-2015 fiscal year. Several projects will be started and completed next year that will fulfill promises to our citizens. The Ash Street road construction project will provide a long needed improvement to a road that is paramount in the connection between Preston Road and Business 289. It will also include the redesign and construction of a bridge that will aid in the alleviation of flooding to the surrounding neighborhood. The reconstruction of Sunset Boulevard near Celina Elementary school will be completed before the end of 2014.

Construction has begun on a new fire station that will relocate our existing fire station to a more viable location on Preston Road. Celina citizens have awaited this construction for many years. With the new design it will include three bays to accommodate all of the fire department vehicles currently used to provide public safety.

While keeping an eye on the future we remain dedicated to our historic past by celebrating several momentous eras in our history. Our Library continued to evolve by providing Wi-Fi hotspots on the square and e-readers that can be used to access multiple publications. Our Economic Development and Celina Economic and Celina Community Development Corporations have focused their resources on building our community with investments in parks and other projects that will provide opportunities for growth in our future.

In 2015, we will continue to constantly work to reinvent government into a model that listens to and serves the needs of our citizens as well as competitively look for more efficient and effective service methods for our community.

The City of Celina continued to enjoy constant growth in 2014. The City issued 346 building permits, compared to 97 permits last year. Accordingly, permit fee collections have increased by \$880,412 or 200 percentage points for the same period. For the fiscal year 2013-2014, the City collected \$1,321,510 in permit fees compared with \$441,098 for the same period last year. The City of Celina possesses a vast amount of land that makes it attractive to housing developers. The increase in building permits and fees can be contributed to the improvement in housing construction for the region as well as the state.

The City of Celina's portion of sales tax collection increased from \$384,289 in FY 2012-2013 to \$505,221 in FY 2013-2014 (figures do not include CEDC or CCDC collections). The City is experiencing a 31.5 percentage points or \$120,932 increase in sales tax collections in FY 2013-2014. The increase follows the trend through the state. The reduction in unemployment in conjunction with the sales tax collection from internet purchases has contributed to the increase. The opening of new retail shops and restaurants played a role in the increase of sales tax revenue as well. Management anticipates that this increase will continue through FY 2014-2015 with a moderate pace.

Total assessed value of the properties for the City of Celina increased from \$507,835,848 in FY 2013 to \$553,541,074 FY 2014. With the exception of FY 2010, the City of Celina has enjoyed an increase in its property values since FY 2001. This increases are representing a city that is in a health growth mode. In FY 2013-2014 the assessed property value has increased by 9%. This increase mainly resulted from new construction in housing in the City along with annexation of new parcels of land. Reviewing the history of the City's assessed property values provides evidence of the City's measurable growth in last decade.

Year	Assessed Value	% Change
2004	143,297,951	
2005	183,200,000	27.8%
2006	224,412,066	22.5%
2007	284,847,298	26.9%
2008	418,824,688	47.0%
2009	463,330,201	10.6%
2010	454,151,622	-2.0%
2011	461,631,888	1.6%
2012	481,645,071	4.3%
2013	505,896,214	5.0%
2014	553,541,074	9.4%

Total water sales for the FY 2014 has increased by small amount, indicating the two rate increases in FY 2011 and 2012 has helped the fund in its recovery. Total revenue from water sales for the FY 2014 was \$2,780,982 which represent 99.5% of budgeted amount.

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

Year	Water Sales	% Change
2004	818,403	
2005	1,157,066	41.38%
2006	1,871,163	61.72%
2007	1,298,932	-30.58%
2008	1,598,567	23.07%
2009	1,602,364	0.24%
2010	1,944,348	21.34%
2011	2,549,933	31.15%
2012	2,548,942	-0.04%
2013	2,772,632	8.78%
2014	2,780,983	0.30%

Total sewer increased from \$1,060,773 in FY 2013 to \$1,160,403 in FY 2013-2014. The increase of \$99,630 or 9.4 percentage points partially is the result of increase in number of customers and partially is due to rate increase in FY 2011. A review of the history of the City's sewer sales over past few years indicates a healthy average increase of more than 13 percentage points in sewer sales. History of sewer sales is illustrated below:

Year	Sewer Sales	% Change
2004	341,976	
2005	403,498	17.99%
2006	509,798	26.34%
2007	485,948	-4.68%
2008	546,556	12.47%
2009	572,299	4.71%
2010	774,022	35.25%
2011	946,269	22.25%
2012	994,332	5.08%
2013	1,060,773	6.68%
2014	1,160,403	9.39%

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

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

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 16,428,633	\$ 9,958,177	\$ 5,469,492	\$ 1,955,785	\$ 21,898,125	\$ 11,913,962
Capital assets, net	21,612,194	20,860,521	16,903,679	15,909,018	38,515,873	36,769,539
Total Assets	38,040,827	30,818,698	22,373,171	17,864,803	60,413,998	48,683,501
Liabilities						
Other liabilities	2,052,988	1,211,867	1,324,263	910,382	3,377,251	2,122,249
Long-term debt	19,883,876	17,158,945	10,355,499	8,582,194	30,239,375	25,741,139
Total Liabilities	21,936,864	18,370,812	11,679,762	9,492,576	33,616,626	27,863,388
Net Position						
Net investment in capital assets	7,667,954	7,800,853	9,589,572	7,485,220	17,257,526	15,286,073
Restricted for debt service	541,370	515,274			541,370	515,274
Restricted for capital projects	3,994,414	2,045,571			3,994,414	2,045,571
Unrestricted	3,900,225	2,086,188	1,103,837	887,007	5,004,062	2,973,195
Total Net Position	\$ 16,103,963	\$ 12,447,886	\$ 10,693,409	\$ 8,372,227	\$ 26,797,372	\$ 20,820,113

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 2,082,964	\$ 1,113,468	\$ 6,154,311	\$ 4,781,510	\$ 8,237,275	\$ 5,894,978
Operating grants/contributions	61,432	-			61,432	-
Capital grants/contributions	2,403,093	2,344,763	-	-	2,403,093	2,344,763
General revenues:						
Ad valorem taxes	3,333,015	3,129,835			3,333,015	3,129,835
Sales taxes	505,221	384,289			505,221	384,289
Franchise Taxes	320,805	325,167			320,805	325,167
Special events & fundraising	245,163				245,163	
Other	572,570	636,943	11,703	38,126	584,273	675,069
Total revenues	9,524,263	7,934,465	6,166,014	4,819,636	15,690,277	12,754,101
Expenses:						
Administration	1,203,576	950,109			1,203,576	950,109
Judicial	88,531	79,863			88,531	79,863
Fire and emergency services	1,213,416	1,541,465			1,213,416	1,541,465
Development services	708,220	417,119			708,220	417,119
Public works	725,922	515,098			725,922	515,098
Police department	806,191	803,634			806,191	803,634
Parks and recreation	448,202	556,654			448,202	556,654
Library	134,815	134,625			134,815	134,625
Infrastructure	202,699	203,273			202,699	203,273
Main street project	26,869	135,388			26,869	135,388
Bond issuance costs	72,326	399,992			72,326	399,992
Interest and fiscal charges	585,469	457,748			585,469	457,748
Water, Sewer and Sanitation Services			3,496,782	3,464,334	3,496,782	3,464,334
Total Expenses	6,216,236	6,194,968	3,496,782	3,464,334	9,713,018	9,659,302
Excess (deficiency) before transfers	3,308,027	1,739,497	2,669,232	1,355,302	5,977,259	3,094,799
Transfers	348,050	345,000	(348,050)	(345,000)	-	-
Change in Net Position	3,656,077	2,084,497	2,321,182	1,010,302	5,977,259	3,094,799
Net Position - October 1	12,447,886	10,363,389	8,372,227	7,361,925	20,820,113	17,725,314
Net Position - September 30	\$ 16,103,963	\$ 12,447,886	\$ 10,693,409	\$ 8,372,227	\$ 26,797,372	\$ 20,820,113

**CITY OF CELINA, TEXAS
COMPARATIVE BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014 and 2013**

				Total	
				Governmental Funds	
	General	Debt Service	Capital Projects	2014	2013
<u>Assets</u>					
Cash and cash equivalents	\$ 3,331,133	\$ 561,801	\$ -	\$ 3,892,934	\$ 2,600,489
Investment in Texpool	2,375			2,375	2,375
Cash and cash equivalents - restricted			14,161,704	14,161,704	6,262,974
Sales taxes receivable	96,030			96,030	78,469
Property taxes receivable, net	40,278	7,672		47,950	34,526
EMS receivable	30,586			30,586	26,149
Grants receivable				-	400,000
Other receivables	63,056			63,056	76,457
Prepaid items	20,784			20,784	
Due from other funds	400,000			400,000	400,000
Due from component units	45,582			45,582	31,087
Total Assets	\$ 4,029,824	\$ 569,473	\$ 14,161,704	\$ 18,761,001	\$ 9,912,526
<u>Liabilities</u>					
Accounts payable	151,468		386,902	538,370	73,666
Accrued expenses	524,762	153		524,915	170,128
Due to other funds		20,278	2,378,019	2,398,297	20,278
Unearned revenue	250,000		516,320	766,320	766,320
Total Liabilities	926,230	20,431	3,281,241	4,227,902	1,030,392
<u>Deferred Inflows of Resources</u>					
Unavailable property taxes receivable	45,634	7,672		53,306	34,882
Total Deferred Inflows of Resources	45,634	7,672	-	53,306	34,882
<u>Fund Balances</u>					
Nonspendable:					
Prepays	20,784			20,784	-
Restricted for:					
Capital improvements			10,880,463	10,880,463	6,144,848
Debt service		541,370		541,370	515,274
Unassigned	3,037,176			3,037,176	2,187,130
Total Fund Balances	3,057,960	541,370	10,880,463	14,479,793	8,847,252
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,029,824	\$ 569,473	\$ 14,161,704	\$ 18,761,001	\$ 9,912,526

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ending September 30, 2014 and 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	
				2014	2013
REVENUES:					
Ad valorem taxes	\$ 2,377,555	\$ 937,036		\$ 3,314,591	\$ 3,154,251
Franchise taxes	320,805			320,805	325,167
Sales tax	505,221			505,221	384,289
Permits and inspection fees	1,321,510			1,321,510	455,454
Component unit contributions	-	170,000		170,000	320,000
Development fees	239,739			239,739	124,743
Fire department and EMS fees	196,753			196,753	174,678
Fines	155,962			155,962	197,248
Special events and donations	305,430			305,430	142,682
Park fees	169,000			169,000	161,345
Other income	296,867			296,867	85,140
Interest	27,419	3,763	59,242	90,424	63,021
Federal, state and local grants	1,165		2,403,093	2,404,258	2,344,763
Total Revenues	5,917,426	1,110,799	2,462,335	9,490,560	7,932,781
EXPENDITURES:					
Administration	1,106,865			1,106,865	870,419
Judicial	88,531			88,531	79,863
Fire and emergency services	1,083,464			1,083,464	1,057,979
Development services	702,862			702,862	417,119
Public works	505,659			505,659	508,439
Police department	770,254			770,254	741,361
Parks and Recreation	443,625			443,625	349,742
Library	135,315			135,315	134,625
Main street project	26,869			26,869	135,388
Capital outlay	529,439		892,486	1,421,925	3,977,688
Debt Service:	-				
Principal retirement	14,852	495,593		510,445	500,525
Interest and fiscal charges	2,190	608,503		610,693	490,987
Bond issuance costs		(19,393)	91,719	72,326	399,992
Total Expenditures	5,409,925	1,084,703	984,205	7,478,833	9,664,127
Excess (Deficiency) of Revenues Over Expenditures	507,501	26,096	1,478,130	2,011,727	(1,731,346)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	15,279	-		15,279	26,100
Proceeds from issuance of bonds		-	3,257,485	3,257,485	9,809,585
Payment to bond refunding agent		-		-	(4,090,000)
Proceeds from capital leases				-	30,752
Operating transfers in (out)	348,050			348,050	345,000
Net Other Financing Sources (Uses)	363,329	-	3,257,485	3,620,814	6,121,437
Net change in fund balances	870,830	26,096	4,735,615	5,632,541	4,390,091
Fund balance, October 1	2,187,130	515,274	6,144,848	8,847,252	4,457,161
Fund balance, September 30	\$ 3,057,960	\$ 541,370	\$ 10,880,463	\$ 14,479,793	\$ 8,847,252

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF FUND NET POSITION
PROPRIETARY FUND
September 30, 2014 and 2013

	2014	2013
	Enterprise Fund	Enterprise Fund
	Water & Sewer	Water & Sewer
	Activities	Activities
Assets		
Cash and cash equivalents	\$ 943,305	\$ 554,517
Investment in TexPool	1,172,123	1,036,811
Investment in TexPool, restricted for capital projects	663,373	158,396
Accounts receivable, net	692,394	585,783
Due from other funds	2,398,297	20,278
Total current assets	5,869,492	2,355,785
Capital Assets:		
Land	154,115	154,114
Buildings	43,769	43,769
Water & sewer infrastructure	22,826,563	21,392,867
Vehicles	183,102	169,128
Equipment	334,011	334,011
Less accumulated depreciation	(6,637,881)	(6,184,871)
Capital Assets, net	16,903,679	15,909,018
Total assets	\$ 22,773,171	\$ 18,264,803
Liabilities		
Accounts payable	414,352	316,217
Accrued expenses	65,725	63,391
Bonds payable - current	808,862	559,408
Infrastructure advance from CISD - current	91,439	95,282
Accrued interest payable	63,568	30,180
Meter deposits payable	242,632	191,619
Unearned revenue	537,986	308,975
Due to other funds	400,000	400,000
Total current liabilities	2,624,564	1,965,072
Infrastructure advance from CISD - long-term	411,117	501,025
Bonds payable - long-term	9,044,081	7,426,479
Total non-current liabilities	9,455,198	7,927,504
Total liabilities	12,079,762	9,892,576
Net Position		
Net investment in capital assets	9,589,572	7,485,220
Restricted for capital projects, net of related debt (\$3,041,392 each, 2014) (\$158,396 each, 2013)		
Unrestricted	1,103,837	887,007
Total Net Position	\$ 10,693,409	\$ 8,372,227

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Water sales	\$ 2,780,983	\$ 2,772,632
Sewer sales	1,160,403	1,060,773
Garbage fees	402,514	359,565
Penalties	58,682	70,447
Tap and reconnect fees	633,765	187,691
Impact fees	977,688	234,750
Other revenues	140,276	95,652
Total Operating Revenues	<u>6,154,311</u>	<u>4,781,510</u>
Operating Expenses:		
Salaries and benefits	373,648	355,949
Garbage fees	368,754	341,359
Materials and supplies	104,757	104,207
Engineering		142,041
Postage	30,120	23,072
Repairs and facility maintenance	177,015	163,876
General insurance	11,914	9,787
Utilities and telephone	252,189	237,511
Water purchases and related fees	1,344,283	1,272,029
Depreciation & amortization	456,509	446,013
Other expense	28,040	70,367
Total Operating Expenses	<u>3,147,229</u>	<u>3,166,211</u>
Operating Income	<u>\$ 3,007,082</u>	<u>\$ 1,615,299</u>

(Continued)

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Non-operating revenues (expenses):		
Interest income	\$ 10,153	\$ 38,126
Gain on disposal of capital assets	1,550	-
Interest and fiscal charges	(297,267)	(298,123)
Bond issuance costs	(52,286)	-
Total Non-operating Revenues (Expenses)	<u>(337,850)</u>	<u>(259,997)</u>
 Income before contributions and transfers	 2,669,232	 1,355,302
 Transfers out to other funds	 <u>(348,050)</u>	 <u>(345,000)</u>
 Change in net position	 2,321,182	 1,010,302
 Net position, October 1	 <u>8,372,227</u>	 <u>7,361,925</u>
Net position, September 30	<u><u>\$ 10,693,409</u></u>	<u><u>\$ 8,372,227</u></u>

BASIC FINANCIAL STATEMENTS

**CITY OF CELINA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 3,892,934	\$ 943,305	\$ 4,836,239	\$ 350,766
Investment in Texpool	2,375	1,172,123	1,174,498	
Property taxes receivable, net	40,278		40,278	
Sales taxes receivable	96,030		96,030	96,030
Accounts receivable, net	83,227	692,394	775,621	
Other receivables	76,344		76,344	
Due from component units	45,582		45,582	
Prepaid items	20,784		20,784	
Internal balances	(1,998,297)	1,998,297	-	
Restricted assets:				
Cash and cash equivalents	14,161,704		14,161,704	
Property taxes receivable, net	7,672		7,672	
Investment in Texpool restricted for capital projects		663,373	663,373	
Capital assets:				
Land	2,295,651	154,115	2,449,766	
Construction in progress	702,266	2,904,841	3,607,107	
Capital assets, net	18,614,277	13,844,723	32,459,000	
Total Assets	38,040,827	22,373,171	60,413,998	446,796
Liabilities				
Accounts payable	538,370	414,352	952,722	
Accrued expenses	675,282	65,725	741,007	
Unearned revenue		537,986	537,986	
Meter deposits payable		242,632	242,632	
Due to primary government				45,582
Payable from restricted assets:				
Unearned revenue	766,320		766,320	
Accrued interest	73,016	63,568	136,584	
Long-term liabilities:				
Due within one year:				
Bonds payable	666,138	808,862	1,475,000	
Capital leases	12,228		12,228	
Infrastructure advance from CISD		91,439	91,439	
Due in more than one year:				
Bonds payable	19,205,510	9,044,081	28,249,591	
Infrastructure advance from CISD		411,117	411,117	
Total Liabilities	21,936,864	11,679,762	33,616,626	45,582
Net Position				
Net investment in capital assets	7,667,954	9,589,572	17,257,526	
Restricted for debt service	541,370		541,370	
Restricted for capital projects (\$9,934,050) net of related debt (\$5,939,636)	3,994,414		3,994,414	
Restricted for capital projects (\$3,041,392) net of related debt (\$3,041,392)				
Unrestricted	3,900,225	1,103,837	5,004,062	401,214
Total Net Position	\$ 16,103,963	\$ 10,693,409	\$ 26,797,372	\$ 401,214

The accompanying notes are an integral part of these financial statements.
23

1242

**CITY OF CELINA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
Governmental activities:								
Administration	\$ 1,203,576	\$ -	\$ -	\$ -	\$ (1,203,576)		\$ (1,203,576)	\$ -
Judicial	88,531				(88,531)		(88,531)	
Fire and emergency services	1,213,416	196,753			(1,016,663)		(1,016,663)	
Development services	708,220	239,739			(468,481)		(468,481)	
Public works	725,922	1,321,510			595,588		595,588	
Police department	806,191	155,962	1,165		(649,064)		(649,064)	
Parks and recreation	448,202	169,000			(279,202)		(279,202)	
Library	134,815		16,266		(118,549)		(118,549)	
Infrastructure	202,699			2,403,093	2,200,394		2,200,394	
Main street project	26,869		44,001		17,132		17,132	
Economic development					-		-	(187,802)
Bond issuance costs	72,326				(72,326)		(72,326)	
Interest and fiscal charges	585,469				(585,469)		(585,469)	
Total governmental activities	6,216,236	2,082,964	61,432	2,403,093	(1,668,747)		(1,668,747)	(187,802)
Business-type activities:								
Water and sewer services	3,496,782	6,154,311				2,657,529	2,657,529	
Total business-type activities	3,496,782	6,154,311	-	-	-	2,657,529	2,657,529	
Total all activities	\$ 9,713,018	\$ 8,237,275	\$ 61,432	\$ 2,403,093	\$ (1,668,747)	\$ 2,657,529	\$ 988,782	\$ (187,802)
General revenues:								
Ad valorem taxes					3,333,015		3,333,015	
Sales taxes					505,221		505,221	507,741
Franchise taxes					320,805		320,805	
Special events and fundraising					245,163		245,163	
Miscellaneous income and contributions					312,146	1,550	313,696	(831)
Unrestricted investment earnings					90,424	10,153	100,577	2,204
Intergovernmental transfers					170,000		170,000	(170,000)
Transfers					348,050	(348,050)	-	
Total general revenues and transfers					5,324,824	(336,347)	4,988,477	339,114
Change in net position					3,656,077	2,321,182	5,977,259	151,312
Net Position-beginning of year					12,447,886	8,372,227	20,820,113	249,902
Net Position-end of year					\$ 16,103,963	\$ 10,693,409	\$ 26,797,372	\$ 401,214

The accompanying notes are an integral part of these financial statements

**CITY OF CELINA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014**

	General	Debt Service	Capital Projects	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 3,331,133	\$ 561,801	\$ -	\$ 3,892,934
Investment in Texpool	2,375			2,375
Cash and cash equivalents - restricted			14,161,704	14,161,704
Sales taxes receivable	96,030			96,030
Property taxes receivable, net	40,278	7,672		47,950
EMS receivable, net	30,586			30,586
Other receivables	63,056			63,056
Prepaid items	20,784			20,784
Due from other funds	400,000			400,000
Due from component units	45,582			45,582
Total Assets	\$ 4,029,824	\$ 569,473	\$ 14,161,704	\$ 18,761,001
<u>Liabilities</u>				
Accounts payable	151,468		386,902	538,370
Accrued salaries and benefits	524,762	153		524,915
Due to other funds		20,278	2,378,019	2,398,297
Unearned revenue	250,000		516,320	766,320
Total Liabilities	926,230	20,431	3,281,241	4,227,902
<u>Deferred Inflows of Resources</u>				
Unavailable property taxes receivable	45,634	7,672		53,306
Total Deferred Inflows of Resources	45,634	7,672	-	53,306
<u>Fund Balances</u>				
Nonspendable:				
Prepays	20,784			20,784
Restricted for:				
Capital Projects			10,880,463	10,880,463
Debt Service		541,370		541,370
Unassigned	3,037,176			3,037,176
Total Fund Balances	3,057,960	541,370	10,880,463	14,479,793
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,029,824	\$ 569,473	\$ 14,161,704	\$ 18,761,001

Governmental fund balances as presented above: 14,479,793

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

Capital assets reported in the statement of net position are not financial resources and are not reported in the fund balance sheet. 21,612,194

Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred property taxes of \$53,306 and EMS and fines receivable of \$52,641 and \$13,288. 119,235

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the date due. (73,016)

Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet. (20,034,243)

Net Position of Governmental Activities \$ 16,103,963

CITY OF CELINA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 2,377,555	\$ 937,036	\$ -	\$ 3,314,591
Franchise taxes	320,805			320,805
Sales tax	505,221			505,221
Permits and inspection fees	1,321,510			1,321,510
Component unit contributions		170,000		170,000
Development fees	239,739			239,739
Fire department and EMS revenues	196,753			196,753
Fines	155,962			155,962
Special events and donations	305,430			305,430
Park fees	169,000			169,000
Other income	296,867			296,867
Interest	27,419	3,763	59,242	90,424
Federal, state & local grants	1,165		2,403,093	2,404,258
Total Revenues	5,917,426	1,110,799	2,462,335	9,490,560
Expenditures:				
Current:				
Administration	1,106,865			1,106,865
Judicial	88,531			88,531
Fire and emergency services	1,083,464			1,083,464
Development services	702,862			702,862
Public works	505,659			505,659
Police department	770,254			770,254
Parks and recreation	443,625			443,625
Library	135,315			135,315
Main street project	26,869			26,869
Capital Outlay	529,439		892,486	1,421,925
Debt Service:				
Principal	14,852	495,593		510,445
Interest and fiscal charges	2,190	608,503		610,693
Bond issuance costs		(19,393)	91,719	72,326
Total Expenditures	5,409,925	1,084,703	984,205	7,478,833
Excess of Revenues Over Expenditures	507,501	26,096	1,478,130	2,011,727
Other Financing Sources (Uses):				
Proceeds from sale of assets	15,279			15,279
Proceeds from issuance of bonds			3,257,485	3,257,485
Operating transfers in (out)	348,050			348,050
Net Other Financing Sources (Uses)	363,329	-	3,257,485	3,620,814
Net change in fund balances	870,830	26,096	4,735,615	5,632,541
Fund balance, October 1	2,187,130	515,274	6,144,848	8,847,252
Fund balance, September 30	\$ 3,057,960	\$ 541,370	\$ 10,880,463	\$ 14,479,793

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

CITY OF CELINA, TEXAS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2014

Net change in fund balances - total governmental funds \$ 5,632,541

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

Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$1,421,925 exceeded depreciation expense of \$(670,252). 751,673

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

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt retired for the year \$510,445, less new bonds issued (\$3,085,000); and deferred bond credits (\$172,485). (2,747,040)

Changes in the liability for compensated absences do not require the use of current resources and therefore are not recorded in the funds. (24,745)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in deferred inflows from ad valorem taxes of \$18,424. 18,424

Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the amortization of bond premiums, \$22,109; and the decrease in accrued interest on debt \$3,115. 25,224

Change in net position - governmental activities \$ 3,656,077

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

**CITY OF CELINA, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014**

	<u>Enterprise Fund Water & Sewer Activities</u>
Assets	
Cash and cash equivalents	\$ 943,305
Investment in TexPool	1,172,123
Investment in TexPool restricted for capital projects	663,373
Accounts receivable, net	692,394
Due from other funds	2,398,297
Total current assets	<u>5,869,492</u>
Capital Assets:	
Land	154,115
Buildings	43,769
Water & sewer infrastructure	22,826,563
Vehicles	183,102
Equipment	334,011
Less: accumulated depreciation	(6,637,881)
Capital Assets, net	<u>16,903,679</u>
Total assets	<u>\$ 22,773,171</u>
Liabilities	
Accounts payable	414,352
Accrued salaries and benefits	65,725
Bonds payable - current	808,862
Infrastructure advance from CISD - current	91,439
Accrued interest payable	63,568
Meter deposits payable	242,632
Unearned revenue	537,986
Due to other funds	400,000
Total current liabilities	<u>2,624,564</u>
Infrastructure advance from CISD - long-term	411,117
Bonds payable - long-term	9,044,081
Total non-current liabilities	<u>9,455,198</u>
Total liabilities	<u>12,079,762</u>
Net Position	
Net investment in capital assets	9,589,572
Restricted for capital projects (\$3,041,392), net of related debt (\$3,041,392)	
Unrestricted	1,103,837
Total Net Position	<u>\$ 10,693,409</u>

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

City of Celina, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2014

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Operating revenues:	
Water sales	\$ 2,780,983
Sewer sales	1,160,403
Garbage fees	402,514
Penalties	58,682
Tap and reconnect fees	633,765
Impact fees	977,688
Other revenues	140,276
Total Operating Revenues	<u>6,154,311</u>
Operating expenses:	
Salaries and benefits	373,648
Garbage fees	368,754
Materials and supplies	104,757
Postage	30,120
Repairs and facility maintenance	177,015
General insurance	11,914
Utilities and telephone	252,189
Water purchases and related fees	1,344,283
Depreciation & amortization	456,509
Other expense	28,040
Total Operating Expenses	<u>3,147,229</u>
Operating Income	<u>\$ 3,007,082</u>
Non-operating revenues (expenses):	
Interest income	10,153
Gain on sale of capital assets	1,550
Interest and fiscal charges	(297,267)
Bond issuance costs	(52,286)
Total non-operating revenues (expenses)	<u>(337,850)</u>
Income (loss) before contributions and transfers	2,669,232
Operating Transfers in (out)	<u>(348,050)</u>
Change in net position	2,321,182
Net position, October 1	<u>8,372,227</u>
Net position, September 30	<u><u>\$ 10,693,409</u></u>

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

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2014

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Cash flows from operating activities:	
Cash received from customers and users	\$ 6,274,377
Cash paid to suppliers	(2,218,937)
Cash paid to employees	(371,314)
Net cash provided (used) by operating activities	<u>3,684,126</u>
Cash flows from noncapital financing activities:	
Change in customer deposits	51,013
Operating transfers (to) from other funds	(348,050)
Advances (to) from other funds	(2,378,019)
Net cash provided (used) for noncapital financing activities	<u>(2,675,056)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,452,671)
Proceeds from sale of capital assets	3,050
Bond proceeds	2,446,768
Bond issuance costs	(52,286)
Principal payments - bonds payable	(559,409)
Principal payments - other obligations	(93,751)
Interest paid on bonds payable and other long-term obligations	(281,847)
Net cash provided (used) by capital and related financing activities	<u>9,854</u>
Cash flows from investing activities:	
Net redemptions (purchases) of investments	(640,289)
Investment income	10,153
Net cash provided (used) by investing activities	<u>(630,136)</u>
Net increase (decrease) in cash and cash equivalents	388,788
Cash and cash equivalents, October 1	<u>554,517</u>
Cash and cash equivalents, September 30	<u><u>\$ 943,305</u></u>

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

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2014

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

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Operating income	\$ 3,007,082
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	456,509
(Increase) decrease in accounts receivable (net)	(106,611)
Increase (decrease) in accounts payable and accrued expense	98,135
Increase (decrease) in unearned revenues	<u>229,011</u>
Total Adjustments	<u>677,044</u>
Net cash provided by operating activities	<u>\$ 3,684,126</u>

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

City of Celina, Texas
Notes to Financial Statements
September 30, 2014

1. Introduction and Summary of Significant Accounting Policies

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

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remaining notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2014.

(A) Reporting Entity and Related Organizations

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

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

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2014:

Discretely Presented Component Units:

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

Neither CEDC nor CCDC prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

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

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. Introduction and Summary of Significant Accounting Policies - continued

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

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

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

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

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

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

Proprietary Funds

The City reports the following major Proprietary fund:

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

(E) Assets, Liabilities and Net Position or Equity

Cash and Investments

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

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

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

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

Inventories and Prepaids

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

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

Deferred Inflows and Outflows of Resources

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

1. Introduction and Summary of Significant Accounting Policies - continued

Capital Assets, Depreciation, and Amortization

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

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

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

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

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

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

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

Fund Equity

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

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

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

1. Introduction and Summary of Significant Accounting Policies – continued

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

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

Unassigned - all other spendable amounts in the general fund.

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

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

Compensated Absences

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

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

(F) Risk Management

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

1. Introduction and Summary of Significant Accounting Policies – continued

(G) Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

3. Deposits and Investments

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

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

3. Deposits and Investments - continued

Investments

During the year ended September 30, 2014 the City invested only in Texas Local Government Investment Pool ("TexPool"). TexPool is a public funds investment pool overseen by the Texas State Comptroller of Public Accounts acting by and through its full service provider, Federated Investors is empowered to invest funds and act as custodian of investments purchased with local investment funds. Authorized investments of TexPool include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements. At September 30, 2014, the carrying amount and fair value of the City's investment in TexPool was \$1,174,498. TexPool is rated for credit risk as AAAm and maintained a weighted average days to maturity of 79 days at September 30, 2014.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Treasurer (in his absence the City Manager). Investing is performed in accordance with investment policies adopted by the City Council in compliance with the Public Funds Investment Act (PFIA). City investment policy and the PFIA generally permit the City to invest in FDIC insured or fully collateralized certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas, and obligations of agencies, counties, cities and other political subdivisions of Texas having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended September 30, 2014, the City did not own any types of securities other than those permitted by the City investment policy or the Public Funds Investment Act.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs. City policy further states that volatile investment instruments shall be avoided and that nonmarketable instruments with maturities beyond one month shall not exceed 30 percent of the portfolio. In addition, investment maturities shall not exceed the following limits:

Operating funds - 30 days

Capital project funds - corresponding draw schedules

Debt service funds - corresponding payment dates, not to exceed (6) six months

Bond reserve funds - (5) five years

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

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

4. Receivables, Uncollectible Accounts, and Unearned Revenue

Proprietary Fund Receivables, Uncollectible Accounts and Unearned Revenue

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

Accounts receivable, gross	\$693,482
Less: allowance for uncollectible accounts	(1,088)
Net accounts receivable	<u>\$692,394</u>

The City has recorded unearned revenue of \$537,986 water and sewer impact fees that have been collected, but are awaiting expenditure for the designated purpose.

Property Taxes Receivable, Unearned Revenues, and the Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Collin County Central Appraisal District at 100% of market value. As of January 1, 2013, all real property was assessed at a net taxable value of \$505,896,214.

The property tax rate for the year ended September 30, 2014 was .645 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund:

Maintenance and operations-General Fund	.4616
Debt Service Fund	<u>.1834</u>
Total tax rate	<u>.6450</u>

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

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

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

October 1-Full year tax levy assessed for the current fiscal year-taxes are due and payable.

January 1-Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.

February 1-Penalty and interest charges begin to accrue on unpaid past due taxes.

July 1-Taxes become delinquent and are subject to attorney fees incurred for collection.

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

Allowance for Uncollectible Taxes

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

Fines and Court Costs Receivable and Related Allowances

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

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

Grants Receivable

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

5. Capital Assets

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

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 2,189,652	\$ 100,543	\$ (5,456)	\$ 2,295,651
Construction in progress	<u>18,206</u>	<u>689,516</u>	<u>5,456</u>	<u>702,266</u>
Total nondepreciable capital assets	2,207,858	790,059	-	2,997,917
Depreciable capital assets:				
Buildings and improvements	2,033,373			2,033,373
Parks	8,986,197	73,472		9,059,669
Road infrastructure	11,312,115	113,329	73,472	11,351,972
Vehicles	905,821	275,579	49,794	1,131,606
Furniture and equipment	<u>996,701</u>	<u>242,958</u>		<u>1,239,659</u>
Total depreciable capital assets	24,234,207	705,338	123,266	24,816,279
Total capital assets	26,442,065	1,495,397	123,266	27,814,196
Less: accumulated depreciation	<u>5,581,544</u>	<u>670,252</u>	<u>49,794</u>	<u>6,202,002</u>
Capital assets, net	<u>\$ 20,860,521</u>	<u>\$ 825,145</u>	<u>\$ 73,472</u>	<u>\$ 21,612,194</u>
Business-Type Activities:				
Nondepreciable capital assets:				
Land	\$ 154,114			\$ 154,114
Construction in progress	<u>3,756,909</u>	<u>1,433,696</u>	<u>2,285,764</u>	<u>2,904,841</u>
Total nondepreciable capital assets	3,911,023	1,433,696	2,285,764	3,058,955
Depreciable capital assets:				
Buildings and improvements	43,769			43,769
Water & sewer infrastructure	17,635,959	2,285,764		19,921,723
Vehicles	169,127	18,974	5,000	183,101
Equipment	<u>334,011</u>			<u>334,011</u>
Total depreciable capital assets	18,182,866	2,304,738	5,000	20,482,604
Total capital assets	22,093,889	3,738,434	2,290,764	23,541,559
Less: accumulated depreciation	<u>6,184,871</u>	<u>456,509</u>	<u>3,500</u>	<u>6,637,880</u>
Capital assets, net	<u>\$ 15,909,018</u>	<u>\$ 3,281,925</u>	<u>\$ 2,287,264</u>	<u>\$ 16,903,679</u>

5. Capital Assets - continued

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

Administration	\$ 89,899
Fire and emergency services	125,243
Road infrastructure	202,699
Public works	16,014
Parks	206,697
Police department	<u>29,700</u>
Total	<u>\$670,252</u>

Depreciation expense recorded in business-type activities and the Proprietary Fund was \$456,509.

The gross amount of assets included in the equipment category above recorded under capital lease obligations is \$30,752. Accumulated amortization of these assets is \$3,203. Amortization expense is included in depreciation expense. Capital lease obligations are secured by the equipment purchased.

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

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

Interest expense for governmental activities was \$585,469 and is reported as a separate line item in the statement of activities.

Business-type Activities - Revenue Bonds

Revenue bonds consist of debt issued to support activities of the Proprietary (water and sewer) Fund. In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system.

Interest expense for business-type activities and the Proprietary (water and sewer) Fund was \$297,267 for the year.

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

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Governmental Activities:					
General Obligation Refunding Bonds Series 2013, 2.0%-3.5%, 2015-2027	\$ 4,315,000	\$ -	\$ -	\$ 4,315,000	\$ 265,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2014, 2.0%-4.0%, 2015-2034		3,085,000		3,085,000	95,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2013, 2.0%-4.0%, 2015-2033	5,325,000			5,325,000	35,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	3,840,000		145,000	3,695,000	150,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2011, 3.0%-4.125%, 2012-2031	1,355,000		35,000	1,320,000	35,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	1,346,865		240,695	1,106,170	4,853
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	105,000			105,000	5,000
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	607,505		74,898	532,607	76,285
Capital Lease Obligations	27,080		14,852	12,228	12,228
Total Governmental Activities	<u>\$ 16,921,450</u>	<u>\$ 3,085,000</u>	<u>\$ 510,445</u>	<u>\$ 19,496,005</u>	<u>\$ 678,366</u>
Business-type Activities:					
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2014, 2.0%-4.0%, 2015-2034	\$ -	\$ 2,315,000	\$ -	\$ 2,315,000	\$ -
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	695,000		30,000	665,000	30,000
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	3,870,000		130,000	3,740,000	370,000
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	1,582,494		195,101	1,387,393	198,715
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2007, 2.60%-3.60%, 2009-2028	1,295,000		190,000	1,105,000	195,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	323,136		14,307	308,829	15,147
Total Business-type Activities	<u>\$ 7,765,630</u>	<u>\$ 2,315,000</u>	<u>\$ 559,408</u>	<u>\$ 9,521,222</u>	<u>\$ 808,862</u>

6. Long-Term Obligations - continued

The financial statement presentation for bonds payable is increased by \$387,871 in governmental activities and by \$331,721 in both business-type activities and the proprietary fund to reflect bond premiums that will be amortized over the life of the bonds.

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

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

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

Debt Service Requirements to Maturity

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

<u>Governmental Activities</u>					
Year ending September 30	Bond principal	Bond interest	Capital lease principal	Capital lease interest	Total Required
2015	\$ 666,138	\$ 681,707	\$ 12,228	\$ 553	\$ 1,360,626
2016	751,125	644,324			1,395,449
2017	767,510	626,905			1,394,415
2018	901,110	609,032			1,510,142
2019	918,333	588,476			1,506,809
2020-2024	4,974,946	2,555,214			7,530,160
2025-2029	5,909,615	1,636,268			7,545,883
2030-2034	4,595,000	460,106			5,055,106
Totals	<u>\$ 19,483,777</u>	<u>\$ 7,802,032</u>	<u>\$ 12,228</u>	<u>\$ 553</u>	<u>\$ 27,298,590</u>

<u>Business-type Activities</u>					
Year ending September 30	Bond principal	Bond interest	Capital lease principal	Capital lease interest	Total Required
2015	\$ 808,862	\$ 319,381			\$ 1,128,243
2016	848,875	279,352			1,128,227
2017	872,490	255,199			1,127,689
2018	898,891	230,684			1,129,575
2019	921,667	205,356			1,127,023
2020-2024	3,740,054	590,524			4,330,578
2025-2029	765,383	217,375			982,758
2030-2034	665,000	74,825			739,825
Totals	<u>\$ 9,521,222</u>	<u>\$ 2,172,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,693,918</u>

6. Long-Term Obligations - continued

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>					
Compensated absences	\$ 125,622	\$ 150,367	\$ 125,622	\$ 150,367	\$ 150,367

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Business-type Activities:</i>					
Obligation due to					
Celina ISD	\$ 596,307	\$	\$ 93,751	\$ 502,556	\$ 91,439

The obligation due to Celina ISD is a result of the school district funding the cost for the installation of a new water line that provides service to school facilities. The obligation is non-interest bearing however, the City has discounted the debt to estimated present value using the assumption of a 5.5% annual interest rate. The agreement with Celina ISD is that the City will not bill the school for water use until such time as the cumulative billings are equal to the cost of installing the water line. At the current rate of water use by Celina ISD, City management estimates approximately \$126,000 of gross billings for annual water use will be credited to this obligation over each of the next five years.

Special Assessment Revenue Bonds

In 2014, the City issued Special Assessment Revenue Bonds, Series 2014 (Creeks of Legacy Public Improvement District Phase #1 Project) in the amount of \$8,750,000 and Special Assessment Revenue Bonds, Series 2014 (Creeks of Legacy Public Improvement District Phases #2-3 Major Improvement Project) in the amount of \$6,575,000. Total bond principal outstanding for these two issues is \$15,325,000 at year-end.

Proceeds of the bonds were deposited into trust accounts with U.S. Bank N.A. (U.S. Bank) for the purpose of funding improvements in the projects described above. U.S. Bank serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time to time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned or transferred to the trustee.

The City is not obligated in any manner for this special assessment debt, but merely acts as the property owner's agent in handling the debt service transactions by collecting any special assessment tax collections and forwarding them to the bondholders. These collections have not yet begun.

7. Retirement Plan

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

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

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously the Projected Unit Credit actuarial cost method had been used). 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 for the employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

7. Retirement Plan - continued

The annual pension cost and net pension obligation (asset) and three-year trend information for the City are as follows:

Three Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contributions Made</u>	<u>Net Pension Obligation</u>
2012	\$ 92,028	92,028	-0-
2013	\$ 92,962	92,962	-0-
2014	\$ 98,688	98,688	-0-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information for the three most recent actuarial valuations, as of December 31, 2013, also follows:

<u>Valuation Date</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	24.6 years closed period	25.0 years closed period	25.0 years closed period
Amortization period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions: Investment rate of return*	7.0%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-Living adjustments	0.0%	0.0%	0.0%

Funding Status and Funding Progress –

In October, 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

7. Retirement Plan - continued

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Analysis of Funding Progress
(in Thousands of Dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded (Over-funded) Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/13	\$3,154	\$2,756	(398)	114.4%	\$2,570	(15.5%)

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

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

8. Litigation

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

9. Contingencies

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended September 30, 2014 have not been conducted. Accordingly, the City's compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

10. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

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

10. Balances and Transfers/Payments Within the Reporting Entity - continued

	<u>Receivable</u>	<u>Payable</u>
Debt Service Fund	\$	\$ 20,278
Proprietary Fund	2,398,297	400,000
General Fund	445,582	
Capital Projects Fund		2,378,019
Component units		45,582
	<u>\$2,843,879</u>	<u>\$2,843,879</u>

Transfers and Payments

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

The following schedule reports transfers and payments within the reporting entity:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 348,050	\$
Proprietary Fund		348,050

The transfer in from the Proprietary Fund provided the General Fund with supplementary revenue for the year. In addition to the above transfers, the component units contributed \$170,000 to the debt service fund in order to supplement debt service payments for the year.

11. Operating Leases

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

<u>Year ending 9/30</u>	<u>Annual lease requirement</u>
2015	12,291
2016	12,187
Total required	<u>\$ 24,478</u>

Lease expense for the year ending September 30, 2014 was \$43,413.

12. Economic Dependence

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

13. Commitments

The City has entered into a construction contract for a new fire station. At year-end, the remaining contract amount to complete the fire station is approximately \$2,900,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CELINA, TEXAS
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Ad valorem taxes	\$ 2,372,934	\$ 2,369,800	\$ 2,377,555	\$ 7,755
Franchise taxes	277,500	277,500	320,805	43,305
Sales tax	381,862	480,000	505,221	25,221
Permits and inspection fees	387,500	1,321,500	1,321,510	10
Development fees	50,758	239,000	239,739	739
Fire department and EMS revenues	160,000	189,000	196,753	7,753
Fines	167,000	155,860	155,962	102
Special events and donations	112,925	301,666	305,430	3,764
Park fees	95,000	140,000	169,000	29,000
Other income	135,660	156,221	298,032	141,811
Interest	33,000	27,000	27,419	419
Total Revenues	<u>4,174,139</u>	<u>5,657,547</u>	<u>5,917,426</u>	<u>259,879</u>
EXPENDITURES:				
Administration	989,670	1,130,298	1,106,865	23,433
Judicial	79,451	74,486	88,531	(14,045)
Fire and emergency services	1,197,332	1,190,583	1,083,464	107,119
Development services	801,053	801,025	702,862	98,163
Public works	572,866	552,370	505,659	46,711
Police department	864,657	823,812	770,254	53,558
Parks and recreation	442,935	447,976	443,625	4,351
Library	136,596	136,592	135,315	1,277
Main street project	63,960	62,322	26,869	35,453
Capital outlay			529,439	(529,439)
Debt service			17,042	(17,042)
Total Expenditures	<u>5,148,520</u>	<u>5,219,464</u>	<u>5,409,925</u>	<u>(190,461)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(974,381)</u>	<u>438,083</u>	<u>507,501</u>	<u>69,418</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets			15,279	15,279
Operating transfers in (out)	<u>975,000</u>	<u>345,000</u>	<u>348,050</u>	<u>3,050</u>
Total Other Financing Sources (Uses)	<u>975,000</u>	<u>345,000</u>	<u>363,329</u>	<u>18,329</u>
Net change in fund balance	<u>619</u>	<u>783,083</u>	<u>870,830</u>	<u>87,747</u>
Fund balance, October 1	<u>2,187,130</u>	<u>2,187,130</u>	<u>2,187,130</u>	<u>-</u>
Fund balance, September 30	<u>\$ 2,187,749</u>	<u>\$ 2,970,213</u>	<u>\$ 3,057,960</u>	<u>\$ 87,747</u>

SCHEDULE NOTES:

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

CITY OF CELINA, TEXAS
Schedule of Funding Progress
September 30, 2014

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded (Over-funded) Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 3,154	\$ 2,756	\$ (398)	114%	\$ 2,570	-15.5%
12/31/2012	2,750	2,390	(360)	115%	2,313	-15.6%
12/31/2011	2,455	2,260	(195)	109%	2,376	-8.2%

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

(This Page Intentionally Blank)

[Closing Date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

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

IN REGARD to the authorization and issuance of the "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015," dated September 15, 2015, in the principal amount of \$15,280,000 (the "Certificates"), we have examined into their issuance by the City of Celina, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

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

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

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

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

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

41759911.1/11410958

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

1275

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge)
Revenue Certificates of Obligation, Series 2015"

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

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

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

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

Financial Advisory Services
Provided By

FirstSouthwest 

THE STATE OF TEXAS \$
COUNTIES OF COLLIN AND DENTON \$
CITY OF CELINA \$

1. On the 10th day of November, 2015, a regular meeting of the City Council (the "Council") of the City of Celina, Texas (the "City") was held at a meeting place within the City; the duly constituted members of the Council being as follows:

SEAN TERRY)	MAYOR
CARMEN ROBERTS)	MAYOR PRO TEM
CHAD ANDERSON)	
WAYNE NABORS)	
ERIK GEIGER)	COUNCIL MEMBERS
ANDY HOPKINS)	
LORI VADEN)	

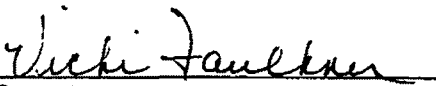
"ORDINANCE NO. 2015-58

was introduced and submitted to the Council for passage and adoption. After presentation and due consideration of the ordinance and, upon a motion made and seconded, the ordinance was duly passed and adopted by the Council to be effective immediately, in accordance with the provisions of Texas Government Code, Section 1201.028, as amended, by the following vote:

all as shown in the official minutes of the Council for the meeting held on the aforesaid date.

2. The attached ordinance is a true and correct copy of the original on file in the official records of the City; the duly qualified and acting members of the Council of said City on the date of the aforesaid meeting are those persons shown above and, according to the records of my office, advance notice of the time, place and purpose of the meeting was given to each member of the Council; and that said meeting, and the deliberation of the aforesaid public business, was open to the public and written notice of said meeting, including the subject of the above entitled ordinance, was posted and given in advance thereof in compliance with the provisions of Texas Government Code, Chapter 551, as amended.

IN WITNESS WHEREOF, I have hereunto signed my name officially and affixed the seal of said City, this the 10th day of November, 2015.


City Secretary,
City of Celina, Texas



ORDINANCE NO. 2015-58

AN ORDINANCE amending and restating the provisions of the Ordinance authorizing the issuance of "CITY OF CELINA, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2015"; specifying the terms and features of said certificates; providing for the payment of said certificates of obligation by the levy of an ad valorem tax upon all taxable property within the City and a limited pledge of the net revenues derived from the operation of the City's combined waterworks and sewer system; providing the terms and conditions of such certificates of obligation and resolving other matters incident and relating to the issuance, payment, security, sale and delivery of said certificates of obligation, including the approval and execution of a Paying Agent/Registrar Agreement and an Addendum to Purchase Agreement and the ratification of the execution of a Bond Purchase Agreement and the distribution of a Preliminary Official Statement and an Official Statement pertaining to such certificates; and providing an effective date.

WHEREAS, notice of the City Council's intention to issue certificates of obligation in the maximum principal amount of \$20,000,000 for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor, (ii) acquiring, constructing, improving and equipping public works facilities and fleet maintenance facilities, including the acquisition of land therefor and (iii) acquiring, constructing, improving and equipping public safety facilities, including the acquisition of land therefor, (iv) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor and (v) professional services rendered in connection with such projects and the financing thereof; was published in the *Celina Record*, a newspaper found and determined to be of general circulation in the City of Celina, Texas, on August 14, 2015 and August 21, 2015 (the "Original Notice"); and

WHEREAS, at a special meeting held on September 17, 2015, the City Council passed and adopted Ordinance No. 2015-45 authorizing the issuance of the certificates (the "Original Ordinance"); and

WHEREAS, after passage of the Original Ordinance, the City became aware that the Original Notice contained a typographical error relating to the tentative date stated therein for the consideration of the ordinance authorizing the issuance of such certificates; and

WHEREAS, in order to correct the typographical error in the Original Notice, the City republished the notice of intention to issue the Certificates (as hereinafter defined) in the *Celina Record*, a newspaper hereby found and determined to be of general circulation in the City of Celina, Texas, on October 9, 2015 and October 16, 2015 (the "Corrected Notice"), the date of the first publication of such republished notice being not less than thirty-one (31) days prior to the tentative date stated therein for the passage of the ordinance authorizing the issuance of the Certificates herein referenced; and

WHEREAS, no petition protesting the issuance of the Certificates and bearing valid petition signatures of at least 5% of the qualified electors of the City, has been presented to or

filed with the Mayor, City Secretary or any other official of the City on or prior to the date of the passage of this ordinance; and

WHEREAS, the Council hereby finds and determines that the certificates of obligation described in such notice should be issued and sold at this time in the amount and manner as hereinafter provided; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CELINA, TEXAS:

SECTION 1: Sections 1 through 41 of Ordinance No. 2015-45 passed and approved by the City Council on September 17, 2015, are hereby amended and restated as follows:

SECTION 1: Authorization - Designation - Principal Amount - Purpose. Certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of \$15,280,000 to be designated and bear the title "CITY OF CELINA, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2015" (hereinafter referred to as the "Certificates"), for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor, (ii) acquiring, constructing, improving and equipping public works facilities and fleet maintenance facilities, including the acquisition of land therefor and (iii) acquiring, constructing, improving and equipping public safety facilities, including the acquisition of land therefor, (iv) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor and (v) professional services rendered in connection with such projects and the financing thereof, pursuant to authority conferred by and in conformity with the Constitution and laws of the State of Texas, including Texas Local Government Code, Subchapter C of Chapter 271, as amended.

SECTION 2: Fully Registered Obligations - Authorized Denominations - Stated Maturities - Certificate Date. The Certificates are issuable in fully registered form only; shall be dated September 15, 2015 (the "Certificate Date") and shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity) and the Certificates shall become due and payable on September 1 in each of the years and in principal amounts (the "Stated Maturities") and bear interest at the per annum rate(s) in accordance with the following schedule:

<u>Year of Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate(s)</u>
2016	\$ 90,000	2.000%
2017	220,000	2.000%
2018	355,000	2.000%
2019	355,000	2.500%
2020	370,000	2.500%
2021	225,000	4.000%
2022	455,000	4.000%
2023	470,000	5.000%
2024	720,000	5.000%
2025	850,000	5.000%
2026	895,000	5.000%
2027	930,000	5.000%

2028	980,000	5.000%
2029	1,020,000	5.000%
2030	1,080,000	5.000%
2031	1,135,000	5.000%
2032	1,190,000	5.000%
2033	1,255,000	5.000%
2034	1,305,000	5.000%
2035	1,380,000	5.000%

The Certificates shall bear interest on the unpaid principal amounts from the date of delivery to the initial purchaser at the rates per annum shown above in this Section (calculated on the basis of a 360-day year of twelve 30-day months), and such interest shall be payable on March 1 and September 1 of each year, commencing March 1, 2016, until maturity or prior redemption.

SECTION 3: Terms of Payment Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Certificates, due and payable by reason of maturity, redemption, or otherwise, shall be payable only to the registered owners or holders of the Certificates (hereinafter called the "Holders") appearing on the registration and transfer books maintained by the Paying Agent/Registrar, and the payment thereof shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

The selection and appointment of U.S. Bank National Association, Dallas, Texas, to serve as Paying Agent/Registrar for the Certificates is hereby approved and confirmed. Books and records relating to the registration, payment, transfer and exchange of the Certificates (the "Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar, as provided herein and in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement", substantially in the form attached hereto as **Exhibit A**, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The Mayor and City Secretary are hereby authorized to execute and deliver such Paying Agent/Registrar Agreement in connection with the delivery of the Certificates. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are paid and discharged, and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Certificates, shall be payable at the Stated Maturities or the redemption thereof only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its designated offices, initially in St. Paul, Minnesota, or, with respect to a successor Paying Agent/Registrar, at the designated offices of such successor (the "Designated Payment/Transfer Office"). Interest on the Certificates shall be paid to the Holders whose names appear in the Security Register at the close of business on the Record Date (the fifteenth day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday,

Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a nonpayment of interest on a scheduled payment date, and for thirty (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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4: Redemption.

(a) Optional Redemption. The Certificates maturing on and after September 1, 2026 shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if in part by lot by the Paying Agent/Registrar), on September 1, 2025, or on any date thereafter, at the redemption price of par plus accrued interest to the date of redemption.

At least forty five (45) days prior to an optional redemption date for the Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Certificates, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor.

(b) Selection of Certificates for Redemption. If less than all Outstanding Certificates of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Certificates as representing the number of Certificates Outstanding which is obtained by dividing the principal amount of such Certificates by \$5,000 and shall select the Certificates to be redeemed within such Stated Maturity by lot.

(c) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Certificates, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Certificate to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, provided moneys sufficient for the payment of such Certificate (or the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar and (v) specify that payment of the

redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender of the Certificates. If a Certificate is subject by its terms to prior redemption and has been called for redemption and notice of redemption has been duly given as hereinabove provided, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor.

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

SECTION 5: Registration - Transfer - Exchange of Certificates - Predecessor Certificates. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each and every owner of the Certificates issued under and pursuant to the provisions of this Ordinance, or if appropriate, the nominee thereof. Any Certificate may be transferred or exchanged for Certificates of other authorized denominations by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender of any Certificate (other than the single Initial Certificate(s) authorized in Section 8 hereof) for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates (other than the single Initial Certificate(s) authorized in Section 8 hereof) may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Certificates surrendered for exchange, upon surrender of the Certificates to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Certificates are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Certificates to the Holder requesting the exchange.

All Certificates issued in any transfer or exchange of Certificates shall be delivered to the Holders at the Designated Payment/Transfer Office of the Paying Agent/Registrar or sent by United States mail, first class postage prepaid, to the Holders, and, upon the registration and delivery thereof, the same shall be the valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered in such transfer or exchange.

All transfers or exchanges of Certificates pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Certificates cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Certificates", evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Certificate or Certificates registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Certificates" shall include any mutilated, lost, destroyed or stolen Certificate for which a replacement Certificate has been issued, registered and delivered in lieu thereof pursuant to the provisions of Section 20 hereof and such new replacement Certificate shall be deemed to evidence the same obligation as the mutilated, lost, destroyed or stolen Certificate.

Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Certificate; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate called for redemption in part.

SECTION 6: Book-Entry-Only Transfers and Transactions. Notwithstanding the provisions contained in Sections 3, 4 and 5 hereof relating to the payment, and transfer/exchange of the Certificates, the City hereby approves and authorizes the use of "Book-Entry-Only" securities clearance, settlement and transfer system provided by The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York ("DTC"), in accordance with the operational arrangements referenced in the Blanket Issuer Letter of Representations by and between the City and DTC (the "Depository Agreement").

Pursuant to the Depository Agreement and the rules of DTC, the Certificates shall be deposited with DTC who shall hold said Certificates for its participants (the "DTC Participants"). While the Certificates are held by DTC under the Depository Agreement, the Holder of the Certificates on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Certificate (the "Beneficial Owners") being recorded in the records of DTC and DTC Participants.

In the event DTC determines to discontinue serving as securities depository for the Certificates or otherwise ceases to provide book-entry clearance and settlement of securities transactions in general or the City decides to discontinue use of the system of book-entry transfers through DTC, the City covenants and agrees with the Holders of the Certificates to cause Certificates to be printed in definitive form and issued and delivered to DTC Participants and Beneficial Owners, as the case may be. Thereafter, the Certificates in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent/Registrar and payment of such Certificates shall be made in accordance with the provisions of Sections 3, 4 and 5 hereof.

SECTION 7: Execution - Registration. The Certificates shall be executed on behalf of the City by the Mayor or Mayor Pro Tem under its seal reproduced or impressed thereon and countersigned by the City Secretary. The signature of said officers on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Certificate Date shall be deemed to be duly

executed on behalf of the City, notwithstanding that one or more of the individuals executing the same shall cease to be such officer at the time of delivery of the Certificates to the initial purchaser(s) and with respect to Certificates delivered in subsequent exchanges and transfers, all as authorized and provided in Texas Government Code Chapter 1201, as amended.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially in the form provided in Section 9(c), manually executed by the Comptroller of Public Accounts of the State of Texas, or his duly authorized agent, or a certificate of registration substantially in the form provided in Section 9(d), manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate duly signed upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified, registered and delivered.

SECTION 8: Initial Certificate(s). The Certificates herein authorized shall be initially issued either (i) as a single fully registered certificate in the total principal amount stated in Section 1 hereof with principal installments to become due and payable as provided in Section 2 hereof and numbered T-1, or (ii) as multiple fully registered certificates with one certificate for each year of maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (hereinafter called the "Initial Certificate(s)") and, in either case, the Initial Certificate(s) shall be registered in the name of the initial purchaser(s) or the designee thereof. The Initial Certificate(s) shall be the Certificate(s) submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Certificate(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Certificate(s) delivered hereunder and exchange therefor definitive Certificates of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 9: Forms.

(a) **Forms Generally.** The Certificates, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Certificates, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends in the event the Certificates, or any maturities thereof, are purchased with insurance and any reproduction of an opinion of counsel) thereon as may, consistently herewith, be established by the City or determined by the officers executing such Certificates as evidenced by their execution. Any portion of the text of any Certificates may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Certificate.

The definitive Certificates and the Initial Certificate(s) shall be printed, lithographed, engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Certificates as evidenced by their execution.

(b) Form of Definitive Certificates.

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF CELINA, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATE OF OBLIGATION
SERIES 2015

Certificate Date: September 15, 2015 Interest Rate: _____% Stated Maturity: September 1, 20____ CUSIP No.: _____

Registered Owner:

Principal Amount: _____ DOLLARS

The City of Celina (hereinafter referred to as the "City"), a body corporate and municipal corporation in the Counties of Collin and Denton, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above the Principal Amount hereinabove stated (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid principal amount hereof from the interest payment date next preceding the "Registration Date" of this Certificate appearing below (unless this Certificate bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Certificate is prior to the initial interest payment date in which case it shall bear interest from the date of delivery to the initial purchaser) at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on March 1 and September 1 in each year, commencing March 1, 2016, until maturity or prior redemption. Principal of this Certificate is payable at its Stated Maturity or on a redemption date to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor; provided, however, while this Certificate is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount hereof may be accomplished without presentation and surrender of this Certificate. Interest is payable to the registered owner of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the fifteenth day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original

date payment was due. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of \$15,280,000 (herein referred to as the "Certificates") for the purpose of paying contractual obligations to be incurred for (i) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor, (ii) acquiring, constructing, improving and equipping public works facilities and fleet maintenance facilities, including the acquisition of land therefor and (iii) acquiring, constructing, improving and equipping public safety facilities, including the acquisition of land therefor, (iv) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor and (v) professional services rendered in connection with such projects and the financing thereof, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Texas Local Government Code, Subchapter C of Chapter 271, as amended, and pursuant to an Ordinance adopted by the City Council of the City (herein referred to as the "Ordinance").

The Certificates maturing on and after September 1, 2026 may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if in part by lot by the Paying Agent/Registrar), on September 1, 2025 or on any date thereafter, at the redemption price of par, together with accrued interest to the date of redemption.

At least thirty (30) days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Certificate to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Ordinance. If a Certificate (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon the redemption date such Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

In the event a portion of the principal amount of a Certificate is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Certificate to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Certificate or Certificates of like maturity and interest rate in any authorized denominations provided by the Ordinance for the then unredeemed balance of the principal sum thereof will be issued to the registered owner, without charge. If a Certificate is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Certificate to an assignee of the registered owner within forty-five (45) days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Certificate redeemed in part.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall

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

The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City and from a limited pledge of the Net Revenues of the City's combined Waterworks and Sewer System (the "System"), such pledge being limited to an amount of \$1,000 and being junior and subordinate to the lien on and pledge of such Net Revenues securing the payment of the Prior Lien Obligations (identified and defined in the Ordinance) now outstanding and hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations without limitation as to principal amount but subject to any applicable terms, conditions or restrictions under law or otherwise, as well as the right to issue additional obligations payable from the same sources as the Certificates and, together with the Certificates, equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System.

Reference is hereby made to the Ordinance, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all the provisions of which the owner or holder of this Certificate by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the Certificates; the Net Revenues pledged to the payment of the principal of and interest on the Certificates; the nature and extent and manner of enforcement of the pledge; the terms and conditions relating to the transfer or exchange of this Certificate; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the tax levy and the pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Certificate, and this Certificate deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the registered owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner entitled to payment of principal hereof at its Stated Maturity or upon its prior redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and

for thirty (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 (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and declared that the City is a body corporate and political subdivision duly organized and legally existing under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Certificates is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Certificates to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinance; that the Certificates do not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Certificates as aforestated. In case any provision in this Certificate shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City Council of the City has caused this Certificate to be duly executed under the official seal of the City as of the Certificate Date.

CITY OF CELINA, TEXAS

[Mayor][Mayor Pro Tem]

COUNTERSIGNED:

City Secretary

(City Seal)

(c) Form of Registration Certificate of Comptroller of Public Accounts to appear on Initial Certificate(s) only.

**REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS**

OFFICE OF THE COMPTROLLER)
OF PUBLIC ACCOUNTS) REGISTER NO. _____
THE STATE OF TEXAS)

I HEREBY CERTIFY that this Certificate has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

(d) Form of Certificate of Paying Agent/Registrar to appear on Definitive Certificates only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued and registered under the provisions of the within mentioned Ordinance; the certificate or certificates of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated office of the Paying Agent/Registrar located in St. Paul, Minnesota, is the "Designated Payment/Transfer Office" for this Certificate.

U.S. BANK NATIONAL ASSOCIATION,
Dallas, Texas,
as Paying Agent/Registrar

Registration Date:

_____ By _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
(Print or typewrite name, address, and zip code of transferee): _____

(Social Security or other identifying number _____) the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

Signature guaranteed: _____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Certificate in every particular.

(f) The Initial Certificate(s) shall be in the form set forth in paragraph (b) of this Section, except that the form of a single fully registered Initial Certificate shall be modified as follows:

Heading and first paragraph shall be modified to read as follows:

REGISTERED
NO. T-1

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF CELINA, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATE OF OBLIGATION
SERIES 2015

Certificate Date: September 15, 2015

Registered Owner: BOSC, INC.

Principal Amount: _____ DOLLARS

The City of Celina (hereinafter referred to as the "City"), a body corporate and municipal corporation in the Counties of Collin and Denton, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on September 1 in each of the years and in principal installments in accordance with the following schedule:

<u>YEAR OF</u> <u>MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u>	<u>INTEREST</u> <u>RATE</u>
-----------------------------------	---	--------------------------------

(Information to be inserted from schedule in Section 2 hereof).

(or so much thereof as shall not have been redeemed prior to maturity) and to pay interest on the unpaid principal amounts hereof from the date of delivery to the initial purchaser at the per annum rate(s) of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on March 1 and September 1 of each year, commencing March 1, 2016, until maturity or prior redemption. Principal installments of this

Certificate are payable on the Stated Maturity dates or on a redemption date to the registered owner hereof by U.S. Bank National Association, Dallas, Texas (the "Paying Agent/Registrar"), upon its presentation and surrender at its designated offices, initially in St. Paul, Minnesota, or, with respect to a successor paying agent/registrar, at the designated office of such successor (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Certificate whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the fifteenth day of the month next preceding each interest payment date hereof and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 10: Definitions. For purposes of this Ordinance and for clarity with respect to the issuance of the Certificates herein authorized, and the levy of taxes and appropriation of Net Revenues therefor, the following words or terms, whenever the same appears herein without qualifying language, are defined to mean as follows:

(a) The term "Additional Obligations" shall mean tax and revenue obligations hereafter issued which by their terms are payable from ad valorem taxes and additionally payable from and secured by a parity lien on and pledge of the Net Revenues of the System of equal rank and dignity with the lien and pledge securing the payment of the Certificates.

(b) The term "Certificates" shall mean the \$15,280,000 "CITY OF CELINA, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2015" authorized by this Ordinance.

(c) The term "Certificate Fund" shall mean the special Fund created and established under the provisions of Section 11 of this Ordinance.

(d) The term "Collection Date" shall mean, when reference is being made to the levy and collection of annual ad valorem taxes, the date the annual ad valorem taxes levied each year by the City become delinquent.

(e) The term "Fiscal Year" shall mean the annual financial accounting period used with respect to the operations of the System now ending on September 30th of each year; provided, however, the City Council may change, by ordinance duly passed, such annual financial accounting period to end on another date if such change is found and determined to be necessary for budgetary or other fiscal purposes.

(f) The term "Government Securities" shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an

agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas.

(g) The term "Gross Revenues" shall mean, with respect to the System and for any defined period, all income and revenues derived from the operation and ownership of the System, excluding, however, meter deposits, gifts, grants in aid of construction and similar kinds of receipts and moneys restricted as to use or expenditure.

(h) The term "Net Revenues" shall mean, with respect to the System and for any defined period, the Gross Revenues of the System after deducting the System's Operating and Maintenance Expenses.

(i) The term "Operating and Maintenance Expenses" shall mean, for any defined period, all current expenses and costs of operating and maintaining the System, including all salaries, labor, materials and repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of any Certificates or obligations payable from and secured by a lien on the Net Revenues of the System, shall be deducted in determining "Net Revenues". Depreciation and payments into and out of the funds maintained for the payment of the Prior Lien Obligations and similar funds maintained for the payment of obligations payable from and secured by a lien on and pledge of the Net Revenues shall never be considered as Operating and Maintenance Expenses.

(j) The term "Outstanding" when used in this Ordinance with respect to Certificates means, as of the date of determination, all Certificates theretofore issued and delivered under this Ordinance, except:

(1) those Certificates cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Certificates for which payment has been duly provided by the City in accordance with the provisions of Section 21 hereof; and

(3) those Certificates that have been mutilated, destroyed, lost, or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 20 hereof.

(k) The term "Prior Lien Obligations" shall mean (A) all revenue bonds or other obligations hereafter issued, payable solely from and secured only by a lien on and pledge of the Net Revenues of the System, and (B) obligations now outstanding and hereafter issued which by the terms of this Ordinance and the ordinances authorizing their issuance have a prior right and claim on the Net Revenues of the System to the claim and right securing the payment of the Certificates, including, but not limited to, the outstanding

(1) "City of Celina, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2004", dated October 1, 2004; and

(2) "City of Celina, Texas, Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2007", dated September 1, 2007.

(l) The term "System" shall mean all plants, properties and facilities owned, operated and maintained by the City for the supply, storage and distribution of treated water and the collection, treatment and disposal of water-carried wastes, together with all future improvements, extensions, enlargements and additions thereto and replacements thereof.

SECTION 11: Certificate Fund. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption and retirement of the Certificates, there shall be and is hereby created a special account or fund on the books and records of the City known as the "SPECIAL SERIES 2015 TAX AND REVENUE CERTIFICATE OF OBLIGATION FUND", and all moneys deposited to the credit of such Fund shall be kept and maintained in a special banking account at the City's depository bank. The Mayor, Mayor Pro Tem, City Manager, Director of Finance and City Secretary, individually or collectively, of the City are hereby authorized and directed to make withdrawals from said Fund sufficient to pay the principal of and interest on the Certificates as the same become due and payable, and, shall cause to be transferred to the Paying Agent/Registrar from moneys on deposit in the Certificate Fund an amount sufficient to pay the amount of principal and/or interest falling due on the Certificates, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the last business day next preceding each interest and principal payment date for the Certificates.

Pending the transfer of funds to the Paying Agent/Registrar, money in the Certificate Fund may, at the option of the City, be invested in obligations identified in, and in accordance with the provisions of the "Public Funds Investment Act" (Texas Government Code, Chapter 2256, as amended) relating to the investment of "bond proceeds"; provided that all such investments shall be made in such a manner that the money required to be expended from said Fund will be available at the proper time or times. All interest and income derived from deposits and investments in said Certificate Fund shall be credited to, and any losses debited to, the said Certificate Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Certificates.

SECTION 12: Tax Levy. To provide for the payment of the "Debt Service Requirements" on the Certificates being (i) the interest on said Certificates and (ii) a sinking fund for their payment at maturity or redemption or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied a sufficient tax on each one hundred dollars' valuation of taxable property in said City, within the limitations prescribed by law, adequate to pay such Debt Service Requirements while the Certificates remain Outstanding, full allowance being made for delinquencies and costs of collection; and said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be paid into the Certificate Fund. The City Council hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the said Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness.

The amount of taxes to be provided annually for the payment of the principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(a) Prior to the date the City Council establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the City Council shall determine:

(1) The amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Net Revenues of the System, together with any other lawfully available revenues of the City, appropriated and allocated to pay such Debt Service Requirements prior to the Collection Date for the ad valorem taxes to be levied.

(2) The amount of Net Revenues of the System, together with any other lawfully available revenues of the City, appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year.

(3) The amount of Debt Service Requirements to become due and payable on the Certificates (or a sinking fund of 2% if greater than the amount due and payable on the Certificates) between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year.

(b) The amount of taxes to be levied annually each year to pay the Debt Service Requirements on the Certificates shall be the amount established in paragraph (3) above less the sum total of the amounts established in paragraphs (1) and (2), after taking into consideration delinquencies and costs of collecting such annual taxes.

Any surplus proceeds from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said Fund from ad valorem taxes.

SECTION 13: Limited Pledge of Revenues. The City hereby covenants and agrees that, subject to the prior lien on and pledge of the Net Revenues of the System to the payment and security of Prior Lien Obligations, the Net Revenues of the System in an amount equal to \$1,000 are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates, and the limited pledge of \$1,000 of the Net Revenues of the System herein made for the payment of the Certificates shall constitute a lien on the Net Revenues of the System (until such time as the City shall pay all of such \$1,000, after which time the pledge shall cease) in accordance with the terms and provisions hereof. Furthermore, such lien on and pledge of the Net Revenues securing the payment of the Certificates shall be valid and binding and fully perfected from and after the date of adoption of this Ordinance without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Ordinance or any other act; all as provided in Texas Government Code, Chapter 1208, as amended ("Chapter 1208").

Chapter 1208 applies to the issuance of the Certificates and the pledge of the Net Revenues of the System granted by the City under this Section 13, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Certificates are Outstanding such that the pledge of the Net Revenues of the System granted by the City under

this Section 13 is to be subject to the filing requirements of the Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Certificates the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of the Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 14: System Fund. The City covenants and agrees that all Gross Revenues (excluding earnings from the investment of money held in any special funds or accounts created for the payment and security of the Prior Lien Obligations) shall be deposited as collected into a fund maintained at an official depository of the City and known on the books of the City as the "System Fund" (hereinafter called the "System Fund"). All moneys deposited to the credit of the System Fund shall be allocated, dedicated and disbursed to the extent required for the following purposes and in the order of priority shown, to wit:

First: To the payment of all necessary and reasonable Operating and Maintenance Expenses of the System as defined herein or required by statute to be a first charge on and claim against the revenues thereof.

Second: To the payment of all amounts required to be deposited in the special Funds created and established for the payment, security and benefit of Prior Lien Obligations in accordance with the terms and provisions of the ordinances authorizing the issuance of Prior Lien Obligations.

Third: To the payment, equally and ratably, of the amounts pledged to the payment of the Certificates and Additional Obligations, if any.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

SECTION 15: Deposits to Certificate Fund. Subject to the provisions of Section 13 hereof, the City hereby covenants and agrees to cause to be deposited in the Certificate Fund from the pledged Net Revenues of the System in the System Fund, the amount of Net Revenues of the System pledged to the payment of the Certificates.

The City covenants and agrees that the amount of pledged Net Revenues of the System (\$1,000), together with other lawfully available revenues appropriated by the City for payment of the debt service requirements on the Certificates and ad valorem taxes levied, collected, and deposited in the Certificate Fund for and on behalf of the Certificates, will be an amount equal to one hundred percent (100%) of the amount required to fully pay the interest and principal due and payable on the Certificates. In addition, any surplus proceeds from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said Fund from ad valorem taxes and the Net Revenues of the System.

SECTION 16: Security of Funds. All moneys on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and moneys on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

SECTION 17: Special Covenants. The City hereby further covenants as follows:

(a) It has the lawful power to pledge the Net Revenues of the System to the payment of the Certificates in the manner herein contemplated and has lawfully exercised such power under the Constitution and laws of the State of Texas, including said power existing under Texas Government Code, Chapter 1502, as amended, and Texas Local Government Code, Subchapter C of Chapter 271, as amended.

(b) Other than for the payment of the Prior Lien Obligations and the Certificates, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

SECTION 18: Issuance of Prior Lien Obligations and Additional Parity Obligations. The City hereby expressly reserves the right to hereafter issue Prior Lien Obligations, without limitation as to principal amount but subject to any terms, conditions or restrictions applicable thereto under law or otherwise, payable, in whole or in part, from the Net Revenues (without impairment of the obligation of contract with the Holders of the Certificates) upon such terms and conditions as the City Council may determine. Additionally, the City reserves the right to issue obligations payable, in whole or in part, from the Net Revenues of the System and, to the extent provided, secured by a lien on and pledge of the Net Revenues of equal rank and dignity with the lien and pledge securing the payment of the Certificates.

SECTION 19: Application of Prior Lien Obligations Covenants and Agreements. It is the intention of this governing body and accordingly hereby recognized and stipulated that the provisions, agreements and covenants contained herein bearing upon the management and operations of the System, and the administering and application of revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements and covenants contained in the ordinances authorizing the issuance of the Prior Lien Obligations, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of the Prior Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance but in all respects subject to the priority of rights and benefits, if any, conferred thereby to the holders of the Prior Lien Obligations.

SECTION 20: Mutilated - Destroyed - Lost and Stolen Certificates. In case any Certificate shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Certificate of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Certificate, or in lieu of and in substitution for such destroyed, lost or stolen Certificate, only upon the approval of the City and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Certificate, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the City and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Certificate shall be borne by the Holder of the Certificate mutilated, or destroyed, lost or stolen.

Every replacement Certificate issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates; notwithstanding the enforceability of payment by anyone of the destroyed, lost, or stolen Certificates.