

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:

| | <u>Receivable</u> | <u>Payable</u> |
|-----------------|-------------------|------------------|
| General Fund | \$ 49,994 | \$ -0- |
| Component units | | 49,994 |
| | <u>\$ 49,994</u> | <u>\$ 49,994</u> |

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, transferring bond proceeds between funds, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The following schedule reports transfers and payments within the reporting entity:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|---------------------|----------------------|
| General Fund | \$ 2,254,747 | \$ 30,000 |
| Debt Service Fund | 30,000 | |
| Street Construction Fund | 292,000 | |
| Facilities Improvement Fund | 310,000 | 509,978 |
| Proprietary Fund | 509,978 | 2,856,747 |
| | <u>\$ 3,396,725</u> | <u>\$ 3,396,725</u> |

The transfer out from the Proprietary Fund provided the General Fund with supplementary revenue for the year. In addition to the above transfers, the component units contributed \$200,000 to the debt service fund in order to supplement debt service payments for the year.

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> |
|-------------------------|---------------------------------|
| 2017 | 16,944 |
| 2018 | 16,944 |
| 2019 | 14,345 |
| 2020 | 5,589 |
| 2021 | - |
| Total required | <u>\$ 53,822</u> |

Lease expense for the year ending September 30, 2016 was \$33,439.

12. UTRWD Facilities Charges

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

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

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

| <u>Year ending 9/30</u> | <u>Annual requirement</u> |
|-------------------------|---------------------------|
| 2017 | \$ 819,020 |
| 2018 | 1,182,363 |
| 2019 | 1,186,333 |
| 2020 | 1,184,229 |
| 2021 | 1,185,062 |
| Thereafter | <u>13,456,653</u> |
| Total required | <u>\$19,013,660</u> |

13. 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.

14. Post-Employment Benefits

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

14. Post-Employment Benefits – continued

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

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$5,833, \$4,405, and \$3,570, respectively, which equaled the required contributions each year.

15. Subsequent Events

Subsequent to year-end, the City Council passed a resolution to issue new bonded debt in an amount not to exceed 16 million dollars. Management estimates that the actual debt issued will not exceed 10 million dollars. As of the date of this report, no additional bonds have been issued.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

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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 2017," dated August 1, 2017, in the principal amount of \$9,500,000 (the "Certificates"), we have examined into their issuance by the City of Celina, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

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

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

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

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization,

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Re: "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge)
Revenue Certificates of Obligation, Series 2017"

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



CERTIFICATE OF CITY SECRETARY

THE STATE OF TEXAS §
 §
COUNTIES OF COLLIN AND DENTON §
 §
CITY OF CELINA §

I, the undersigned, City Secretary of the City of Celina, Texas, DO HEREBY CERTIFY as follows:

1. On the 8th day of August, 2017, 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 |
| CHAD ANDERSON |) | MAYOR PRO TEM |
| BILL WEBBER |) | |
| WAYNE NABORS |) | |
| ANDY HOPKINS |) | COUNCIL MEMBERS |
| CARMEN ROBERTS |) | |
| MINDY KOEHNE |) | |

and all of said council members were present at said meeting, except the following: none. Among other business considered at said meeting, the attached ordinance entitled:

"ORDINANCE NO. 2017-38

AN ORDINANCE authorizing the issuance of "CITY OF CELINA, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017"; 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 the approval and distribution of a Preliminary Official Statement and an Official Statement pertaining thereto; and providing an effective date."


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:

6 voted "For" 0 voted "Against" 0 abstained

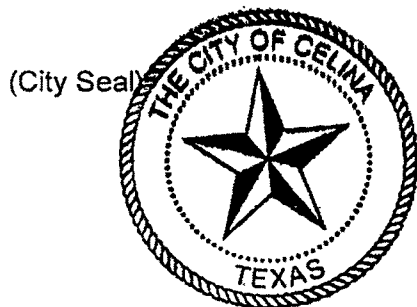
all as shown in the official minutes of the Council for the meeting held on the aforesaid date.

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 8th day of August, 2017.



City Secretary,
City of Celina, Texas



ORDINANCE NO. 2017-38

AN ORDINANCE authorizing the issuance of "CITY OF CELINA, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017"; 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 the approval and distribution of a Preliminary Official Statement and an Official Statement pertaining thereto; and providing an effective date.

WHEREAS, notice of the City Council's intention to issue certificates of obligation in the maximum principal amount of \$10,000,000 for the purpose of paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the fire, parks and public works departments, (ii) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage and traffic signalization and the acquisition of land and rights-of-way therefor, (iii) acquiring, constructing and equipping buildings, structures and facilities for the public works department, City Hall, the fire department and the police department, (iv) the acquisition, installation and improvement of municipal information technology systems, public safety and emergency management communications and radio systems, and public safety records management systems, (v) constructing, improving and equipping park and recreational facilities, (vi) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor and (vii) professional services rendered in connection with such projects and the financing thereof; has been duly published in the *Celina Record*, a newspaper hereby found and determined to be of general circulation in the City of Celina, Texas, on June 16, 2017 and June 23, 2017, the date of the first publication of such 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 such certificates; and

WHEREAS, no petition protesting the issuance of the certificates of obligation 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 the aforesaid 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: 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 \$9,500,000 to be designated and bear the title "CITY OF CELINA, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017" (hereinafter referred to as the "Certificates"), for the purpose of

paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the fire, parks and public works departments, (ii) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage and traffic signalization and the acquisition of land and rights-of-way therefor, (iii) acquiring, constructing and equipping buildings, structures and facilities for the public works department, City Hall, the fire department and the police department, (iv) the acquisition, installation and improvement of municipal information technology systems, public safety and emergency management communications and radio systems, and public safety records management systems, (v) constructing, improving and equipping park and recreational facilities; (vi) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor and (vii) 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 August 1, 2017 (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> |
|------------------------------------|-----------------------------|-----------------------------|
| 2018 | \$ 470,000 | 3.250% |
| 2019 | 350,000 | 3.250% |
| 2020 | 365,000 | 3.250% |
| 2021 | 375,000 | 3.250% |
| 2022 | 385,000 | 3.000% |
| 2023 | 395,000 | 3.000% |
| 2024 | 415,000 | 3.000% |
| 2025 | 425,000 | 3.000% |
| 2026 | 440,000 | 3.000% |
| 2027 | 450,000 | 2.250% |
| 2028 | 470,000 | 2.500% |
| 2029 | 485,000 | 3.000% |
| 2030 | 495,000 | 3.000% |
| 2031 | 515,000 | 3.000% |
| 2032 | 530,000 | 3.000% |
| 2033 | 550,000 | 3.000% |
| 2034 | 570,000 | 3.000% |
| 2035 | 585,000 | 3.000% |
| 2036 | 605,000 | 3.000% |
| 2037 | 625,000 | 3.125% |

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, 2018 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, 2028 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, 2027, 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 2017

Certificate Date: August 1, 2017 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, 2018, 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 \$9,500,000 (herein referred to as the "Certificates") for the purpose of paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the fire, parks and public works departments, (ii) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage and traffic signalization and the acquisition of land and rights-of-way therefor, (iii) acquiring, constructing and equipping buildings, structures and facilities for the public works department, City Hall, the

fire department and the police department, (iv) the acquisition, installation and improvement of municipal information technology systems, public safety and emergency management communications and radio systems, and public safety records management systems, (v) constructing, improving and equipping park and recreational facilities, (vi) improving and extending the City's combined Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor and (vii) 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, 2028 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, 2027 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 assign-
ment 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
\$9,500,000

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF CELINA, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATE OF OBLIGATION
SERIES 2017

Certificate Date: August 1, 2017

Registered Owner: FIDELITY CAPITAL MARKETS

Principal Amount: NINE MILLION FIVE HUNDRED THOUSAND 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, 2018, 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 \$9,500,000 "CITY OF CELINA, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017" 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 2017 TAX AND REVENUE CERTIFICATE OF OBLIGATION FUND" (the "Certificate 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, Interim 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.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Certificates.

SECTION 21: Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied under this Ordinance and the Net Revenues of the System (to the extent such pledge of Net Revenues shall not have been discharged or terminated by prior payment of principal of or interest on the Certificates) and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to

pay in full such Certificates or the principal amount(s) thereof at maturity or the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Certificates to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Certificates, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Certificates and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Certificates such moneys were deposited and are held in trust to pay shall upon the request of the City be remitted to the City against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the City shall be subject to any applicable unclaimed property laws of the State of Texas.

SECTION 22: Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Holders from time to time, be binding on the City, and shall not be amended or repealed by the City while any Certificates remain Outstanding except as permitted in this Section and in Section 36 hereof. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by Holders for consent to any such amendment, addition, or rescission.

SECTION 23: Covenants to Maintain Tax-Exempt Status.

(a) Definitions. When used in this Section, the following terms have the following meanings:

"*Closing Date*" means the date on which the Certificates are first authenticated and delivered to the initial purchasers against payment therefor.

"*Code*" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"*Computation Date*" has the meaning set forth in Section 1.148 1(b) of the Regulations.

"*Gross Proceeds*" means any proceeds as defined in Section 1.148 1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148 1(c) of the Regulations, of the Certificates.

"*Investment*" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"*Nonpurpose Investment*" means any investment property, as defined in Section 148(b) of the Code, in which Gross Proceeds of the Certificates are invested and which is not acquired to carry out the governmental purposes of the Certificates.

"*Rebate Amount*" has the meaning set forth in Section 1.148 1(b) of the Regulations.

"*Regulations*" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Certificates. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"*Yield*" of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Certificates has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Certificate to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Certificate, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or

indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take or pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Certificates.

(f) Not Federally Guaranteed. Except to the extent permitted by Section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Certificates to be federally guaranteed within the meaning of Section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The City shall timely file the information required by Section 149(e) of the Code with the Secretary of the Treasury on Form 8038 G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in Section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six

years after the day on which the last outstanding Certificate is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Certificates with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in Section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Certificates by the Underwriters and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States from the construction fund, the general fund, or other appropriate fund or, if permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the Certificate Fund, the amount that when added to the future value of previous rebate payments made for the Certificates equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Certificates, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Certificates not been relevant to either party.

(j) Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Manager, Interim City Manager, Director of Finance and City Secretary, individually or collectively, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

SECTION 24: Sale of Certificates – Official Statement Approval. Pursuant to a public sale for the Certificates, the bid submitted by Fidelity Capital Markets (herein referred to as the "Underwriters") is declared to be the best bid received producing the lowest true interest cost rate to the City, and the sale of the Certificates to said Purchaser at the price of par plus a cash premium of \$129,960.00 is hereby determined to be in the best interests of the City and is approved and confirmed. Delivery of the Certificates to the Underwriters shall occur as soon as possible upon payment being made therefor in accordance with the terms of sale. The Initial Certificate shall be registered as provided in the winning bid.

The use of the Preliminary Official Statement by the Underwriters in connection with the public offering and sale of the Certificates is hereby ratified, confirmed and approved in all respects. The final Official Statement which reflects the terms of sale (together with such changes approved by the Mayor, Mayor Pro Tem, City Manager, Interim City Manager, Director of Finance and City Secretary, any one or more of said officials), shall be and is hereby in all respects approved and the Underwriters are hereby authorized to use and distribute said final Official Statement, dated August 8, 2017, in the reoffering, sale and delivery of the Certificates to the public. The Mayor or Mayor Pro Tem and City Secretary are further authorized to deliver for and on behalf of the City copies of said Official Statement in final form as may be required by the Underwriters, and such final Official Statement in the form and content authorized to be delivered by said officials shall be deemed to be approved by the City Council and constitute the Official Statement authorized for distribution and use by the Underwriters.

SECTION 25: Proceeds of Sale. The proceeds of sale of the Certificates, excluding amounts to pay costs of issuance, shall be deposited in a construction fund maintained at a depository bank of the City. Pending expenditure for authorized projects and purposes, such proceeds of sale may be invested in authorized investments in accordance with the provisions of Texas Government Code, Chapter 2256, as amended, including guaranteed investment contracts permitted by Texas Government Code, Section 2256.015 et seq., as amended, and the City's investment policies and guidelines, and any investment earnings realized may be expended for such authorized projects and purposes or deposited in the Certificate Fund as shall be determined by the City Council. Any surplus proceeds of sale of the Certificates, including investment earnings, remaining after completion of all authorized projects or purposes shall be deposited to the credit of the Certificate Fund.

SECTION 26: Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending the sale of the Certificates, the investigation by the Attorney General of the State of Texas, including the printing and supply of definitive Certificates, and shall take and have charge and control of the Initial Certificate(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the Underwriters.

SECTION 27: Notices to Holders Waiver. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Certificates. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such

waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 28: Cancellation. All Certificates surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Certificates held by the Paying Agent/Registrar shall be returned to the City.

SECTION 29: Bond Counsel's Opinion. The Underwriters' obligation to accept delivery of the Certificates is subject to being furnished a final opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel to the City, approving the Certificates as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for the Certificates. An executed counterpart of said opinion shall accompany the global certificates deposited with DTC or a reproduction thereof shall be printed on the definitive Certificates in the event the book-entry-only system shall be discontinued.

SECTION 30: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof and neither the City nor attorneys approving the Certificates as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 31: Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, and this Ordinance and all its provisions is intended to be and shall be for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Holders.

SECTION 32: Inconsistent Provisions. All ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

SECTION 33: Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 34: Effect of Headings. The Section headings herein are for convenience of reference only and shall not affect the construction hereof.

SECTION 35: Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 36: Continuing Disclosure Undertaking.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2017, financial information and operating data with respect to the City of the general type of information contained in 1 through 6, 8 through 14, 19 and 20 in the Official Statement, and (2) within twelve months after the end of each fiscal year ending in or after 2017, 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.

If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section 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.

(c) Notice of Certain Events. The City shall provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (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 5701-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, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 trustee or the change of name of a trustee, if material.

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

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such Section.

(d) Filings with the MSRB. All financial information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) Limitations, Disclaimers and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give the notice required by subsection (c) of this Section of any Certificate calls and defeasance that cause the City to be no longer such an "obligated person."

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Certificates; and, nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section. Except as expressly provided within this Section, the City does not undertake to provide any other information, whether or not it may be relevant or material to a complete presentation of the City's financial results, condition, or prospects; nor does the City undertake to update any information provided in accordance with this Section or otherwise. Furthermore, the City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates 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 (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Certificates. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Certificates from lawfully purchasing or selling Certificates in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided pursuant to subsection (b) of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 37: Severability. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 38: Further Procedures. Any one or more of the Mayor, Mayor Pro Tem, City Manager, Interim City Manager, Director of Finance and City Secretary are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of the City all agreements, instruments, certificates or other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance and the issuance of the Certificates. In addition, prior to the initial delivery of the Certificates, the Mayor, Mayor Pro Tem, City Manager, Interim City Manager, Director of Finance and City Secretary or Bond Counsel to the City are each hereby authorized and directed to approve any changes or corrections to this Ordinance or to any of the documents

authorized and approved by this Ordinance: (i) in order to cure any ambiguity, formal defect or omission in the Ordinance or such other document; or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Certificates by the Attorney General and if such officer or counsel determines that such changes are consistent with the intent and purpose of the Ordinance, which determination shall be final. In the event that any officer of the City whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 39: Incorporation of Findings and Determinations. The findings and determinations of the City Council contained in the preamble hereof are hereby incorporated by reference and made a part of this Ordinance for all purposes as if the same were restated in full in this Section.

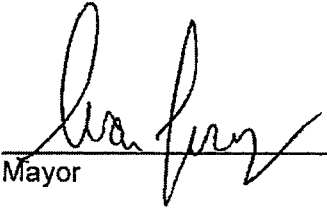
SECTION 40: Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Texas Government Code, Chapter 551, as amended.

SECTION 41: Effective Date. This Ordinance shall take effect and be in full force from and after its adoption on the date shown below in accordance with Texas Government Code, Section 1201.028, as amended.

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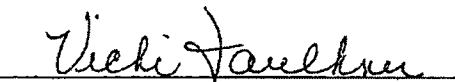
PASSED AND ADOPTED, this August 8, 2017.

CITY OF CELINA, TEXAS



Mayor

ATTEST:



City Secretary



EXHIBIT A
PAYING AGENT/REGISTRAR AGREEMENT

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT is entered into as of August 8, 2017 (this "Agreement"), by and between U.S. Bank National Association, a banking association duly organized and existing under the laws of the United States of America, or its successors (the "Bank") and the City of Celina, Texas (the "Issuer"),

RECITALS

WHEREAS, the Issuer has duly authorized and provided for the issuance of its "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2017" (the "Securities"), dated August 1, 2017, such Securities scheduled to be delivered to the initial purchasers thereof on or about September 7, 2017; and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on said Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01 Appointment. The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities, and, as Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof; all in accordance with this Agreement and the "Authorizing Document" (hereinafter defined). The Issuer hereby appoints the Bank as Registrar with respect to the Securities and, as Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the Authorizing Document.

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

Section 1.02 Compensation. As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in **Annex A** attached hereto.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE TWO DEFINITIONS

Section 2.01 Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date, if any, on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Authorizing Document" means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Securities are issued, as the same may be amended or modified, including any pricing certificate related thereto, certified by the secretary or any other officer of the Issuer and delivered to the Bank.

"Bank Office" means the designated office of the Bank at the address shown in Section 3.01 hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Authorizing Document).

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to the terms of the Authorizing Document.

"Responsible Officer", when used with respect to the Bank, means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security Register" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfers of Securities.

"Stated Maturity" means the date specified in the Authorizing Document the principal of a Security is scheduled to be due and payable.

Section 2.02 Other Definitions. The terms "Bank," "Issuer," and "Securities (Security)" have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE PAYING AGENT

Section 3.01 Duties of Paying Agent. As Paying Agent, the Bank shall pay, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the following address:

U.S. Bank National Association
Attention: Bond Operations
111 Fillmore Avenue East
St. Paul, Minnesota 55107-1402

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and making payment thereof to the Holders of the Securities (or their Predecessor Securities) on the Record Date (as defined in the Authorizing Document). All payments of principal and/or interest on the Securities to the registered owners shall be accomplished (1) by the issuance of checks, payable to the registered owners, drawn on the paying agent account provided in Section 5.05 hereof, sent by United States mail, first class postage prepaid, to the address appearing on the Security Register or (2) by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

Section 3.02 Payment Dates. The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Authorizing Document.

ARTICLE FOUR REGISTRAR

Section 4.01 Security Register - Transfers and Exchanges. The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. The Bank represents and warrants its office in Dallas, Texas will at all times have immediate access to the Security Register by

electronic or other means and will be capable at all times of producing a hard copy of the Security Register at its Dallas office for use by the Issuer. All transfers, exchanges and replacements of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the Financial Industry Regulatory Authority, such written instrument to be in a form satisfactory to the Bank and duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02 Securities. The Issuer shall provide additional Securities when needed to facilitate transfers or exchanges thereof. The Bank covenants that such additional Securities, if and when provided, will be kept in safekeeping pending their use and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other governments or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4.03 Form of Security Register. The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04 List of Security Holders. The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

Section 4.05 Return of Cancelled Securities. The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, all Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

Section 4.06 Mutilated, Destroyed, Lost or Stolen Securities. The Issuer hereby instructs the Bank, subject to the provisions of the Authorizing Document, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

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

Section 4.07 Transaction Information to Issuer. The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

ARTICLE FIVE THE BANK

Section 5.01 Duties of Bank. The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

Section 5.02 Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters

stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by the Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

(g) The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum or letter as prepared by the Issuer, Issuer's financial advisor or other agent. The Bank may act on a facsimile or e-mail transmission of the closing memorandum or letter acknowledged by the Issuer, the Issuer's financial advisor or other agent as the final closing memorandum or letter. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

Section 5.03 Recitals of Issuer. The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 5.04 May Hold Securities. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05 Moneys Held by Bank - Paying Agent Account/Collateralization. A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping, and disbursement of moneys received from the Issuer under this Agreement for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under both the laws of the State of Texas and the laws of the United States of America to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such paying agent account shall be made by check drawn on such account unless the owner of the Securities shall, at its own expense and risk, request an alternative method of payment.

Subject to the applicable unclaimed property laws of the State of Texas, any money deposited with the Bank for the payment of the principal of, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be held by the Bank and disposed of only in accordance with Title 6 of the Texas Property Code, as amended. The Bank shall have no liability by virtue of actions taken in compliance with this provision.

The Bank is not obligated to pay interest on any money received by it under this Agreement.

This Agreement relates solely to money deposited for the purposes described herein, and the parties agree that the Bank may serve as depository for other funds of the Issuer, act as trustee under indentures authorizing other bond transactions of the Issuer, or act in any other capacity not in conflict with its duties hereunder.

Section 5.06 Indemnification. To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

Section 5.07 Interpleader. The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the state and county where the administrative office of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

Section 5.08 DTC Services. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements", which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE SIX MISCELLANEOUS PROVISIONS

Section 6.01 Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6.02 Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03 Notices. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page(s) hereof.

Section 6.04 Effect of Headings. The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 6.05 Successors and Assigns. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 6.06 Severability. In case any provision herein 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.

Section 6.07 Merger, Conversion, Consolidation, or Succession. Any corporation or association into which the Bank may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion, or consolidation to which the Bank shall be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of the Bank shall be the successor of the Bank as Paying Agent under this Agreement without the execution or filing of any paper or any further act on the part of either parties hereto.

Section 6.08 Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.09 Entire Agreement. This Agreement and the Authorizing Document constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Authorizing Document, the Authorizing Document shall govern.

Section 6.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.11 Termination. This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. However, if the Issuer fails to appoint a successor Paying Agent/Registrar within a reasonable time, the Bank may petition a court of competent jurisdiction within the State of Texas to appoint a successor. Furthermore, the Bank and the Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with the other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.12 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

[Remainder of page left blank intentionally.]

/

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

U. S. BANK NATIONAL ASSOCIATION

By: _____

Title: _____

Address: 13737 Noel Road, Suite 800
Dallas, Texas 75240

Attest:

By: _____

Title: _____

CITY OF CELINA, TEXAS

By: _____
Mayor

Address: 142 North Ohio Street
Celina, Texas 75009

Attest:

City Secretary

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Celina, Texas

August 8, 2017

Honorable Mayor and Members of the City Council:

Reference is made to your Preliminary Official Statement and Official Notice of Sale and Bidding Instructions, dated August 1, 2017 of \$9,500,000 CITY OF CELINA, TEXAS TAX AND WATER AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017 (the "Certificates"), both of which constitute a part hereof.

For your legally issued Certificates, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you par, plus a net cash premium of \$129,960, for Certificates maturing and bearing interest as follows:

| <u>Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-----------------|-----------------------------|--------------------------|-----------------|-----------------------------|--------------------------|
| 9/1/2018 | \$ 470,000 | 3.250% | 9/1/2028 | \$ 470,000 | 2.500% |
| 9/1/2019 | 350,000 | 3.250% | 9/1/2029 | 485,000 | 3.000% |
| 9/1/2020 | 365,000 | 3.250% | 9/1/2030 | 495,000 | 3.000% |
| 9/1/2021 | 375,000 | 3.250% | 9/1/2031 | 515,000 | 3.000% |
| 9/1/2022 | 385,000 | 3.000% | 9/1/2032 | 530,000 | 3.000% |
| 9/1/2023 | 395,000 | 3.000% | 9/1/2033 | 550,000 | 3.000% |
| 9/1/2024 | 415,000 | 3.000% | 9/1/2034 | 570,000 | 3.000% |
| 9/1/2025 | 425,000 | 3.000% | 9/1/2035 | 585,000 | 3.000% |
| 9/1/2026 | 440,000 | 3.000% | 9/1/2036 | 605,000 | 3.000% |
| 9/1/2027 | 450,000 | 2.250% | 9/1/2037 | 625,000 | 3.125% |

TRUE INTEREST COST

2.8193008%

The Initial Certificate shall be registered in the name of Fidelity Capital Markets, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

A bank cashier's check or certified check of the Frost Bank in the amount of \$190,000 which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Official Statement and Official Notice of Sale and Bidding Instructions.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds, not later than 10:00 AM, CDT, on September 7, 2017, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, at least six business days prior to delivery of the Certificates, a certificate relating to the "issue price" of the Certificates in the form and to the effect accompanying the Official Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to or required by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel to the City.

We agree to provide a completed, notarized Form 1295 to the City promptly upon notification that our bid is the winning bid, and to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Fidelity Captial Markets

Name of Purchaser

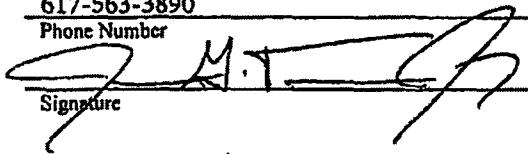
John Donaghy - VP Municipal Underwriter

Authorized Representative

617-563-3890

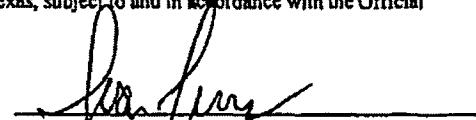
Phone Number

Signature



ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Celina, Texas, subject to and in accordance with the Official Notice of Sale and Bidding Instructions, this the 8th day of August, 2017.



Mayor
City of Celina, Texas

OFFICIAL STATEMENT

Dated August 14, 2018

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

NEW ISSUE - Book-Entry-Only

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

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



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

Dated Date: August 1, 2018

Due: September 1, as shown on page 2

Interest accrues from date of delivery

PAYMENT TERMS. . . Interest on the \$5,785,000 City of Celina, Texas, General Obligation Refunding Bonds, Series 2018 (the "Bonds" and together with the City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 [the "Certificates"] being offered herein, collectively known as the "Obligations") will accrue from the date of delivery (anticipated to be September 13, 2018), and will be payable March 1 and September 1 of each year commencing March 1, 2019, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

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

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

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

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

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

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

MATURITY SCHEDULE

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

(Interest to accrue from the date of delivery.)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data set forth herein is provided by CUSIP Global Services managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. Neither the City, the Financial Advisor nor the Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Yield shown is yield to first call date, September 1, 2028.

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

OFFICIAL STATEMENT

Dated August 14, 2018

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

NEW ISSUE - Book-Entry-Only

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

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



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

Dated Date: August 1, 2018

Due: September 1, as shown on page 2

Interest accrues from date of delivery

PAYMENT TERMS. . . Interest on the \$50,890,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 (the "Certificates", and together with the City of Celina, Texas, General Obligation Refunding Bonds, Series 2018 [the "Bonds"] being offered herein, collectively known as the "Obligations") will accrue from the date of delivery (anticipated to be September 13, 2018), and will be payable March 1 and September 1 of each year commencing March 1, 2019, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

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

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

CUSIP PREFIX: 151141

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 4

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

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

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

MATURITY SCHEDULE

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

(Interest to accrue from the date of delivery.)

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

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

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

No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Initial Purchaser. This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell, nor is it to be used in connection with an offer to sell or the solicitation of an offer to buy; the Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

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

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

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

NONE OF THE CITY, THE INITIAL PURCHASER, OR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC"), AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

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

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OFFICIAL STATEMENT SUMMARY

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

| | |
|---|---|
| THE CITY | The City of Celina, Texas (the “City”) is a political subdivision of the State of Texas (the “State”), and is a home rule municipality located in Collin and Denton Counties, Texas. The City covers approximately 78 square miles (see “INTRODUCTION - Description of the City”). |
| THE OBLIGATIONS | <p>The \$5,785,000 General Obligation Refunding Bonds, Series 2018 are issued as serial bonds maturing September 1 in the years 2019 through 2032 (see “THE OBLIGATIONS – Description of the Obligations”).</p> <p>The Certificates are issued as \$50,890,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 (the “Certificates”). The Certificates are issued as serial certificates maturing September 1 in the years 2019 through 2038 (see “THE OBLIGATIONS - Description of the Obligations”).</p> |
| PAYMENT OF INTEREST | Interest on the Obligations accrues from the date of delivery (anticipated to be September 13, 2018), and is payable March 1 and September 1 of each year, commencing March 1, 2019, until maturity or prior redemption (see “THE OBLIGATIONS - Description of the Obligations”). |
| AUTHORITY FOR ISSUANCE | <p>The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended and an ordinance passed by the City Council (the “Bond Ordinance”) (see “THE OBLIGATIONS – Authority for Issuance”).</p> <p>The Certificates are issued pursuant to the City’s Home Rule Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council (the “Certificate Ordinance”) (see “THE OBLIGATIONS - Authority for Issuance”).</p> <p>The Bond Ordinance and the Certificate Ordinance are referred to as the “Ordinances” herein.</p> |
| SECURITY FOR THE BONDS | The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see “THE OBLIGATIONS - Security and Source of Payment”). |
| SECURITY FOR THE CERTIFICATES | The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues from the operation of the City’s Waterworks and Sewer System, as provided in the Ordinance (see “THE OBLIGATIONS – Security and Source of Payment”). |
| OPTIONAL REDEMPTION | The City reserves the right, at its option, to redeem Obligations having stated maturities on or after September 1, 2029, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS – Optional Redemption”). |
| TAX EXEMPTION | In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS”, including the alternative minimum tax on corporations. |
| NOT QUALIFIED TAX-EXEMPT OBLIGATIONS | The City has not designated the Obligations as “Qualified Tax-Exempt Bonds” for financial institutions. |
| USE OF PROCEEDS FOR THE BONDS | Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City’s outstanding debt (the “Refunded Obligations”) in order to lower the overall debt service requirements of the City (see “PLAN OF FINANCING”; also see Schedule I attached hereto for a detailed description of the Refunded Obligations) and (ii) pay the costs of issuance of the Bonds. |

USE OF PROCEEDS FOR THE

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

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

BOOK-ENTRY-ONLY SYSTEM The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System")

PAYMENT RECORD The City has never defaulted in payment of its general obligation bonds since 1939 when all bonds were refunded at par with a reduction in interest rate. The City has never defaulted on its revenue bonds.

SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 9/30 | Estimated Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Net G.O. Tax Debt Outstanding at End of Year ⁽³⁾ | Taxable Assessed Valuation Per Capita | Ratio of G.O. Tax Debt to Taxable Assessed Valuation | G.O. Tax Debt Per Capita | % Total Collections |
|------------------------|-------------------------------------|---|---|---------------------------------------|--|--------------------------|------------------------|
| 2014 | 8,600 | \$ 508,695,836 | \$ 19,483,778 | \$ 59,151 | 3.83% | \$ 2,266 | 101.67% |
| 2015 | 8,756 | 554,892,312 | 18,817,640 | 63,373 | 3.39% | 2,149 | 106.07% |
| 2016 | 9,028 | 660,868,270 | 20,236,515 | 73,202 | 3.06% | 2,242 | 107.06% |
| 2017 | 11,871 | 872,961,920 | 25,894,005 | 73,537 | 2.97% | 2,181 | 108.98% |
| 2018 | 14,515 | 1,108,101,685 | 45,890,000 ⁽⁴⁾ | 76,342 ⁽⁴⁾ | 4.14% ⁽⁴⁾ | 3,162 ⁽⁴⁾ | 102.82% ⁽⁵⁾ |

(1) Provided by City staff.

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

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

(4) Projected, subject to change.

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

For additional information regarding the City, please contact:

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Hilltop Securities
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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

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

SELECTED ADMINISTRATIVE STAFF

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

CONSULTANTS AND ADVISORS

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

Bond CounselNorton Rose Fulbright US LLP
Dallas, Texas

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

OFFICIAL STATEMENT
RELATING TO
\$5,785,000
CITY OF CELINA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018

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

INTRODUCTION

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

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

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

PLAN OF FINANCING

PURPOSE

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

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

REFUNDED OBLIGATIONS . . . A description and identification of the Refunded Obligations appears on Schedule I attached hereto. The Refunded Obligations are being called for redemption on September 20, 2018 (the "Redemption Date"). The principal and interest due on the Refunding Obligations are to be paid on the Redemption Date from funds to be deposited with the paying agent/registrar for the Refunded Obligations (the "Refunded Obligations Paying Agent"). The Bond Ordinance will provide that with respect to the Refunded Obligations, a portion of the proceeds from the sale of the Bonds, will be irrevocably deposited with the Refunded Obligations Paying Agent on the Redemption Date. U.S. Bank National Association, in its capacity as Paying Agent for the Refunded Obligations, will certify as to the sufficiency of the amounts initially deposited with the Refunded Obligations Paying Agent to pay the principal of and interest on the Refunded Obligations when due at the scheduled date of redemption. Such

funds will be held uninvested by the Refunded Obligations Paying Agent in a trust clearing account pending their disbursement to redeem the Refunded Obligations on the Redemption Date. By the deposit with the Refunded Obligations Paying Agent in such trust clearing account, the City will have effected the defeasance of all the Refunded Obligations in accordance with the applicable law.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS. . . The Obligations are dated August 1, 2018 (the "Dated Date"), and mature on September 1 in each of the years and in the amounts shown on page 2 with respect to the Bonds and on Page 4 with respect to the Certificates. Interest will accrue from the date of delivery of the Obligations (anticipated to be September 13, 2018), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year commencing March 1, 2019 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE. . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly Texas Government Code, Chapter 1207, as amended, and the Bond Ordinance.

The Certificates are being issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government, as amended, and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT OF THE OBLIGATIONS. . . The Obligations are payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City. Additionally, the Certificates are payable from a limited pledge of the Net Revenues (as defined in the Certificate Ordinance) of the City's combined Waterworks and Sewer System (the "System"), such pledge being limited to an amount not in excess of \$1,000.

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City authorizes the constitutional maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of the \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance based on a 90% collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on or after September 1, 2029, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on September 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of such Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If a Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MUTILATED, DESTROYED, LOST AND STOLEN OBLIGATIONS. . . If any Obligation is mutilated, destroyed, stolen or lost, a new Obligation in the same principal amount as the Obligation so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Obligation, such new Obligation will be delivered only upon surrender and cancellation of such mutilated Obligation. In the case of any Obligation issued in lieu of and substitution for any Obligation which has been destroyed, stolen or lost, such new Obligation will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Obligation has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Obligation must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

OBLIGATION HOLDERS' REMEDIES. . . The Ordinances do not specify events of default with respect to the Obligations. If the City defaults in the payment of principal, interest or redemption price on the Obligations when due, or if it fails to make payments into any fund or funds created in the Ordinances, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinances, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of the Obligations or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Obligations do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd V City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city, Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the Obligations or the Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

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

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

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

TAX INFORMATION

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

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

Article VIII of the Texas Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation. Unless otherwise indicated references to sections and articles below are references to those provisions found in the Texas Constitution.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant either or both of the following exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

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

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." Section 11.253 of the Property Tax Code defines "goods-in-transit" as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Property Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following year. A taxpayer may receive only one of the freeport exemptions or one of the goods-in-transit exemptions, but not both, for items of personal property.

A city may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditure, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year. Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

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

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

(1) Interest continues to accrue after July 1 at the rate of 1% per month until paid

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

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

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

The City does not tax “non-business” leased vehicles; and Collin County Tax Collector collects taxes for the City.

The City does not permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The City does not tax Freeport property.

The City does not tax “goods-in-transit”.

The City does participate in a Tax Increment Reinvestment Zone.

The City has adopted a tax abatement policy, and reviews applications for abatements on a case by case basis and currently has no abatement agreements in effect.

ECONOMIC DEVELOPMENT INITIATIVES

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

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

Creeks of Legacy Public Improvement District

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

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

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

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

The Lakes at Mustang Ranch Public Improvement District

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

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

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

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

The Parks at Wilson Creek Public Improvement District

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

Wells South Public Improvement District

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

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

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

Wells North Public Improvement District

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

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

Sutton Fields II Public Improvement District

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

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

380 Agreement for Parks PID and Lakes PID

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

Owensby Farms Public Improvement District

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

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

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

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

Chalk Hill Public Improvement District

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

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

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

The Columns Public Improvement District

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

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

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

Cambridge Crossing Public Improvement District

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

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

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TABLE 1 – ASSESSED VALUATION AND EXEMPTIONS

| | | |
|---|-------------|-------------------------|
| 2017/2018 Market Valuation Established by the Collin Central Appraisal District (excludes totally exempt property) | | \$ 1,805,544,462 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Local Over 65/Disabled Homestead Exemption | 12,070,193 | |
| Disabled/Deceased Veterans | 6,977,240 | |
| Agricultural Productivity Value Loss | 637,698,795 | |
| 10% Value Cap Loss | 40,571,807 | |
| Other (Pollution Control) | 124,742 | 697,442,777 |
| 2017/2018 Taxable Assessed Valuation | | <u>\$ 1,108,101,685</u> |
| General Obligation Debt Principal Outstanding (As of 6/15/2018)⁽¹⁾ | | |
| Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2004 | | \$ 20,000 |
| Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 2007 (TWDB) | | 215,000 |
| General Obligation Refunding Bonds, Series 2007 | | 300,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2011 | | 1,190,000 |
| General Obligation Refunding Bonds, Series 2012 | | 2,670,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012 | | 185,000 |
| General Obligation Refunding Bonds, Series 2013 | | 3,505,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013 | | 5,185,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 | | 5,010,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014A | | 1,625,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015 | | 14,970,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2016 | | 9,600,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2017 | | 9,500,000 |
| Total Gross General Obligation Debt Outstanding: | | <u>\$ 53,975,000</u> |
| Plus: | | |
| The Bonds | | \$ 5,785,000 |
| The Certificates | | <u>50,890,000</u> |
| Less: Self-Supporting General Obligation Debt Principal ⁽¹⁾ | | |
| Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2004 (W&S) | | \$ 17,111 |
| Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 2007 (TWDB) (W&S) | | 215,000 |
| General Obligation Refunding Bonds, Series 2007 (W&S) | | 216,780 |
| General Obligation Refunding Bonds, Series 2012 (W&S) | | 2,590,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012 (W&S) | | 30,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 (W&S) | | 2,300,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014A (PID) | | 575,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014A (W&S) | | 1,050,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015 (PID) | | 4,780,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015 (W&S) | | 8,100,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2016 (PID) | | 1,470,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2016 (W&S) | | 6,015,000 |
| Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2017 (W&S) | | 5,110,000 |
| The Certificates (W&S) | | 30,855,000 |
| Total Self-Supporting General Obligation Debt Principal | | <u>\$ 63,323,891</u> |
| Total Net General Obligation Debt Principal Outstanding: | | <u>\$ 47,326,110</u> |
| General Obligation Interest and Sinking Fund Balance as July 31, 2018 | | \$ 3,015,513 |
| Ratio of Gross General Obligation Debt Principal to FY 2018 Certified Net Taxable Assessed Valuation | | 4.87% |
| Ratio of Net General Obligation Debt Principal to FY 2018 Certified Net Taxable Assessed Valuation | | 4.27% |
| FY 2018 Certified Net Taxable Assessed Valuation | | \$ 1,108,101,685 |
| 2018 Population (Estimate) | 14,515 | |
| Per Capita Certified Net Taxable Assessed Valuation | \$ 76,342 | |
| Per Capita Gross General Obligation Debt Principal | \$ 3,719 | |
| Per Capita Net General Obligation Debt Principal | \$ 3,260 | |

(1) Excludes the Refunded Obligations

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

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

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

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

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

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

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

(1) Provided by City staff.

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

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

(4) Projected, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

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

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

TABLE 5 - TEN LARGEST TAXPAYERS

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

GENERAL OBLIGATION DEBT LIMITATION. . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE CERTIFICATES - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY ⁽¹⁾

| | | |
|---|----|-----------|
| Net Principal and Interest Requirements for Fiscal Year 2018 | \$ | 2,144,127 |
| \$0.1965 Tax Rate at 98.5% Collection Produces | \$ | 2,144,759 |
| Average Net Annual Principal and Interest Requirements, 2018-2038 | \$ | 3,030,916 |
| \$0.2805 Tax Rate at 98.5% Collection Produces | \$ | 3,031,040 |
| Maximum Net Principal and Interest Requirements, 2020 | \$ | 3,864,604 |
| \$0.3321 Tax Rate at 98.5% Collection Produces | \$ | 3,864,931 |

(1) Based on Tax Year 2017 Certified Taxable Assessed Valuation. Excludes self-supporting debt and accounts for budgeted transfers from the City's development corporations. (See Table 8 - Pro-Forma General Obligation Debt Service Requirements.) The data above includes the Certificates.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

| Taxing Jurisdiction | 2017/2018 Taxable Assessed Valuation | 2017/2018 Tax Rate ⁽¹⁾ | G.O. Debt 6/15/2018 ⁽¹⁾ | Estimated Percent Applicable ⁽¹⁾ | Overlapping G.O. Debt as of 6/15/2018 |
|---|---|---|--|---|---|
| City of Celina | \$ 1,108,101,685 | \$ 0.6450 | \$ 47,326,110 ⁽²⁾ | 100.00% | \$ 47,326,110 |
| Celina ISD | 106,955,467 | 1.6400 | 85,322,459 | 60.85% | 51,918,716 |
| Collin County | 124,035,906,716 | 0.1920 | 301,610,000 | 0.67% | 2,020,787 |
| Collin County CCD | 127,699,204,661 | 0.0800 | 248,840,000 | 0.67% | 1,667,228 |
| Denton County | 88,330,714,230 | 0.2380 | 642,170,000 | 0.06% | 385,302 |
| Prosper ISD | 6,197,023,840 | 1.6700 | 624,173,641 | 2.98% | 18,600,375 |
| Total Direct and Overlapping Debt | | | | | \$ 121,918,517 |
| Ratio of Direct and Overlapping Debt to City's Taxable Assessed Valuation | | | | | 11.00% |
| Per Capital Overlapping GO Debt | | | | | \$ 8,399.48 |

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

(2) Excludes self-supporting debt and includes the Certificates.

DEBT INFORMATION

TABLE 8—GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending 30-Sep | Outstanding Debt Service ⁽¹⁾ | | The Bonds ⁽²⁾ | | The Certificates ⁽³⁾ | | Total General Obligation Debt Service | Less: W&S Net Revs Supported Debt Service ⁽⁴⁾ | Less: PID Assessments Supported Debt Service ⁽⁵⁾ | Less: Budgeted Transfers from Celina CDC & EDC ⁽⁶⁾ | Net General Obligation Debt Service | % of Principal Retired |
|------------------------------------|---|----------------------|--------------------------|---------------------|---------------------------------|----------------------|--|---|---|---|--|------------------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | | | | | | |
| 2018 | \$ 2,955,000 | \$ 2,165,296 | \$ - | \$ - | \$ - | \$ - | \$ 5,120,296 | \$ 2,220,995 | \$ 555,175 | \$ 200,000 | \$ 2,144,127 | |
| 2019 | 2,255,000 | 1,863,136 | 670,000 | 232,435 | 125,000 | 2,068,334 | 7,213,906 | 2,952,981 | 553,720 | 200,000 | 3,507,204 | |
| 2020 | 2,500,000 | 1,802,804 | 520,000 | 206,950 | 1,680,000 | 2,133,406 | 8,843,160 | 4,217,131 | 561,425 | 200,000 | 3,864,604 | |
| 2021 | 2,710,000 | 1,733,501 | 410,000 | 180,950 | 1,700,000 | 2,049,406 | 8,783,858 | 4,344,594 | 558,723 | 200,000 | 3,680,541 | |
| 2022 | 2,945,000 | 1,650,934 | 235,000 | 160,450 | 1,795,000 | 1,964,406 | 8,750,790 | 4,494,654 | 563,070 | 200,000 | 3,493,066 | 18.53% |
| 2023 | 3,040,000 | 1,553,321 | 235,000 | 148,700 | 1,890,000 | 1,874,656 | 8,741,678 | 4,494,794 | 551,818 | 200,000 | 3,495,066 | |
| 2024 | 3,055,000 | 1,447,736 | 260,000 | 136,950 | 2,105,000 | 1,780,156 | 8,784,843 | 4,503,451 | 554,015 | 200,000 | 3,527,376 | |
| 2025 | 2,865,000 | 1,329,111 | 270,000 | 123,950 | 2,205,000 | 1,674,906 | 8,467,968 | 4,177,694 | 565,513 | 200,000 | 3,524,761 | |
| 2026 | 2,985,000 | 1,214,706 | 285,000 | 110,450 | 2,320,000 | 1,564,656 | 8,479,813 | 4,186,694 | 563,863 | 200,000 | 3,529,256 | |
| 2027 | 2,805,000 | 1,094,581 | 460,000 | 96,200 | 2,435,000 | 1,448,656 | 8,339,438 | 4,179,681 | 556,463 | 200,000 | 3,403,294 | 43.12% |
| 2028 | 2,645,000 | 995,144 | 745,000 | 73,200 | 2,555,000 | 1,326,906 | 8,340,250 | 4,187,856 | 555,263 | 200,000 | 3,397,131 | |
| 2029 | 2,740,000 | 897,188 | 775,000 | 50,850 | 2,685,000 | 1,199,156 | 8,347,194 | 4,193,569 | 548,206 | 200,000 | 3,405,419 | |
| 2030 | 3,155,000 | 793,525 | 300,000 | 27,600 | 2,820,000 | 1,064,906 | 8,161,031 | 4,181,944 | 555,544 | - | 3,423,544 | |
| 2031 | 3,280,000 | 672,144 | 305,000 | 18,600 | 2,935,000 | 952,106 | 8,162,850 | 4,190,975 | 556,525 | - | 3,415,350 | |
| 2032 | 3,305,000 | 543,606 | 315,000 | 9,450 | 3,020,000 | 864,056 | 8,057,113 | 4,191,475 | 556,525 | - | 3,309,113 | 71.66% |
| 2033 | 3,445,000 | 414,106 | - | - | 3,140,000 | 743,256 | 7,742,363 | 4,189,775 | 565,650 | - | 2,986,938 | |
| 2034 | 2,845,000 | 276,381 | - | - | 3,240,000 | 641,206 | 7,002,588 | 4,189,813 | 552,900 | - | 2,259,875 | |
| 2035 | 2,640,000 | 161,731 | - | - | 3,375,000 | 511,606 | 6,688,338 | 4,080,263 | 559,650 | - | 2,048,425 | |
| 2036 | 1,180,000 | 54,931 | - | - | 3,485,000 | 397,700 | 5,117,631 | 3,256,931 | - | - | 1,860,700 | |
| 2037 | 625,000 | 19,531 | - | - | 3,625,000 | 258,300 | 4,527,831 | 2,696,531 | - | - | 1,831,300 | 96.61% |
| 2038 | - | - | - | - | 3,755,000 | 131,425 | 3,886,425 | 2,344,275 | - | - | 1,542,150 | 100.00% |
| | <u>\$ 53,975,000</u> | <u>\$ 20,683,415</u> | <u>\$ 5,785,000</u> | <u>\$ 1,576,735</u> | <u>\$ 50,890,000</u> | <u>\$ 24,649,210</u> | <u>\$ 157,559,360</u> | <u>\$ 81,476,075</u> | <u>\$ 10,034,045</u> | <u>\$ 2,400,000</u> | <u>\$ 63,649,240</u> | |

(1) Excludes the Refunded Obligations. Preliminary, subject to change.

(2) Average life of the Bonds – 7.378 years.

(3) Average life of the Certificates – 12.270 years.

(4) Includes the System revenue expected to be used to support a portion the Certificates. There is no pledge of the System Revenues other than the limited pledge of the Net Revenues of the System.

(5) Includes assessment revenue (the "Assessment Revenue") expected to be collected in certain public improvement districts within the City. Such Assessment Revenue is not pledged to the payment of the Certificates. See Table 10 - Computation of Self-Supporting Debt.

(6) Transfers from Celina Community Development Corporation and Celina Economic Development Corporation are subject to appropriation at the discretion of the respective corporation.

TABLE 9 – FUND BALANCES ⁽¹⁾

| | As Of 6/1/2018 |
|--------------------------------------|-----------------------------|
| General Fund Money Market Acct. | \$ 10,743,336 |
| General Operating Fund | 379,420 |
| General Obligation Debt Service Fund | 2,968,078 |
| Capital Projects Fund | 18,179,824 |
| Water & Sewer Operating Fund | 9,532,945 |
| Total | <u>\$ 41,803,602</u> |

(1) As reported by the City.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

| Waterworks and Sewer System Revenue Supported Debt | |
|--|---------------------|
| Fiscal Year Ended 9/30/2017 Net W&S System Revenues Available for Debt Service ⁽¹⁾ | \$ 4,703,460 |
| Less: Requirement for Fiscal Year 2018 Revenue Bonds | - |
| Balance Available for Other Purposes | <u>\$ 4,703,460</u> |
| Requirement for Fiscal Year 2018 General Obligation Debt Paid from W&S System Revenues ⁽²⁾ | \$ 2,220,995 |
| Percentage of W&S System General Obligation Debt Self-Supporting | 100% |
| Public Improvement District Assessment Revenue Supported Debt | |
| Fiscal Year 2018 Public Improvement District Assessment Levy for payment of general obligation debt | |
| The Lakes at Mustang Ranch Public Improvement District | \$ 135,588 |
| Parks at Wilson Creek Public Improvement District | 234,500 |
| Wells South Public Improvement District | 98,008 |
| Total Assessments Levied | <u>\$ 468,096</u> |
| Total Public Improvement District Assessment Revenue Collected as of January 1, 2018 for payment of general obligation debt ⁽²⁾ | \$ 355,093 |
| Fiscal Year 2018 Public Improvement District Assessment Revenue Supported general obligation debt requirements | \$ 555,175 |

(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 available funds of the City in amounts sufficient to pay debt service on such general obligation debt.

TABLE 11 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

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

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

TABLE 12 – OTHER OBLIGATIONS

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

| Fiscal Year Ending 9-30 | Annual Lease Requirement |
|----------------------------|--------------------------------|
| 2018 | \$ 16,944 |
| 2019 | 14,345 |
| 2020 | 5,589 |
| Total Required | <u>\$ 36,878</u> |

Lease expense for the year ending September 30, 2017 was \$42,052.

UTRWD Facilities Charges

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

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

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

| Fiscal Year Ending 9-30 | Annual Requirement |
|----------------------------|-----------------------|
| 2018 | \$ 1,182,363 |
| 2019 | 1,186,333 |
| 2020 | 1,184,229 |
| 2021 | 1,185,062 |
| Thereafter | 13,456,653 |
| Total Required | <u>\$ 18,194,640</u> |

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

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the City, 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 2017 were based on a covered payroll for \$5,618,903. Both the City and the covered employees made the required contributions, with the City's estimated contribution amounting to \$324,728.

For more detailed information concerning the City's retirement plan for Fiscal Year 2017 see "APPENDIX B – EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017" – Note 8.

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FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

| | Fiscal Year Ended September 30, | | | | |
|--|---------------------------------|---------------------|---------------------|---------------------|--------------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Revenues: | | | | | |
| Ad Valorem Taxes | \$ 3,486,892 | \$ 3,020,039 | \$ 2,537,123 | \$ 2,377,555 | \$ 2,332,848 |
| Franchise Taxes | 370,949 | 429,102 | 364,763 | 320,805 | 325,167 |
| Sales Taxes | 958,350 | 733,881 | 603,949 | 505,221 | 384,289 |
| Permits and Inspection Fees | 3,959,914 | 2,357,289 | 1,767,856 | 1,321,510 | 455,454 |
| Fire Department and EMS Fees | 817,691 | 239,480 | 241,005 | 196,753 | 174,678 |
| Park Fees | 166,403 | 206,773 | 602,626 | 169,000 | 161,345 |
| Development Fees | 1,245,943 | 509,870 | 924,249 | 239,739 | 124,743 |
| Fines | 209,806 | 283,758 | 254,370 | 155,962 | 197,248 |
| Other Income | 88,480 | 76,950 | 92,349 | 296,867 | 85,140 |
| Collin County Road Contribution | - | - | 120,000 | - | - |
| Donations | 179,417 | 373,421 | 221,696 | 305,430 | 142,682 |
| Interest | 58,199 | 45,935 | 40,609 | 27,419 | 24,383 |
| Federal and State Grants | - | 18,784 | 314,114 | 1,165 | - |
| Total Revenues | \$ 11,542,044 | \$ 8,295,282 | \$ 8,084,709 | \$ 5,917,426 | \$ 4,407,977 |
| Expenditures: | | | | | |
| Administration | \$ 2,411,180 | \$ 1,458,673 | \$ 1,133,574 | \$ 1,106,865 | \$ 870,419 |
| Library | 165,768 | 153,752 | 140,857 | 135,315 | 134,625 |
| Judicial | 153,213 | 99,803 | 84,853 | 88,531 | 79,863 |
| Fire and Emergency Services | 2,040,917 | 1,723,720 | 1,316,275 | 1,083,464 | 1,057,979 |
| Development Services | 868,862 | 675,267 | 524,712 | 702,862 | 417,119 |
| Public Works | 832,539 | 1,023,572 | 806,788 | 505,659 | 416,690 |
| Police Department | 1,682,946 | 1,414,488 | 1,046,160 | 770,254 | 741,361 |
| Parks and Recreation | 729,343 | 688,539 | 667,908 | 443,625 | 349,742 |
| Main Street Project | - | 65,279 | 70,510 | 26,869 | 135,388 |
| Capital Outlay | 175,927 | 732,355 | 1,122,728 | 529,439 | 63,536 |
| Debt Service | 74,569 | - | - | 17,042 | 50,922 |
| Total Expenditures | \$ 9,135,264 | \$ 8,035,448 | \$ 6,914,365 | \$ 5,409,925 | \$ 4,317,644 |
| Excess (deficit) of Revenues Over Expenditures | \$ 2,406,780 | \$ 259,834 | \$ 1,170,344 | \$ 507,501 | \$ 90,333 |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In (Out) | \$ (3,086,894) | \$ 2,224,747 | \$ 365,000 | \$ 348,050 | \$ 345,000 |
| Proceeds of Capital Leases | 39,165 | - | - | - | 30,752 |
| Proceeds from Issuance of Bonds | 74,569 | - | - | - | - |
| Bond Issuance Costs | - | - | - | - | - |
| Proceeds from Sale of Assets | - | 41,825 | 12,525 | 15,279 | 26,100 |
| Transfers for Debt Service | - | - | - | - | - |
| Total Other Financing Sources (Uses) | \$ (2,973,160) | \$ 2,266,572 | \$ 377,525 | \$ 363,329 | \$ 401,852 |
| Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses | \$ (566,380) | \$ 2,526,406 | \$ 1,547,869 | \$ 870,830 | \$ 492,185 |
| Beginning Fund Balance | 7,132,235 | 4,605,829 | 3,057,960 | 2,187,131 | 1,694,946 ⁽¹⁾ |
| Ending Fund Balance | \$ 6,565,855 | \$ 7,132,235 | \$ 4,605,829 | \$ 3,057,960 | \$ 2,187,131 |

(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, | | | | |
|---|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| <u>Beginning Fund Balance</u> | \$ 901,524 | \$ 646,075 | \$ 541,370 | \$ 515,274 | \$ 453,145 |
| <u>Revenues:</u> | | | | | |
| Current Tax Collections | \$ 1,887,996 | \$ 1,433,823 | \$ 1,217,693 | \$ 937,036 | \$ 821,403 |
| Delinquent Tax Collections | - | - | - | - | - |
| Penalty and Interest | - | - | - | - | - |
| Fines | - | - | - | - | - |
| Donations / EDC Contributions | 200,000 | 200,000 | 200,000 | 170,000 | 170,000 |
| Other Income | 154,688 | 150,000 | | | |
| Interest | 13,073 | 6,775 | 4,858 | 3,763 | 4,077 |
| Total Revenues | \$ 2,255,757 | \$ 1,790,598 | \$ 1,422,551 | \$ 1,110,799 | \$ 995,480 |
| <u>Expenditures:</u> | | | | | |
| Debt Service | | | | | |
| Principal Retirement | \$ 1,005,685 | \$ 841,124 | \$ 678,366 | \$ 495,593 | \$ 451,994 |
| Interest & Fiscal Charges | 782,253 | 724,025 | 669,480 | 589,110 | 826,054 |
| Total Expenditures | \$ 1,787,938 | \$ 1,565,149 | \$ 1,347,846 | \$ 1,084,703 | \$ 1,278,048 |
| Excess (Deficit) of Revenues Over Expenditures | \$ 467,819 | \$ 225,449 | \$ 74,705 | \$ 26,096 | \$ (282,568) |
| <u>Other Financing Sources (Uses):</u> | | | | | |
| Sale of Fixed Assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Lease Purchase Proceeds | - | - | - | - | - |
| Operating Transfer In (Out) | - | 30,000 | 30,000 | - | - |
| Issuance of Refunding Bonds | - | - | - | - | 4,434,697 |
| Payment to Bond Refunding Agency | - | - | - | - | (4,090,000) |
| Bond Issuance Cost | - | - | - | - | - |
| Transfers Out for Debt Service | - | - | - | - | - |
| Total Other Financing Sources (Uses) | \$ - | \$ 30,000 | \$ 30,000 | \$ - | \$ 344,697 |
| Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses | \$ 467,819 | \$ 255,449 | \$ 104,705 | \$ 26,096 | \$ 62,129 |
| Ending Fund Balance | <u>\$ 1,369,343</u> | <u>\$ 901,524</u> | <u>\$ 646,075</u> | <u>\$ 541,370</u> | <u>\$ 515,274</u> |

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TABLE 15 – WATER RATES (EFFECTIVE JANUARY 19, 2018)

| Residential Usage | In City Limits Rates | Outside City Limits Rates |
|---------------------------------|---------------------------------|--------------------------------------|
| 0 - 2,000 Gallons (Minimum) | | |
| 5/8 and 3/4 inch meters | \$ 23.15 | \$ 34.72 |
| 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 | \$ 5.06 | \$ 7.59 |
| 10,001 - 20,000 Gallons per 1K | 7.66 | 11.49 |
| 20,001 - 30,000 Gallons per 1K | 9.02 | 13.53 |
| 30,001 Gallons and above per 1K | 13.02 | 19.53 |
| Commercial Usage | In City Limits Rates | Outside City Limits Rates |
| 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 | \$ 5.06 | \$ 7.59 |
| 10,001 - 20,000 Gallons per 1K | 7.66 | 11.49 |
| 20,001 - 30,000 Gallons per 1K | 9.02 | 13.53 |
| 30,001 Gallons and above per 1K | 13.02 | 19.53 |

TABLE 16 – WASTE WATER RATES (EFFECTIVE JANUARY 19, 2018)

| Residential Usage | In City Limits Rates | Outside City Limits Rates |
|----------------------------------|---------------------------------|--------------------------------------|
| 0 - 2,000 Gallons (Minimum) | | |
| 5/8 and 3/4 inch meters | \$ 21.50 | \$ 32.25 |
| 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 | \$ 5.84 | \$ 12.90 |
| Usage fees cap at 14,000 Gallons | 89.45 | 134.18 |
| Commercial Usage | In City Limits Rates | Outside City Limits Rates |
| 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 | \$ 5.84 | \$ 8.76 |

TABLE 17 – WATER AND WASTEWATER CUSTOMERS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Number of Residential/Commercial Water Users with 3/4 inch meters | 2,836 | 2,831 | 2,793 | 2,400 | 2,275 |
| Number of Residential/Commercial Water Users with larger than 3/4 inch meters | 2,403 | 1,085 | 689 | 406 | 329 |
| Number of Residential/Commercial Sewer Users | 2,455 | 3,335 | 2,727 | 2,226 | 1,860 |
| Number of Residential/Commercial Water Users with larger than 4 inch meters | 2 | 2 | NA | N/A | N/A |

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TABLE 18 – WATER AND WASTEWATER SYSTEM REVENUE AND EXPENDITURES

| | Fiscal Year Ended September 30, | | | | |
|--|---------------------------------|----------------------|----------------------|----------------------|---------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Revenues | | | | | |
| Water Sales | \$ 5,132,245 | \$ 4,049,673 | \$ 3,489,083 | \$ 2,780,983 | \$ 2,772,632 |
| Sewer Sales | 2,329,146 | 1,799,254 | 1,409,070 | 1,160,403 | 1,060,773 |
| Garbage Fees | 539,881 | 462,390 | 405,433 | 402,514 | 359,565 |
| Penalties | 122,432 | 97,765 | 73,654 | 58,682 | 70,447 |
| Tap and Reconnect Fees | 1,680,010 | 1,094,505 | 832,360 | 633,765 | 187,691 |
| Water and Sewer Impact Fees | 2,244,287 | 1,366,400 | 1,113,065 | 977,688 | 234,750 |
| Other Revenues | 1,542,653 | 1,187,126 | 195,666 | 140,276 | 95,652 |
| Total Revenues | \$ 13,590,654 | \$ 10,057,113 | \$ 7,518,331 | \$ 6,154,311 | \$ 4,781,510 |
| Expenses | | | | | |
| Salaries | \$ 888,559 | \$ 740,428 | \$ 545,287 | \$ 373,648 | \$ 355,949 |
| Garbage fees | 483,403 | 415,983 | 354,733 | 368,754 | 341,359 |
| Lincenses and permits | - | - | - | - | 10,181 |
| Materials and supplies | 767,419 | 472,414 | 260,113 | 104,757 | 104,207 |
| Engineering | - | - | - | - | 142,041 |
| Postage | 38,723 | 34,827 | 29,282 | 30,120 | 23,072 |
| Repairs and facility maintenance | 300,479 | 284,682 | 182,113 | 177,015 | 145,546 |
| General insurance | 15,420 | 14,420 | 14,402 | 11,914 | 9,787 |
| Vehicle expense | - | - | - | - | 35,736 |
| Utilities and telephone | 293,716 | 296,418 | 254,778 | 252,189 | 237,511 |
| Chemicals | - | - | - | - | 18,330 |
| Water purchases and related fees | 2,970,312 | 1,943,073 | 1,606,698 | 1,344,283 | 1,272,029 |
| UTRWD Facilities Charges | 393,023 | 663,271 | - | - | - |
| Impact fees expense | 2,286,900 | 1,366,400 | - | - | - |
| Depreciation & amortization | 890,200 | 702,950 | 598,135 | 456,509 | 446,013 |
| Bond issuance cost | 89,126 | 514,633 | - | - | - |
| Other expense | 455,302 | 313,102 | 79,333 | 28,040 | 24,450 |
| Total Expenses | \$ 9,872,582 | \$ 7,762,601 | \$ 3,924,874 | \$ 3,147,229 | \$ 3,166,211 |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest Income | \$ 151,666 | \$ 114,067 | \$ 39,470 | \$ 10,153 | \$ 38,126 |
| Gain on sale of fixed assets | - | - | - | 1,550 | - |
| Bond issuance costs | - | - | (40,124) | - | - |
| Interest and fiscal charges | (938,891) | (745,895) | (319,811) | (349,553) | (298,123) |
| Total Nooperating Revenues (Expenses) | \$ (787,225) | \$ (631,828) | \$ (320,465) | \$ (337,850) | \$ (259,997) |
| Capital grants | \$ - | \$ 800,100 | \$ 45,289 | \$ - | \$ - |
| Transfers in for debt service | - | - | - | - | - |
| Operating Transfer In (Out) | (492,000) | (2,346,769) | (395,000) | (348,050) | (345,000) |
| Change in Net Assets | 2,438,847 | 116,015 | 2,923,281 | 2,321,182 | 1,010,302 |
| Total net assets, October 1 | 13,811,815 | 13,695,800 | 10,693,409 | 8,372,227 | 7,361,925 |
| Prior Period Adjustment | - | - | 79,110 | - | - |
| Total net assets, September 30 | \$ 16,250,662 | \$ 13,811,815 | \$ 13,695,800 | \$ 10,693,409 | \$ 8,372,227 |

TABLE 19 - MUNICIPAL SALES TAX HISTORY

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

| Fiscal Year Ended 9/30 | Total Collected ⁽¹⁾ | 1% Tax Collections ⁽²⁾ | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita |
|---------------------------------|-----------------------------------|--------------------------------------|--------------------------------|--|---------------|
| 2014 | \$ 968,298 | \$ 484,149 | 14.84% | \$ 0.1903 | \$112.59 |
| 2015 | 1,184,753 | 592,376 | 16.69% | 0.2135 | 135.31 |
| 2016 | 1,377,767 | 688,884 | 16.54% | 0.2085 | 152.61 |
| 2017 | 1,869,603 | 934,801 | 18.46% | 0.2142 | 128.80 |
| 2018 ⁽³⁾ | 1,589,223 | 794,612 | 11.12% | 0.1434 | 109.49 |

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

(2) Figures refer only to the City's 1% tax collections and exclude the ½% additional collection for each of 4A and 4B economic and community development (1% total additional collections.)

(3) Collections through June 2018.

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 OBLIGATION PROCEEDS. . . The City's policy is to use Obligation proceeds for capital expenditures related to the purposes specified in the Ordinances 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. . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (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 are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository 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 its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (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, an entity 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; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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 (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) 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, (13) 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, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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.

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 May 31, 2018 the City's investable funds were invested in the following categories:

| Type of Investments | Book Value | |
|--|----------------------|----------------|
| | Amount | Percent |
| Interest Bearing Money Market Accounts | \$ 20,276,281 | 99.97% |
| TexPool | 5,655 | 0.03% |
| | <u>\$ 20,281,936</u> | <u>100.00%</u> |

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TAX MATTERS

TAX EXEMPTION . . . The delivery of the Obligations is subject to the opinions of Bond Counsel to the effect that interest on the Obligations for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such 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 opinions are based are subject to change.

For taxable years that began before January 1, 2018, interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on 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"). The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

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

Bond Counsel's opinions are not a guarantee of a result, but 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 opinions of Bond Counsel, and Bond Counsel's opinions are not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Obligations is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Obligations would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Obligations, the City may have different or conflicting interests from the owners of the Obligations. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations during the pendency of the audit, regardless of its ultimate outcome.

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

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

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

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Obligation by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Obligation was held) is includable in gross income.

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). 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 2018, 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 2018, 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. 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 financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet web site or filed with the United States Securities and Exchange Commission (the "SEC") as permitted by the SEC Rule 15c2-12.

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 Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed of final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, 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 Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Purchaser to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the respective outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Purchaser from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends its continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

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OTHER INFORMATION

RATINGS

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

LITIGATION

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE

The City will furnish the Initial Bond Purchaser and the Initial Certificate Purchaser, as applicable, a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Obligations and to the effect that the Obligations are valid and legally binding obligations of the City and, based upon examination of such transcripts of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate of the City as described under "OTHER INFORMATION - Certification of the Official Statement" will also be furnished to the Purchaser. Though it represents the Financial Advisor and investment banking firms such as the Initial Bond Purchaser and the Initial Certificate Purchaser, as applicable, from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations.

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

FINANCIAL ADVISOR

Hilltop Securities Inc., is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the City for the investment of certificate proceeds or other funds of the City upon the request of the City.

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

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of Morgan Stanley & Co., LLC (the "Purchaser" or "Initial Bond Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$320,286.50. The Initial Bonds Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Bond Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yields at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Bond Purchaser.

After requesting competitive bids for the Certificates, the City accepted the bid of Morgan Stanley & Co., LLC (the "Purchaser" or "Initial Certificate Purchaser") to purchase the Certificates at the interest rates shown on page 4 of the Official Statement at a price of par plus a cash premium of \$3,409,357.88. The Initial Certificate Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Certificate Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Certificate Purchaser.

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.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the City will furnish the Purchasers, as applicable a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Obligations and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the

statements therein, in light of the circumstances under which they were made, not misleading in any material respect: (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinances approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Purchasers.

ATTEST:

VICKI FAULKNER
City Secretary
City of Celina, Texas

SEAN TERRY
Mayor
City of Celina, Texas

SCHEDULE OF REFUNDED OBLIGATIONS

Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2004

| Original Dated Date | Original Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded | Redemption Date |
|------------------------|-------------------------|------------------|------------------------------------|---------------------------------|--------------------|
| 10/1/2004 | 9/1/2019 | 4.100% | \$ 20,000 | \$ 20,000 | 9/20/18 |
| | 9/1/2020 | 4.200% | 20,000 | 20,000 | 9/20/18 |
| | 9/1/2021 | 4.250% | 20,000 | 20,000 | 9/20/18 |
| | 9/1/2022 | 4.300% | 25,000 | 25,000 | 9/20/18 |
| | 9/1/2023 | 4.400% | 25,000 | 25,000 | 9/20/18 |
| | 9/1/2024 | 4.450% | 25,000 | 25,000 | 9/20/18 |
| | 9/1/2025 | 4.500% | 25,000 | 25,000 | 9/20/18 |
| | 9/1/2026 | 4.625% | 25,000 | 25,000 | 9/20/18 |
| | 9/1/2029 ⁽¹⁾ | 4.625% | 1,150,000 | 1,150,000 | 9/20/18 |
| | | | <u>\$ 1,335,000</u> | <u>\$ 1,335,000</u> | |

General Obligation Refunding Bonds, Series 2007

| Original Dated Date | Original Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded | Redemption Date |
|------------------------|-------------------------|------------------|------------------------------------|---------------------------------|--------------------|
| 9/1/2007 | 9/1/2019 | 4.150% | \$ 275,000 | \$ 275,000 | 9/20/18 |
| | 9/1/2021 ⁽¹⁾ | 4.250% | 490,000 | 490,000 | 9/20/18 |
| | | | <u>\$ 765,000</u> | <u>\$ 765,000</u> | |

Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2007

| Original Dated Date | Original Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded | Redemption Date |
|------------------------|----------------------|------------------|------------------------------------|---------------------------------|--------------------|
| 9/1/2007 | 9/1/2019 | 3.200% | \$ 225,000 | \$ 225,000 | 9/20/18 |
| | 9/1/2020 | 3.250% | 55,000 | 55,000 | 9/20/18 |
| | | | <u>\$ 280,000</u> | <u>\$ 280,000</u> | |

Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012

| Original Dated Date | Original Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded | Redemption Date |
|------------------------|-------------------------|------------------|------------------------------------|---------------------------------|--------------------|
| 6/1/2012 | 9/1/2020 ⁽¹⁾ | 3.000% | \$ 385,000 | \$ 385,000 | 9/20/18 |
| | 9/1/2022 ⁽¹⁾ | 3.000% | 460,000 | 460,000 | 9/20/18 |
| | 9/1/2024 ⁽¹⁾ | 3.000% | 485,000 | 485,000 | 9/20/18 |
| | 9/1/2026 ⁽¹⁾ | 3.500% | 520,000 | 520,000 | 9/20/18 |
| | 9/1/2028 ⁽¹⁾ | 3.500% | 545,000 | 545,000 | 9/20/18 |
| | 9/1/2030 ⁽¹⁾ | 4.000% | 600,000 | 600,000 | 9/20/18 |
| | 9/1/2032 ⁽¹⁾ | 4.000% | 635,000 | 635,000 | 9/20/18 |
| | | | <u>\$ 3,630,000</u> | <u>\$ 3,630,000</u> | |

(1) Represents a Term Obligation.