

**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 <sup>(1)</sup>**

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	(1)	2017/2018 Tax Rate	(1)	G.O. Debt 6/15/2018	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 <sup>(2)</sup>	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 <sup>(1)</sup>		The Bonds <sup>(2)</sup>		The Certificates <sup>(3)</sup>		Total General Obligation Debt Service	Less W&S Net Revs Supported Debt Service <sup>(4)</sup>	Less: PID Assessments Supported Debt Service <sup>(5)</sup>	Less: Budgeted Transfers from Celina CDC & EDC <sup>(6)</sup>	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 <sup>(1)</sup>

	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
<b>Total</b>	<b>\$ 41,803,602</b>

(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 <sup>(1)</sup>	\$ 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 <sup>(2)</sup>	\$ 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 <sup>(2)</sup>	\$ 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.

*[The remainder of this page left blank intentionally]*

# FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
<u>Revenues:</u>					
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
<u>Expenditures:</u>					
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
<u>Other Financing Sources (Uses):</u>					
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 <sup>(1)</sup>
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 Interst	-	-	-	-	-
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>

*[The remainder of this page left blank intentionally]*

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

<b>Residential Usage</b>	<b>In City Limits Rates</b>	<b>Outside City Limits Rates</b>
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
<b>Commercial Usage</b>	<b>In City Limits Rates</b>	<b>Outside City Limits Rates</b>
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)**

<b>Residential Usage</b>	<b>In City Limits Rates</b>	<b>Outside City Limits Rates</b>
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
<b>Commercial Usage</b>	<b>In City Limits Rates</b>	<b>Outside City Limits Rates</b>
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

*[The remainder of this page left blank intentionally]*

**TABLE 18 – WATER AND WASTEWATER SYSTEM REVENUE AND EXPENDITURES**

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
<b>Revenues</b>					
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
<b>Total Revenues</b>	<b>\$ 13,590,654</b>	<b>\$ 10,057,113</b>	<b>\$ 7,518,331</b>	<b>\$ 6,154,311</b>	<b>\$ 4,781,510</b>
<b>Expenses</b>					
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
<b>Total Expenses</b>	<b>\$ 9,872,582</b>	<b>\$ 7,762,601</b>	<b>\$ 3,924,874</b>	<b>\$ 3,147,229</b>	<b>\$ 3,166,211</b>
<b>Non-Operating Revenues (Expenses)</b>					
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)
<b>Total Nooperating Revenues (Expenses)</b>	<b>\$ (787,225)</b>	<b>\$ (631,828)</b>	<b>\$ (320,465)</b>	<b>\$ (337,850)</b>	<b>\$ (259,997)</b>
<b>Capital grants</b>	<b>\$ -</b>	<b>\$ 800,100</b>	<b>\$ 45,289</b>	<b>\$ -</b>	<b>\$ -</b>
Transfers in for debt service	-	-	-	-	-
<b>Operating Transfer In (Out)</b>	<b>(492,000)</b>	<b>(2,346,769)</b>	<b>(395,000)</b>	<b>(348,050)</b>	<b>(345,000)</b>
<b>Change in Net Assets</b>	<b>2,438,847</b>	<b>116,015</b>	<b>2,923,281</b>	<b>2,321,182</b>	<b>1,010,302</b>
<b>Total net assets, October 1</b>	<b>13,811,815</b>	<b>13,695,800</b>	<b>10,693,409</b>	<b>8,372,227</b>	<b>7,361,925</b>
Prior Period Adjustment	-	-	79,110	-	-
<b>Total net assets, September 30</b>	<b>\$ 16,250,662</b>	<b>\$ 13,811,815</b>	<b>\$ 13,695,800</b>	<b>\$ 10,693,409</b>	<b>\$ 8,372,227</b>

**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 <sup>(1)</sup>	1% Tax Collections <sup>(2)</sup>	% 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 <sup>(3)</sup>	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>

*[The remainder of this page left blank intentionally]*

## 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](http://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 or final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) 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/registrant or the change of name of a paying agent/registrant, if material. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

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

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

*[The remainder of this page left blank intentionally]*



## **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 <sup>(1)</sup>	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 <sup>(1)</sup>	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 <sup>(1)</sup>	3.000%	\$ 385,000	\$ 385,000	9/20/18
	9/1/2022 <sup>(1)</sup>	3.000%	460,000	460,000	9/20/18
	9/1/2024 <sup>(1)</sup>	3.000%	485,000	485,000	9/20/18
	9/1/2026 <sup>(1)</sup>	3.500%	520,000	520,000	9/20/18
	9/1/2028 <sup>(1)</sup>	3.500%	545,000	545,000	9/20/18
	9/1/2030 <sup>(1)</sup>	4.000%	600,000	600,000	9/20/18
	9/1/2032 <sup>(1)</sup>	4.000%	635,000	635,000	9/20/18
			<u>\$ 3,630,000</u>	<u>\$ 3,630,000</u>	

(1) Represents a Term Obligation.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

**THIS PAGE INTENTIONALLY LEFT BLANK**

## THE CITY

### LOCATION

The City of Celina is located in north central Collin and Denton Counties, thirty-five miles north of Dallas and fifteen miles south of the City of McKinney. Access to the City is provided by State Highway 289 and Farm Road 455. The City covers approximately 1.7 square miles. The City's location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. The City's 2010 census figure was 6,028. The City's current population estimate is 14,515.

### ECONOMY

Major employers in the City are:

<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>
Celina ISD	Education	329
City of Celina	Government	124
Celina Ready-Mix Concrete	Cement Manufacturing	69
Brookshire	Retail Grocery	67
Fini Enterprises Inc.	Chemical Manufacturing	68
Independent Bank	Banking	18
Dickerson Construction	Construction	23

Source: City Officials.

### EDUCATION

The City is served by the Celina Independent School District (the "District"). The District is comprised of six campuses, 1 primary school for grades pre-kindergarten through kindergarten, 2 elementary schools for grades first through fifth, 1 sixth grade center, 1 junior high school for grades seventh through eighth and 1 high school for grades ninth through twelfth. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level, and all are equipped with computers and full cafeteria service. The District has 360 employees, 180 of whom are classroom teachers. The District's 2017-2018 active enrollment was 2,586 students.

### RESIDENTIAL AND COMMERCIAL BUILDING CONSTRUCTION

<u>Fiscal Year</u> <u>Ended 9-30</u>	<u>Residential</u>		<u>Commercial</u>		<u>Total</u>	
	<u>Number of Permits</u>	<u>Property Value \$ Amount</u>	<u>Number of Permits</u>	<u>Property Value \$ Amount</u>	<u>Number of Permits</u>	<u>Property Value \$ Amount</u>
2014	346	\$ 122,602,573	3	\$ 3,685,234	349	\$ 126,287,807
2015	448	158,745,528	0	-	448	158,745,528
2016	562	233,428,383	3	184,736	565	233,613,119
2017	908	383,239,478	6	412,161	914	383,651,639
2018 (1)	775	322,339,721	3	229,630	778	322,569,351

Source: City Staff.

(1) As of May 31, 2018.

### HISTORICAL EMPLOYMENT (AVERAGE ANNUAL) (1)

Collin County

	<u>Average Annual</u>				
	<u>2018<sup>(1)</sup></u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Civilian Labor Force	540,245	527,317	512,119	488,234	474,119
Total Employed	522,105	509,347	494,019	470,529	452,567
Total Unemployed	18,140	17,970	18,100	17,705	21,552
Unemployment Rate	3.4%	3.4%	3.5%	3.6%	4.5%

(1) Source: Texas Workforce Commission.

(2) Data through May, 2018.



**THIS PAGE INTENTIONALLY LEFT BLANK**

**APPENDIX B**

EXCERPTS FROM THE

CITY OF CELINA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the City of Celina, Texas Annual Financial Report for the Year Ended September 30, 2017, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

CERTIFIED PUBLIC ACCOUNTANTS

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

Tommy L. Nelson, CPA  
Hannah C. Nelson-Rix, CPA

Members of:  
American Institute of  
Certified Public Accountants

Texas Society of  
Certified Public Accountants

## **Independent Auditor's Report**

To the City Council  
City of Celina, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Celina, Texas ("City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Celina, Texas as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and schedule of contributions on pages 4 through 18, and pages 64 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Celina, Texas basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

*Scott, Singleton, Fincher and Company, PC*

Scott, Singleton, Fincher and Company, PC  
Certified Public Accountants  
Greenville, Texas  
March 23, 2018

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Management's Discussion and Analysis**

The City of Celina presents the City's comprehensive annual financial report. This overview is an analysis of the financial activities of the City for the fiscal year ended September 30, 2017. This discussion should be read in conjunction with the financial statements and related notes. Comparative data is also presented for government-wide and fund financial statements at the end of this section.

### **FINANCIAL HIGHLIGHTS:**

- Government-wide net position reported in the Statement of Net Position is \$46,859,066. Of this amount \$32,112,542 is invested in capital assets or restricted for debt service and capital projects, and the balance of \$14,746,524 is available as unrestricted net position.
- Government-wide net position increased by \$6,674,149 during 2017.
- The City's fund financial statements reported changes in equity as follows:

General Fund – \$566,380 decrease  
Water & Sewer Fund - \$2,438,847 increase  
Debt Service Fund - \$467,819 increase

### **USING THIS ANNUAL REPORT:**

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

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

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

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

**The Statement of Net Position and the Statement of Activities**

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

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

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

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

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

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

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



## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:**

### **Fund Financial Statements**

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

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

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION:**

*Capital Assets* – the City's investment in capital assets reported in governmental activities and business-type activities was \$35,568,437 and \$37,693,768, respectively. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's investment in capital assets for the current fiscal year was \$1,834,935 and \$7,264,944 in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

*Long-term Debt* – at year-end the City had \$62,919,803 in bonds and capital leases outstanding – an increase of \$7,427,988. Additional information on long-term liabilities can be found in note 6 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES:**

The City of Celina continues to see strong population and economic growth. From 2010 to the projected population for 2018, the City of Celina has experienced a population growth of almost 17% over the past nine years. The leading driver of the City's population growth is a strong local housing market. The City issued 903 building permits, compared to 573 permits last year that represent an increase of 330 permits or 57.59%. Accordingly, permit fee collections have increased by \$1,597,410 or 68.42% for the same period. For the fiscal year 2016-2017, the City collected \$3,932,234 in permit fees compared with \$2,334,824 for the same period last year. The increase in building permits and fees is a result of a strategic plan that was put in place in 2011. Although cities have various tools at their disposal to generate growth, the City of Celina, pursuant to the Public Improvement District Act, Texas Local Government Code, Chapter 372, as amended (the "PID Act"), has used this tool with greater frequency and entered into a negotiation with several developers that were interested in developing large housing developments in the southern border of the City. The PID strategy necessitates a continual partnership between the City, the developer and subsequent home owners. Celina uses the PID to fund and maintain public infrastructure through assessments levied against each individual lot or parcel ultimately making the developer or home owner responsible for payment. In 2014, the City created the first PID and issued its first Special Assessment Bonds for the district. As of September 30, 2017 the City of Celina has created seven PIDs with a total bond principal outstanding of \$99,130,000. In addition to the PID strategy, the City has developed a Tax Increment Reinvestment Zone ("TIRZ"), that will assist with funding of infrastructure that is situated outside of PID boundaries and is a responsibility of the city.

The City is not obligated in any manner for this special assessment debt, but merely acts as the developer's agent in handling the debt service transactions by collecting any special assessment collections and forwarding them to the Trustee for payment to the bond holders.

The City understands that diversification of Celina's economy is a key to financial stability. The City of Celina's portion of sales tax collection increased from \$733,881 in FY 2016 to \$958,350 in FY 2017. This amounts to an increase of \$224,469 or 30.59%. The increase follows the trend through the state. The reduction in unemployment in conjunction with the sales tax collection from internet purchases has contributed to the increase. The opening of new retail shops and restaurants played a role in the increase of sales tax revenue as well. Management anticipates a moderate increase through FY 2018.

Total assessed property value for the City of Celina increased from \$660,868,270 in FY 2016 to \$872,961,920 in FY 2017. With the exception of FY 2011, the City of Celina has enjoyed an increase in its property values since FY 2001. This increase is a result of new construction in housing developments and annexation of new parcels of land. Reviewing the history of the City's assessed property values provides evidence of the City's measurable growth in the last decade. By introducing progressive strategies and policies such as PIDs and TIRZ, the City of Celina will expedite and sustain this growth for a foreseeable future.

<b>Fiscal Year</b>	<b>Assessed Value</b>	<b>% Change</b>
2008	\$ 418,824,688	
2009	\$ 463,326,983	10.63%
2010	\$ 464,198,797	0.19%
2011	\$ 454,064,487	-2.18%
2012	\$ 461,631,888	1.67%
2013	\$ 482,230,390	4.46%
2014	\$ 508,695,836	5.49%
2015	\$ 554,892,312	9.08%
2016	\$ 660,868,270	19.10%
2017	\$ 872,961,920	32.09%

### Water

The City of Celina is currently experiencing a tremendous growth in its housing market. During FY 2017 the city has issued an average of 75 new water meters per month. This increase, coupled with climate changes, resulted in a water sales revenue increase of \$1,082,572 or 26.73% over FY 2016.

A review of the history of the City's water sales over the past several years indicates a healthy trend. Although the challenge at hand is complex, the city adopted several policies to ensure both the availability and affordability of water for its residents. The City uses a combination of well water and purchased water from Upper Trinity Regional Water District. The governing body is negotiating with a second provider in the region to increase its water source in response to future growth.

<b>Fiscal Year</b>	<b>Water Sales</b>	<b>% Change</b>
2007	\$ 1,298,932	
2008	\$ 1,598,567	23.07%
2009	\$ 1,602,364	0.24%
2010	\$ 1,944,348	21.34%
2011	\$ 2,549,933	31.15%
2012	\$ 2,548,942	-0.04%
2013	\$ 2,772,632	8.78%
2014	\$ 2,780,983	0.30%
2015	\$ 3,489,083	25.46%
2016	\$ 4,049,673	16.07%
2017	\$ 5,132,245	26.73%

## **Wastewater**

Since the use of wastewater is parallel to water usage, increases in sewer sales revenue will follow water sales revenue trends. Total sewer revenue for FY 2017 increased by \$529,892 or 29.45% over FY 2016. Based on the number of new water meters installed monthly, sewer sales revenues will continue to increase. Unprecedented growth puts enormous pressure on the City's infrastructures in general and wastewater in particular. Despite increases in revenue, a number of challenges remain to fund projects necessary to service population growth. The City of Celina currently owns and operates its water reclamation system and is a member of a regional facility. The City has invested in the construction of phase I of this regional plant that will allow it to use an assigned capacity. Celina needs to expand its owned and operated plant and participate in a phase II expansion of the regional plant. The City has completed its Capital Improvement Plan (CIP) for the next five years and is working to secure funding for these projects for FY 2018.

<b>Fiscal Year</b>	<b>Sewer Sales</b>	<b>% Change</b>
<b>2007</b>	<b>\$ 485,948</b>	
<b>2008</b>	<b>\$ 546,556</b>	<b>12.47%</b>
<b>2009</b>	<b>\$ 572,299</b>	<b>4.71%</b>
<b>2010</b>	<b>\$ 774,022</b>	<b>35.25%</b>
<b>2011</b>	<b>\$ 946,269</b>	<b>22.25%</b>
<b>2012</b>	<b>\$ 994,332</b>	<b>5.08%</b>
<b>2013</b>	<b>\$ 1,060,773</b>	<b>6.68%</b>
<b>2014</b>	<b>\$ 1,160,403</b>	<b>9.39%</b>
<b>2015</b>	<b>\$ 1,409,070</b>	<b>21.43%</b>
<b>2016</b>	<b>\$ 1,799,254</b>	<b>27.69%</b>
<b>2017</b>	<b>\$ 2,329,146</b>	<b>29.45%</b>

The property tax rate for fiscal year 2017 remains unchanged at \$0.645 per \$100 of assessed value. Water and sewer rates remain unchanged. The City is currently conducting a rate study which will take into account the City's water and wastewater rates and if they are sufficient to cover necessary upgrades and additions to the City's water and sewer infrastructure.

**Budget Highlights for FY 2018 Include:**

- A balanced budget that provides for a financially sound city while maintaining high quality of services
- Property tax that remains unchanged at the current rate of \$0.645 per \$100 taxable value
- Water and sewer rates will experience a modest increase as the City concludes a water and wastewater rate study by the end of FY 2018
- Increase in the number of FTEs to 125 which includes 3 new police officers, 1 new firefighter and 8 new employees in Public Works, with the rest of the City's departments adding or eliminating positions to better serve the public and increase efficiency
- Upgrading the City's accounting system to improve accounting controls and provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits require estimates and judgments by management. All internal control evaluations occur within the above framework
- The City of Celina commissioned a compensation rate and classification study for the FY 2018 and is planning to implement the recommendations that have been provided by the study
- The creation of three new departments: Information Technology (IT), Geographic Information System (GIS) and Facilities Maintenance
- Increased and sustained funding for equipment, facilities and infrastructure improvements

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Celina, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the first year that the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Celina also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2016. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT:**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning this report or need for additional information, including financial information for the City's two component units, should be addressed to Jason Laumer, City Manager, or Jay Toutouchian, Director of Finance, by phone at (972) 382-2682 or by e-mail at [jlaumer@celina-tx.gov](mailto:jlaumer@celina-tx.gov) or [jtoutouchian@celina-tx.gov](mailto:jtoutouchian@celina-tx.gov).

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>						
Current and other assets	\$ 26,496,615	\$ 20,375,508	\$ 22,276,646	\$ 20,881,007	\$ 48,773,261	\$ 41,256,515
Capital assets, net	35,568,437	33,733,502	37,693,768	30,428,824	73,262,205	64,162,326
<b>Total Assets</b>	<b>62,065,052</b>	<b>54,109,010</b>	<b>59,970,414</b>	<b>51,309,831</b>	<b>122,035,466</b>	<b>105,418,841</b>
<b>Deferred Outflows of Resources</b>						
Deferred outflows of resources	480,335	488,575	68,329	69,438	548,664	558,013
<b>Total Deferred Outflows of Resources</b>	<b>480,335</b>	<b>488,575</b>	<b>68,329</b>	<b>69,438</b>	<b>548,664</b>	<b>558,013</b>
<b>Liabilities</b>						
Other liabilities	5,598,924	5,371,246	6,967,266	4,604,645	12,566,190	9,975,891
Long-term debt	26,284,924	22,828,040	36,813,467	32,959,219	63,098,391	55,787,259
<b>Total Liabilities</b>	<b>31,883,848</b>	<b>28,199,286</b>	<b>43,780,733</b>	<b>37,563,864</b>	<b>75,664,581</b>	<b>65,763,150</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows of resources	53,135	25,197	7,348	3,590	60,483	28,787
<b>Total Deferred Inflows of Resources</b>	<b>53,135</b>	<b>25,197</b>	<b>7,348</b>	<b>3,590</b>	<b>60,483</b>	<b>28,787</b>
<b>Net Position</b>						
Net investment in capital assets	13,184,763	13,138,978	13,079,265	12,078,113	26,264,028	25,217,091
Restricted for debt service	1,374,295	901,524			1,374,295	901,524
Restricted for capital projects	4,474,219	4,438,649			4,474,219	4,438,649
Unrestricted	11,575,127	7,893,951	3,171,397	1,733,702	14,746,524	9,627,653
<b>Total Net Position</b>	<b>\$ 30,608,404</b>	<b>\$ 26,373,102</b>	<b>\$ 16,250,662</b>	<b>\$ 13,811,815</b>	<b>\$ 46,859,066</b>	<b>\$ 40,184,917</b>

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Program revenues:</b>						
Charges for services	\$ 6,391,343	\$ 4,265,112	\$ 13,590,654	\$ 10,057,113	\$ 19,981,997	\$ 14,322,225
Operating grants/contributions	356,258	368,784			356,258	368,784
Capital grants/contributions	1,011,625	2,578,809	-	800,100	1,011,625	3,378,909
<b>General revenues:</b>						
Ad valorem taxes	5,362,919	4,458,401			5,362,919	4,458,401
Sales taxes	958,350	733,881			958,350	733,881
Franchise Taxes	370,949	429,102			370,949	429,102
Other	985,322	671,241	151,666	114,067	1,136,988	785,308
<b>Total revenues</b>	<b>15,436,766</b>	<b>13,505,330</b>	<b>13,742,320</b>	<b>10,971,280</b>	<b>29,179,086</b>	<b>24,476,610</b>
<b>Expenses:</b>						
Administration	2,550,349	1,592,794			2,550,349	1,592,794
Judicial	155,521	102,803			155,521	102,803
Fire and emergency services	2,414,778	1,957,077			2,414,778	1,957,077
Development services	887,990	683,599			887,990	683,599
Public works	1,104,523	1,080,661			1,104,523	1,080,661
Police department	1,877,574	1,532,829			1,877,574	1,532,829
Parks and recreation	1,263,538	1,084,077			1,263,538	1,084,077
Library	169,326	152,664			169,326	152,664
Infrastructure	353,119	211,300			353,119	211,300
Main street project	55,176	65,279			55,176	65,279
Bond issuance costs	74,569		89,126	514,633	163,695	514,633
Interest and fiscal charges	787,001	710,249			787,001	710,249
Water, Sewer and Sanitation Services			10,722,347	7,993,863	10,722,347	7,993,863
<b>Total Expenses</b>	<b>11,693,464</b>	<b>9,173,332</b>	<b>10,811,473</b>	<b>8,508,496</b>	<b>22,504,937</b>	<b>17,681,828</b>
<b>Excess (deficiency) before transfers</b>	<b>3,743,302</b>	<b>4,331,998</b>	<b>2,930,847</b>	<b>2,462,784</b>	<b>6,674,149</b>	<b>6,794,782</b>
<b>Transfers</b>	<b>492,000</b>	<b>2,346,769</b>	<b>(492,000)</b>	<b>(2,346,769)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>4,235,302</b>	<b>6,678,767</b>	<b>2,438,847</b>	<b>116,015</b>	<b>6,674,149</b>	<b>6,794,782</b>
<b>Net Position - October 1</b>	<b>26,373,102</b>	<b>19,694,335</b>	<b>13,811,815</b>	<b>13,695,800</b>	<b>40,184,917</b>	<b>33,390,135</b>
<b>Net Position - September 30</b>	<b>\$ 30,608,404</b>	<b>\$ 26,373,102</b>	<b>\$ 16,250,662</b>	<b>\$ 13,811,815</b>	<b>\$ 46,859,066</b>	<b>\$ 40,184,917</b>



**CITY OF CELINA, TEXAS  
COMPARATIVE BALANCE SHEETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017 and 2016**

	General Fund	Debt Service Fund	Street Construction Fund	Parkland Fees Fund	Facilities Improvement Fund	Other Governmental Funds	Total Governmental Funds	
							2017	2016
<b>Assets</b>								
Cash and cash equivalents	\$ 7,531,454	\$ 1,369,496	\$ -	\$ -	\$ -	\$ 170,856	\$ 9,071,806	\$ 9,136,808
Investment in Texpool	2,397						2,397	2,382
Cash and cash equivalents - restricted			6,189,975	4,449,577	808,594	5,402,155	16,850,301	10,615,734
Sales taxes receivable	166,159						166,159	146,963
Property taxes receivable, net	25,999	4,952					30,951	38,721
EMS receivable	30,586						30,586	97,300
Other receivables	120,429						120,429	179,085
Prepaid items	3,013						3,013	2,230
Due from component units	159,354						159,354	49,994
Due from other funds	879						879	-
<b>Total Assets</b>	<b>\$ 8,040,270</b>	<b>\$ 1,374,448</b>	<b>\$ 6,189,975</b>	<b>\$ 4,449,577</b>	<b>\$ 808,594</b>	<b>\$ 5,573,011</b>	<b>\$ 26,435,875</b>	<b>\$ 20,269,217</b>
<b>Liabilities</b>								
Accounts payable	324,401		57,345	18,000		83,455	483,201	442,819
Accrued salaries and benefits	309,092	153					309,245	227,873
Due to other funds						879	879	-
Escrowed funds	763,970						763,970	997,028
Unearned revenue	51,003		235,133	3,424,052			3,710,188	3,440,880
<b>Total Liabilities</b>	<b>1,448,466</b>	<b>153</b>	<b>292,478</b>	<b>3,442,052</b>	<b>-</b>	<b>84,334</b>	<b>5,267,483</b>	<b>5,108,600</b>
<b>Deferred Inflows of Resources</b>								
Unavailable property taxes receivable	25,949	4,952					30,901	42,870
<b>Total Deferred Inflows of Resources</b>	<b>25,949</b>	<b>4,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,901</b>	<b>42,870</b>
<b>Fund Balances</b>								
Nonspendable:								
Prepays	3,013						3,013	2,230
Restricted for:								
Capital improvements			5,897,497	1,007,525	808,594	5,320,335	13,033,951	7,083,988
Debt service		1,369,343					1,369,343	901,524
Assigned for use in specific funds						168,342	168,342	-
Unassigned	6,562,842						6,562,842	7,130,005
<b>Total Fund Balances</b>	<b>6,565,855</b>	<b>1,369,343</b>	<b>5,897,497</b>	<b>1,007,525</b>	<b>808,594</b>	<b>5,488,677</b>	<b>21,137,491</b>	<b>15,117,747</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,040,270</b>	<b>\$ 1,374,448</b>	<b>\$ 6,189,975</b>	<b>\$ 4,449,577</b>	<b>\$ 808,594</b>	<b>\$ 5,573,011</b>	<b>\$ 26,435,875</b>	<b>\$ 20,269,217</b>

**CITY OF CELINA, TEXAS**  
**Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Years Ending September 30, 2017 and 2016**

	General Fund	Debt Service Fund	Street Construction Fund	Parkland Fees Fund	Facilities Improvement Fund	Other Governmental Funds	Total Governmental Funds	
							2017	2016
<b>REVENUES:</b>								
Ad valorem taxes	\$ 3,486,892	\$ 1,887,996	\$ -	\$ -	\$ -	\$ -	\$ 5,374,888	\$ 4,453,862
Franchise taxes	370,949						370,949	429,102
Sales tax	958,350						958,350	733,881
Permits and inspection fees	3,959,914						3,959,914	2,357,289
Component unit contributions		200,000					200,000	200,000
Development fees	1,245,943						1,245,943	509,870
Developer park contributions				1,011,625			1,011,625	2,008,809
Fire department, EMS, and police revenues	817,691						817,691	910,360
Fines	209,806						209,806	283,758
Special events and donations	179,417					70,797	250,214	373,421
Park fees and donations	166,403						166,403	206,773
Other income	88,480	154,688				265,143	508,311	397,657
Interest	58,199	13,073	46,234	30,095	4,648	30,828	183,077	111,776
Federal, state and local grants						1,570	1,570	518,784
<b>Total Revenues</b>	<b>11,542,044</b>	<b>2,255,757</b>	<b>46,234</b>	<b>1,041,720</b>	<b>4,648</b>	<b>368,338</b>	<b>15,258,741</b>	<b>13,495,342</b>
<b>EXPENDITURES:</b>								
Administration	2,411,180				22,000		2,433,180	1,458,673
Judicial	153,213						153,213	99,803
Fire and emergency services	2,040,917					490	2,041,407	1,731,896
Development services	868,862						868,862	675,267
Public works	832,539				30,436	80,920	943,895	1,023,572
Police department	1,682,946					5,148	1,688,094	1,414,488
Parks and recreation	729,343			230,000			959,343	819,539
Library	165,768						165,768	153,752
Main street project						55,176	55,176	65,279
Capital outlay	175,927		1,827,998		348,227	1,304,566	3,656,718	8,542,536
Debt Service:								
Principal retirement		1,005,685					1,005,685	841,124
Interest and fiscal charges		782,253					782,253	724,025
Bond issuance cost	74,569						74,569	-
<b>Total Expenditures</b>	<b>9,135,264</b>	<b>1,787,938</b>	<b>1,827,998</b>	<b>230,000</b>	<b>400,663</b>	<b>1,446,300</b>	<b>14,828,163</b>	<b>17,549,954</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,406,780</b>	<b>467,819</b>	<b>(1,781,764)</b>	<b>811,720</b>	<b>(396,015)</b>	<b>(1,077,962)</b>	<b>430,578</b>	<b>(4,054,612)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Proceeds from sale of capital assets	39,165					595,432	634,597	41,825
Issuance of bonds	74,569		2,420,000		658,000	1,310,000	4,462,569	4,510,000
Transfers in (out)	(3,086,894)					3,578,894	492,000	2,346,769
<b>Net Other Financing Sources (Uses)</b>	<b>(2,973,160)</b>	<b>-</b>	<b>2,420,000</b>	<b>-</b>	<b>658,000</b>	<b>5,484,326</b>	<b>5,589,166</b>	<b>6,898,594</b>
<b>Net change in fund balances</b>	<b>(566,380)</b>	<b>467,819</b>	<b>638,236</b>	<b>811,720</b>	<b>261,985</b>	<b>4,406,364</b>	<b>6,019,744</b>	<b>2,843,982</b>
<b>Fund balance, October 1</b>	<b>7,132,235</b>	<b>901,524</b>	<b>5,259,261</b>	<b>195,805.00</b>	<b>546,609</b>	<b>1,082,313</b>	<b>15,117,747</b>	<b>12,273,765</b>
<b>Fund balance, September 30</b>	<b>\$ 6,565,855</b>	<b>\$ 1,369,343</b>	<b>\$ 5,897,497</b>	<b>\$ 1,007,525</b>	<b>\$ 808,594</b>	<b>\$ 5,488,677</b>	<b>\$ 21,137,491</b>	<b>\$ 15,117,747</b>

**CITY OF CELINA, TEXAS**  
**COMPARATIVE STATEMENTS OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
	<b>Enterprise Fund</b>	<b>Enterprise Fund</b>
	<b>Water &amp; Sewer</b>	<b>Water &amp; Sewer</b>
	<b>Activities</b>	<b>Activities</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,303,543	\$ 2,850,035
Cash and cash equivalents - restricted for capital projects	830,443	1,272,139
Investment in TexPool	3,202	3,183
Accounts receivable, net	1,148,818	957,564
Prepaid UTRWD facilities charges	393,023	393,023
<b>Total current assets</b>	<b>9,679,029</b>	<b>5,475,944</b>
<b>Noncurrent Assets:</b>		
Cash and cash equivalents - restricted for capital projects	12,198,964	14,608,508
Prepaid UTRWD facilities charges	393,023	786,047
Net pension asset	5,630	10,507
<b>Capital Assets:</b>		
Non-depreciable land	1,328,043	304,115
Non-depreciable construction in progress	19,284,479	12,923,618
Depreciable capital assets, net	17,081,246	17,201,091
<b>Capital Assets, net</b>	<b>37,693,768</b>	<b>30,428,824</b>
<b>Total noncurrent assets</b>	<b>50,291,385</b>	<b>45,833,886</b>
<b>Deferred outflows of resources:</b>		
Deferred outflows - related to pensions	68,329	69,439
<b>Total deferred outflows of resources</b>	<b>68,329</b>	<b>69,439</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 60,038,743</b>	<b>\$ 51,379,269</b>
<b>Liabilities</b>		
Accounts payable	715,066	403,116
Accounts payable for capital projects	830,443	1,272,139
Accrued expenses	61,679	42,412
Bonds payable - current	1,744,829	1,251,277
Infrastructure advance from CISO - current	113,953	106,270
Leases payable - current	-	18,704
Accrued interest payable	105,278	107,240
Meter deposits payable	454,695	403,003
Unearned revenue	4,800,105	2,250,762
Escrow deposits	-	125,973
<b>Total current liabilities</b>	<b>8,826,048</b>	<b>5,980,896</b>
Infrastructure advance from CISO - long-term	64,635	189,174
Bonds payable - long-term	34,890,050	31,393,794
<b>Total non-current liabilities</b>	<b>34,954,685</b>	<b>31,582,968</b>
<b>Total liabilities</b>	<b>43,780,733</b>	<b>37,563,864</b>
<b>Deferred inflows of resources:</b>		
Deferred inflows - related to pensions	7,348	3,590
<b>Total deferred inflows of resources</b>	<b>7,348</b>	<b>3,590</b>
<b>Net Position</b>		
Net investment in capital assets	13,079,265	12,078,113
Restricted for capital projects, net of related debt (\$12,198,964 each, 2017) (\$15,880,647 each, 2016)	-	-
Unrestricted	3,171,397	1,733,702
<b>Total Net Position</b>	<b>\$ 16,250,662</b>	<b>\$ 13,811,815</b>

**CITY OF CELINA, TEXAS**  
**Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues:</b>		
Water sales	\$ 5,132,245	\$ 4,049,673
Sewer sales	2,329,146	1,799,254
Garbage fees	539,881	462,390
Penalties	122,432	97,765
Tap and reconnect fees	1,680,010	1,094,505
Impact fees	2,244,287	1,366,400
Other revenues	1,542,653	1,187,126
<b>Total Operating Revenues</b>	<u><b>13,590,654</b></u>	<u><b>10,057,113</b></u>
<b>Operating Expenses:</b>		
Salaries and benefits	888,559	740,428
Garbage fees	483,403	415,983
Materials and supplies	767,419	472,414
Postage	38,723	34,827
Repairs and facility maintenance	300,479	284,682
General insurance	15,420	14,420
Utilities and telephone	293,716	296,418
Water purchases and related fees	2,970,312	1,943,073
UTRWD facilities charges	393,023	663,271
Impact fees expense	2,286,900	1,366,400
Depreciation & amortization	890,200	702,950
Bond issuance costs	89,126	514,633
Other expense	455,302	313,102
<b>Total Operating Expenses</b>	<u><b>9,872,582</b></u>	<u><b>7,762,601</b></u>
<b>Operating Income</b>	<u><b>\$ 3,718,072</b></u>	<u><b>\$ 2,294,512</b></u>

(Continued)

**CITY OF CELINA, TEXAS**  
**Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	\$ 151,666	\$ 114,067
Interest and fiscal charges	(938,891)	(745,895)
<b>Total non-operating Revenues (Expenses)</b>	<u>(787,225)</u>	<u>(631,828)</u>
<b>Income before contributions and transfers</b>	<b>2,930,847</b>	<b>1,662,684</b>
Capital contribution	-	800,100
Transfers out to other funds	(492,000)	(2,346,769)
<b>Change in net position</b>	<b>2,438,847</b>	<b>116,015</b>
<b>Net position, October 1</b>	<b>13,811,815</b>	<b>13,695,800</b>
<b>Net position, September 30</b>	<b><u>\$ 16,250,662</u></b>	<b><u>\$ 13,811,815</u></b>

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT WIDE  
FINANCIAL STATEMENTS**

**CITY OF CELINA, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 9,071,806	\$ 7,303,543	\$ 16,375,349	\$ 1,170,380
Investment in Texpool	2,397	3,202	5,599	
Property taxes receivable, net	25,999		25,999	
Sales taxes receivable	166,159		166,159	166,159
Accounts receivable, net	30,586	1,148,818	1,179,404	
Other receivables	140,193		140,193	
Due from component units	159,354		159,354	
Prepaid items	3,013	786,046	789,059	
Net pension asset	41,855	5,630	47,485	
Restricted assets:				
Cash and cash equivalents	16,850,301	13,029,407	29,879,708	
Property taxes receivable, net	4,952		4,952	
Capital assets:				
Land	3,627,345	1,328,043	4,955,388	
Construction in progress	292,982	19,284,479	19,577,461	484,660
Capital assets, net	31,648,110	17,081,246	48,729,356	
Total Assets	62,065,052	59,970,414	122,035,466	1,821,199
Deferred outflows of resources:				
Deferred outflows - related to pensions	480,335	68,329	548,664	
Total Assets and deferred outflows of resources	62,545,387	60,038,743	122,584,130	1,821,199
Liabilities				
Accounts payable	483,201	715,066	1,198,267	
Accrued salaries and benefits	565,621	61,679	627,300	
Unearned revenue	3,710,188	4,800,105	8,510,293	
Meter deposits payable		454,695	454,695	
Escrow deposits	763,970	-	763,970	
Due to primary government				159,354
Payable from restricted assets:				
Accounts payable for capital projects		830,443	830,443	
Accrued interest	75,944	105,278	181,222	
Long-term liabilities:				
Due within one year:				
Bonds payable	1,465,920	1,744,829	3,210,749	
Infrastructure advance from CISD		113,953	113,953	
Due in more than one year:				
Note Payable				978,061
Bonds payable	24,819,004	34,890,050	59,709,054	
Infrastructure advance from CISD		64,635	64,635	
Total Liabilities	31,883,848	43,780,733	75,664,581	1,137,415
Deferred inflows of resources:				
Deferred inflows - related to pensions	53,135	7,348	60,483	
Total deferred inflows of resources	53,135	7,348	60,483	-
Net Position				
Net investment in capital assets	13,184,763	13,079,265	26,264,028	
Restricted for debt service	1,374,295		1,374,295	
Restricted for capital projects (\$8,375,469) net of related debt (\$3,901,250)	4,474,219		4,474,219	
Restricted for capital projects (\$12,198,964) net of related debt (\$12,198,964)		-		
Unrestricted	11,575,127	3,171,397	14,746,524	683,784
Total Net Position	\$ 30,608,404	\$ 16,250,662	\$ 46,859,066	\$ 683,784

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



**CITY OF CELINA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Aggregate Component Units
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
<b>Governmental activities:</b>								
Administration	\$ 2,624,918	\$ -	\$ -	\$ -	\$ (2,624,918)		\$ (2,624,918)	\$ -
Judicial	155,521				(155,521)		(155,521)	
Fire and emergency services	2,414,778	817,691			(1,597,087)		(1,597,087)	
Development services	887,990	1,245,943			357,953		357,953	
Public works	1,104,523	3,959,914			2,855,391		2,855,391	
Police department	1,877,574	201,392	1,570		(1,674,612)		(1,674,612)	
Parks and recreation	1,263,538	166,403		1,011,625	(85,510)		(85,510)	
Library	169,326				(169,326)		(169,326)	
Infrastructure	353,119				(353,119)		(353,119)	
Main street project	55,176				(55,176)		(55,176)	
Economic development					-		-	(835,440)
Community development								(200,000)
Interest and fiscal charges	787,001		354,688		(432,313)		(432,313)	
<b>Total governmental activities</b>	<b>11,693,464</b>	<b>6,391,343</b>	<b>356,258</b>	<b>1,011,625</b>	<b>(3,934,238)</b>		<b>(3,934,238)</b>	<b>(1,035,440)</b>
<b>Business-type activities:</b>								
Water and sewer services	10,811,473	13,590,654				2,779,181	2,779,181	
<b>Total business-type activities</b>	<b>10,811,473</b>	<b>13,590,654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,779,181</b>	<b>2,779,181</b>	
<b>Total all activities</b>	<b>\$ 22,504,937</b>	<b>\$ 19,981,997</b>	<b>\$ 356,258</b>	<b>\$ 1,011,625</b>	<b>\$ (3,934,238)</b>	<b>\$ 2,779,181</b>	<b>\$ (1,155,057)</b>	<b>\$ (1,035,440)</b>
<b>General revenues:</b>								
Ad valorem taxes					5,362,919		5,362,919	
Sales taxes					958,350		958,350	953,996
Franchise taxes					370,949		370,949	
Miscellaneous					802,245		802,245	
Unrestricted investment earnings					183,077	151,666	334,743	6,893
Transfers					492,000	(492,000)	-	
<b>Total general revenues and transfers</b>					<b>8,169,540</b>	<b>(340,334)</b>	<b>7,829,206</b>	<b>960,889</b>
<b>Change in net position</b>					<b>4,235,302</b>	<b>2,438,847</b>	<b>6,674,149</b>	<b>(74,551)</b>
<b>Net Position-beginning of year</b>					<b>26,373,102</b>	<b>13,811,815</b>	<b>40,184,917</b>	<b>758,335</b>
<b>Net Position-end of year</b>					<b>\$ 30,608,404</b>	<b>\$ 16,250,662</b>	<b>\$ 46,859,066</b>	<b>\$ 683,784</b>

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

**GOVERNMENTAL FUNDS  
FINANCIAL STATEMENTS**

**CITY OF CELINA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2017**

	General Fund	Debt Service Fund	Street Construction Fund	Parkland Fees Fund	Facilities Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>							
Cash and cash equivalents	\$ 7,531,454	\$ 1,369,496	\$ -	\$ -	\$ -	\$ 170,856	\$ 9,071,806
Investment in Texpool	2,397						2,397
Cash and cash equivalents - restricted			6,189,975	4,449,577	808,594	5,402,155	16,850,301
Sales taxes receivable	166,159						166,159
Property taxes receivable, net	25,999	4,952					30,951
EMS receivable, net	30,586						30,586
Other receivables	120,429						120,429
Prepaid items	3,013						3,013
Due from component units	159,354						159,354
Due from other funds	879						879
<b>Total Assets</b>	<b>\$ 8,040,270</b>	<b>\$ 1,374,448</b>	<b>\$ 6,189,975</b>	<b>\$ 4,449,577</b>	<b>\$ 808,594</b>	<b>\$ 5,573,011</b>	<b>\$ 26,435,875</b>
<b><u>Liabilities</u></b>							
Accounts payable	324,401		57,345	18,000		83,455	483,201
Accrued salaries and benefits	309,092	153					309,245
Due to other funds						879	879
Escrowed funds	763,970						763,970
Unearned revenue	51,003		235,133	3,424,052			3,710,188
<b>Total Liabilities</b>	<b>1,448,466</b>	<b>153</b>	<b>292,478</b>	<b>3,442,052</b>	<b>-</b>	<b>84,334</b>	<b>5,267,483</b>
<b><u>Deferred Inflows of Resources</u></b>							
Unavailable property taxes receivable	25,949	4,952					30,901
<b>Total Deferred Inflows of Resources</b>	<b>25,949</b>	<b>4,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,901</b>
<b><u>Fund Balances</u></b>							
Nonspendable:							
Prepays	3,013						3,013
Restricted for:							
Capital Projects			5,897,497	1,007,525	808,594	5,320,335	13,033,951
Debt Service		1,369,343					1,369,343
Assigned for use in specific funds						168,342	168,342
Unassigned	6,562,842						6,562,842
<b>Total Fund Balances</b>	<b>6,565,855</b>	<b>1,369,343</b>	<b>5,897,497</b>	<b>1,007,525</b>	<b>808,594</b>	<b>5,488,677</b>	<b>21,137,491</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 8,040,270</b>	<b>\$ 1,374,448</b>	<b>\$ 6,189,975</b>	<b>\$ 4,449,577</b>	<b>\$ 808,594</b>	<b>\$ 5,573,011</b>	<b>\$ 26,435,875</b>

**CITY OF CELINA, TEXAS**  
**Reconciliation of the Governmental Fund Balance Sheet**  
**to the Statement of Net Position**  
**Year Ended September 30, 2017**

<b>Amounts presented for governmental activities in the statement of net position are different because:</b>	<b>\$ 21,137,491</b>
Capital assets reported in the statement of net position are not financial resources and are not reported in the fund balance sheet.	35,568,437
Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred property taxes of \$30,901 and fines receivable of \$19,764.	50,665
Net pension assets \$41,855 the related deferred outflows of resources \$480,335, the related deferred inflows of resources (\$53,135) are not available to pay current-period expenditures and therefore are not recorded in the funds.	469,055
Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the date due.	(75,944)
Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet.	<u>(26,541,300)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 30,608,404</u></b>

**CITY OF CELINA, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2017**

	General Fund	Debt Service Fund	Street Construction Fund	Parkland Fees Fund	Facilities Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Ad valorem taxes	\$ 3,486,892	\$ 1,887,996	\$ -	\$ -	\$ -	\$ -	\$ 5,374,888
Franchise taxes	370,949						370,949
Sales tax	958,350						958,350
Permits and inspection fees	3,959,914						3,959,914
Component unit contributions		200,000					200,000
Development fees	1,245,943						1,245,943
Developer park contributions				1,011,625			1,011,625
Fire department, EMS, and police revenues	817,691						817,691
Fines	209,806						209,806
Special events and donations	179,417					70,797	250,214
Park fees and donations	166,403						166,403
Other income	88,480	154,688				265,143	508,311
Interest	58,199	13,073	46,234	30,095	4,648	30,828	183,077
Federal, state & local grants						1,570	1,570
<b>Total Revenues</b>	<b>11,542,044</b>	<b>2,255,757</b>	<b>46,234</b>	<b>1,041,720</b>	<b>4,648</b>	<b>368,338</b>	<b>15,258,741</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Administration	2,411,180				22,000		2,433,180
Judicial	153,213						153,213
Fire and emergency services	2,040,917					490	2,041,407
Development services	868,862						868,862
Public works	832,539				30,436	80,920	943,895
Police department	1,682,946					5,148	1,688,094
Parks and recreation	729,343			230,000			959,343
Library	165,768						165,768
Main street project						55,176	55,176
Capital Outlay	175,927		1,827,998		348,227	1,304,566	3,656,718
<b>Debt Service:</b>							
Principal		1,005,685					1,005,685
Interest and fiscal charges		782,253					782,253
Bond issuance cost	74,569						74,569
<b>Total Expenditures</b>	<b>9,135,264</b>	<b>1,787,938</b>	<b>1,827,998</b>	<b>230,000</b>	<b>400,663</b>	<b>1,446,300</b>	<b>14,828,163</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,406,780</b>	<b>467,819</b>	<b>(1,781,764)</b>	<b>811,720</b>	<b>(396,015)</b>	<b>(1,077,962)</b>	<b>430,578</b>
<b>Other Financing Sources (Uses):</b>							
Proceeds from sale of assets	39,165					595,432	634,597
Issuance of bonds	74,569		2,420,000		658,000	1,310,000	4,462,569
Transfers in (out)	(3,086,894)					3,578,894	492,000
<b>Net Other Financing Sources (Uses)</b>	<b>(2,973,160)</b>	<b>-</b>	<b>2,420,000</b>	<b>-</b>	<b>658,000</b>	<b>5,484,326</b>	<b>5,589,166</b>
<b>Net change in fund balances</b>	<b>(566,380)</b>	<b>467,819</b>	<b>638,236</b>	<b>811,720</b>	<b>261,985</b>	<b>4,406,364</b>	<b>6,019,744</b>
<b>Fund balance, October 1</b>	<b>7,132,235</b>	<b>901,524</b>	<b>5,259,261</b>	<b>195,805</b>	<b>546,609</b>	<b>1,082,313</b>	<b>15,117,747</b>
<b>Fund balance, September 30</b>	<b>\$ 6,565,855</b>	<b>\$ 1,369,343</b>	<b>\$ 5,897,497</b>	<b>\$ 1,007,525</b>	<b>\$ 808,594</b>	<b>\$ 5,488,677</b>	<b>\$ 21,137,491</b>

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

**CITY OF CELINA, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended September 30, 2017**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 6,019,744</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$3,656,718 exceeded depreciation expense of \$(1,385,594).	2,271,124
In the statement of activities, the gain on the disposal of assets is reported, but in the governmental funds, proceeds from the sale increase current financial resources. The change in net position differs from the change in fund balance by the net book value of the assets disposed.	(436,189)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt retired for the year \$982,511, less new bonds issued (\$4,390,000) and deferred bond credits (\$72,569).	(3,480,058)
Changes in the liabilities for compensated absences do not require the use of current resources and therefore are not recorded in the funds.	(64,926)
Changes in long term amounts for net pension assets (\$36,258), the related deferred outflows of resources related to pensions (\$8,240), and the related deferred inflows of resources related to pensions (\$27,938) are not recorded in the funds.	(72,436)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in deferred inflows from ad valorem taxes of (\$11,969) and the change in fines receivable (\$8,414) and EMS receivables \$(-0-).	(20,383)
Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the amortization of bond premiums, \$23,174; and the increase in accrued interest on debt (\$4,748).	18,426
<b>Change in net position - governmental activities</b>	<b><u>\$ 4,235,302</u></b>

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

**CITY OF CELINA, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**Year Ended September 30, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES:</b>				
Ad valorem taxes	\$ 3,438,028	\$ 3,486,870	\$ 3,486,892	\$ 22
Franchise taxes	314,161	365,300	370,949	5,649
Sales tax	639,757	939,150	958,350	19,200
Permits and inspection fees	2,556,500	3,959,955	3,959,914	(41)
Development fees	125,000	1,245,940	1,245,943	3
Fire department and EMS revenues	259,200	817,638	817,691	53
Fines	309,185	203,280	209,806	6,526
Special events and donations	234,308	179,406	179,417	11
Park fees	171,000	166,440	166,403	(37)
Other income	40,137	52,632	88,480	35,848
Interest	45,500	58,200	58,199	(1)
<b>Total Revenues</b>	<b>8,132,776</b>	<b>11,474,811</b>	<b>11,542,044</b>	<b>67,233</b>
<b>EXPENDITURES:</b>				
Administration	2,388,009	2,411,218	2,411,180	38
Judicial	156,748	153,267	153,213	54
Fire and emergency services	2,059,979	2,032,168	2,040,917	(8,749)
Development services	1,149,608	869,200	868,862	338
Public works	851,546	806,001	832,539	(26,538)
Police department	1,786,966	1,687,532	1,682,946	4,586
Parks and recreation	821,568	729,513	729,343	170
Library	177,857	165,787	165,768	19
Capital outlay	198,290	175,935	175,927	8
Debt service:				
Bond issuance cost	-	-	74,569	(74,569)
<b>Total Expenditures</b>	<b>9,590,571</b>	<b>9,030,621</b>	<b>9,135,264</b>	<b>(104,643)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,457,795)</b>	<b>2,444,190</b>	<b>2,406,780</b>	<b>(37,410)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of assets	-	39,150	39,165	15
Issuance of bonds	-	-	74,569	74,569
Transfers in (out)	1,458,000	(17,000)	(3,086,894)	(3,069,894)
<b>Total Other Financing Sources (Uses)</b>	<b>1,458,000</b>	<b>22,150</b>	<b>(2,973,160)</b>	<b>(2,995,310)</b>
<b>Net change in fund balance</b>	<b>205</b>	<b>2,466,340</b>	<b>(566,380)</b>	<b>(3,032,720)</b>
<b>Fund balance, October 1</b>	<b>7,132,235</b>	<b>7,132,235</b>	<b>7,132,235</b>	<b>-</b>
<b>Fund balance, September 30</b>	<b>\$ 7,132,440</b>	<b>\$ 9,598,575</b>	<b>\$ 6,565,855</b>	<b>\$ (3,032,720)</b>

**SCHEDULE NOTES:**

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

**PROPRIETARY FUND  
FINANCIAL STATEMENTS**



**CITY OF CELINA, TEXAS  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2017**

	<u><b>Enterprise Fund Water &amp; Sewer Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,303,543
Cash and cash equivalents - restricted for capital projects	830,443
Investment in TexPool	3,202
Accounts receivable, net	1,148,818
Prepaid UTRWD facilities charges	393,023
<b>Total current assets</b>	<u><b>9,679,029</b></u>
<b>Noncurrent Assets:</b>	
Cash and cash equivalents - restricted for capital projects	12,198,964
Prepaid UTRWD facilities charges	393,023
Net pension asset	5,630
<b>Capital Assets:</b>	
Non-depreciable land	1,328,043
Non-depreciable construction in progress	19,284,479
Depreciable capital assets, net	17,081,246
<b>Capital Assets, net</b>	<u><b>37,693,768</b></u>
<b>Total noncurrent assets</b>	<u><b>50,291,385</b></u>
<b>Deferred outflows of resources:</b>	
Deferred outflows - related to pensions	68,329
<b>Total deferred outflows of resources</b>	<u><b>68,329</b></u>
<b>Total assets and deferred outflows of resources</b>	<u><b>\$ 60,038,743</b></u>
<b>Liabilities</b>	
Accounts payable	715,066
Accounts payable for capital projects	830,443
Accrued salaries and benefits	61,679
Bonds payable - current	1,744,829
Infrastructure advance from CISD - current	113,953
Accrued interest payable	105,278
Meter deposits payable	454,695
Unearned revenue	4,800,105
<b>Total current liabilities</b>	<u><b>8,826,048</b></u>
Infrastructure advance from CISD - long-term	64,635
Bonds payable - long-term	34,890,050
<b>Total non-current liabilities</b>	<u><b>34,954,685</b></u>
<b>Total liabilities</b>	<u><b>43,780,733</b></u>
<b>Deferred inflows of resources:</b>	
Deferred inflows - related to pensions	7,348
<b>Total deferred inflows of resources</b>	<u><b>7,348</b></u>
<b>Net Position</b>	
Net investment in capital assets	13,079,265
Restricted for capital projects (\$12,198,964), net of related debt (\$12,198,964)	-
Unrestricted	3,171,397
<b>Total Net Position</b>	<u><b>\$ 16,250,662</b></u>

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

**City of Celina, Texas**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year Ended September 30, 2017**

	<u><b>Enterprise Fund</b></u> <u><b>Water &amp; Sewer</b></u> <u><b>Activities</b></u>
<b>Operating revenues:</b>	
Water sales	\$ 5,132,245
Sewer sales	2,329,146
Garbage fees	539,881
Penalties	122,432
Tap and reconnect fees	1,680,010
Impact fees	2,244,287
Other revenues	1,542,653
<b>Total Operating Revenues</b>	<u><b>13,590,654</b></u>
<b>Operating expenses:</b>	
Salaries and benefits	888,559
Garbage fees	483,403
Materials and supplies	767,419
Postage	38,723
Repairs and facility maintenance	300,479
General insurance	15,420
Utilities and telephone	293,716
Water purchases and related fees	2,970,312
UTRWD facilities charges	393,023
Impact fees expense	2,286,900
Depreciation & amortization	890,200
Bond issuance costs	89,126
Other expense	455,302
<b>Total Operating Expenses</b>	<u><b>9,872,582</b></u>
<b>Operating Income</b>	<u><b>\$ 3,718,072</b></u>
<b>Non-operating revenues (expenses):</b>	
Interest income	\$ 151,666
Interest and fiscal charges	(938,891)
<b>Total non-operating revenues (expenses)</b>	<u><b>(787,225)</b></u>
<b>Income (loss) before contributions and transfers</b>	<b>2,930,847</b>
Transfers in (out)	(492,000)
<b>Change in net position</b>	<b>2,438,847</b>
<b>Net position, October 1</b>	<u><b>13,811,815</b></u>
<b>Net position, September 30</b>	<u><b>\$ 16,250,662</b></u>

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

**CITY OF CELINA, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2017**

	<u><b>Enterprise Fund</b></u> <u><b>Water &amp; Sewer</b></u> <u><b>Activities</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from customers and users	\$ 15,948,743
Cash paid to suppliers	(7,830,545)
Cash paid to employees	(859,547)
<b>Net cash provided (used) by operating activities</b>	<u><b>7,258,651</b></u>
<b>Cash flows from noncapital financing activities:</b>	
Change in customer deposits	51,692
Transfers to other funds	(492,000)
<b>Net cash provided (used) by noncapital financing activities</b>	<u><b>(440,308)</b></u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(8,155,144)
Change in escrow deposits	(125,973)
Bond proceeds	5,241,085
Principal payments - bonds payable	(1,032,490)
Principal payments - other obligations	(116,856)
Principal payments - capital leases	(18,704)
Interest paid on bonds payable and other long-term obligations	(1,159,640)
<b>Net cash provided (used) by capital and related financing activities</b>	<u><b>(5,367,722)</b></u>
<b>Cash flows from investing activities:</b>	
Net redemptions (purchases) of investments	(19)
Investment income	151,666
<b>Net cash provided (used) by investing activities</b>	<u><b>151,647</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,602,268</b>
<b>Cash and cash equivalents, October 1</b>	<u><b>18,730,682</b></u>
<b>Cash and cash equivalents, September 30</b>	<u><b>\$ 20,332,950</b></u>

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

**CITY OF CELINA, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2017**

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

	<u>Enterprise Fund</u> <u>Water &amp; Sewer</u> <u>Activities</u>
<b>Operating income</b>	<b>\$ 3,718,072</b>
<b>Adjustments to reconcile net income to net cash provided (used)</b> <b>by operating activities:</b>	
Depreciation and amortization	890,200
(Increase) decrease in accounts receivable (net)	(191,254)
(Increase) decrease in prepaid expenses	393,024
(Increase) decrease in net pension asset	4,877
(Increase) decrease in deferred outflows of resources	1,110
Increase (decrease) in accounts payable	(129,746)
Increase (decrease) in accrued expenses	19,267
Increase (decrease) in unearned revenues	2,549,343
Increase (decrease) in deferred inflows of resources	<u>3,758</u>
<b>Total Adjustments</b>	<u><b>3,540,579</b></u>
<b>Net cash provided by operating activities</b>	<u><b>\$ 7,258,651</b></u>

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

**FIDUCIARY FUND  
FINANCIAL STATEMENTS**

**CITY OF CELINA, TEXAS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
SEPTEMBER 30, 2017**

<b>Assets</b>	
Cash and cash equivalents	\$ 90
<b>Total current assets</b>	<u>90</u>
 <b>Total assets</b>	 <u><u>\$ 90</u></u>
 <b>Liabilities</b>	
Due to tax collection agency	<u>90</u>
<b>Total current liabilities</b>	<u>90</u>
 <b>Total liabilities</b>	 <u><u>\$ 90</u></u>

# **NOTES TO FINANCIAL STATEMENTS**

**City of Celina, Texas**  
**Notes to Financial Statements**  
**September 30, 2017**

**1. Introduction and Summary of Significant Accounting Policies**

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

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remaining notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2017.

**(A) Reporting Entity and Related Organizations**

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

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

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2017:

**Discretely Presented Component Units:**

Celina Economic Development Corporation (CEDC) - CEDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CEDC board for cause. The City has the ability to impose its will on CEDC and the potential for financial benefit or burden from CEDC's operations. CEDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Celina, Texas.



## **1. Introduction and Summary of Significant Accounting Policies - continued**

Celina Community Development Corporation (CCDC) - CCDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CCDC board for cause. The City has the ability to impose its will on CCDC and the potential for financial benefit or burden from CCDC's operations. CCDC is a nonprofit corporation governed by Section 4B of the Texas Development Corporation Act of 1979 and organized for the public purpose of the promotion and development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare of the City of Celina, Texas.

Neither CEDC nor CCDC prepare separate financial statements.

### **(B) Government-Wide and Fund Financial Statements**

#### *Government-wide financial statements*

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

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

#### *Fund financial statements*

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

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

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

## **1. Introduction and Summary of Significant Accounting Policies - continued**

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

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

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

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

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

### **(D) Fund Types and Major Funds**

#### *Governmental Funds*

The City reports the following major governmental funds:

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

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

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

## 1. Introduction and Summary of Significant Accounting Policies - continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following are non-budgeted funds: Grants Fund, Law Enforcement Fund, Contributions/Donations Fund, Court Security Fund, Court Technology Fund, and Capital Acquisition Fund as those are new funds for the city.

## **1. Introduction and Summary of Significant Accounting Policies - continued**

### *Proprietary Funds*

The City reports the following major Proprietary fund:

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

The City reports the following fiduciary fund:

*Agency Fund* – accounts for property taxes collected as agent for the obligors of Tax Increment Reinvestment Zone (TIRZ) bonds. These funds are then transferred to the bond paying agent on behalf of the obligors. This fund is purely custodial (assets equal liabilities) and does not involve the measurement of the results of operations.

### **(E) Assets, Liabilities and Net Position or Equity**

#### **Cash and Investments**

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

Investments are stated at fair value within the fair value hierarchy established by generally accepted accounting principles.

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

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

#### **Inventories and Prepaids**

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

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

#### **Deferred Inflows and Outflows of Resources**

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

## **1. Introduction and Summary of Significant Accounting Policies – continued**

### **Capital Assets, Depreciation, and Amortization**

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

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

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

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

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

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

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

### **Pensions**

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

## **1. Introduction and Summary of Significant Accounting Policies – continued**

### **Compensated Absences**

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

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

### **Fund Equity**

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

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

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

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

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

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

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

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

## **1. Introduction and Summary of Significant Accounting Policies – continued**

### **(F) Risk Management**

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

### **(G) Estimates**

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

## **2. Stewardship, Compliance, and Accountability**

### **Budgetary Information**

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

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

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

### 3. Deposits and Investments

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

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

#### Investments

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 5,599	37 days
Total Investments	<u>\$ 5,599</u>	

TexPool is a public funds investment pool overseen by the Texas State Comptroller of Public Accounts acting by and through its full service provider, Federated Investors is empowered to invest funds and act as custodian of investments purchased with local investment funds. Authorized investments of TexPool include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements. TexPool is rated for credit risk as AAAm.

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Treasurer (in his absence the City Manager). Investing is performed in accordance with investment policies adopted by the City Council in compliance with the Public Funds Investment Act (PFIA). City investment policy and the PFIA generally permit the City to invest in FDIC insured or fully collateralized certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas, and obligations of agencies, counties, cities and other political subdivisions of Texas having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended September 30, 2017, the City did not own any types of securities other than those permitted by the City investment policy or the Public Funds Investment Act.



### 3. Deposits and Investments – continued

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

Operating funds - 30 days

Capital project funds - corresponding draw schedules

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

Bond reserve funds - (5) five years

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

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

### 4. Receivables, Uncollectible Accounts, and Unearned Revenue

#### *Proprietary Fund Receivables, Uncollectible Accounts and Unearned Revenue*

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

Accounts receivable, gross	\$1,215,655
Less: allowance for uncollectible accounts	( 66,837)
Net accounts receivable	<u>\$1,148,818</u>

The City has recorded unearned revenue of \$4,800,105 water and sewer impact fees and sewer capacity fees that have been collected, but are awaiting expenditure for the designated purpose.

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

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Collin County Central Appraisal District at 100% of market value.

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

The property tax rate for the year ended September 30, 2017 was .645 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund:

Maintenance and operations-General Fund	.4233
Debt Service Fund	<u>.2217</u>
Total tax rate	<u>.6450</u>

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

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

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

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

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

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

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

##### *Allowance for Uncollectible Taxes*

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

##### *Fines and Court Costs Receivable and Related Allowances*

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

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

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

##### *Grants Receivable*

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

#### 5. Capital Assets

The following tables provide a summary of changes in capital assets, including assets recorded under capital leases:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<b>Governmental Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 3,646,797	\$ 416,737	\$ 436,189	\$ 3,627,345
Construction in progress	<u>3,299,139</u>	<u>292,982</u>	<u>3,299,139</u>	<u>292,982</u>
Total nondepreciable capital assets	6,945,936	709,719	3,735,328	3,920,327
Depreciable capital assets:				
Buildings and improvements	6,153,429	744,010		6,897,439
Parks	12,240,281			12,240,281
Road infrastructure	12,697,523	2,908,076		15,605,599
Furniture and equipment	1,629,224	897,426	23,896	2,502,754
Vehicles	<u>1,574,702</u>	<u>1,696,626</u>	<u>174,798</u>	<u>3,096,530</u>
Total depreciable capital assets	34,295,159	6,246,138	198,694	40,342,603
Total capital assets	41,241,095	6,955,857	3,934,022	44,262,930
Less: accumulated depreciation				
Buildings and improvements	338,047	177,488		515,535
Parks	1,791,035	245,515		2,036,550
Road infrastructure	3,735,149	353,119		4,088,268
Furniture and equipment	771,387	266,434	23,896	1,013,925
Vehicles	<u>871,975</u>	<u>343,038</u>	<u>174,798</u>	<u>1,040,215</u>
Total accumulated depreciation	7,507,593	1,385,594	198,694	8,694,493
Capital assets, net	<u>\$ 33,733,502</u>	<u>\$ 5,570,263</u>	<u>\$ 3,735,328</u>	<u>\$ 35,568,437</u>

## 5. Capital Assets – continued

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<b>Business-Type Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 304,115	\$ 1,023,928	\$ -	\$ 1,328,043
Construction in progress	12,923,619	6,360,860		19,284,479
Total nondepreciable capital assets	13,227,734	7,384,788	-	20,612,522
Depreciable capital assets:				
Buildings and improvements	43,769			43,769
Water & sewer infrastructure	23,304,974		566,056	22,738,918
Vehicles	274,850	770,356		1,045,206
Equipment	1,393,328			1,393,328
Total depreciable capital assets	25,016,921	770,356	566,056	25,221,221
Total capital assets	38,244,655	8,155,144	566,056	45,833,743
Less: accumulated depreciation				
Buildings and improvements	25,714	1,094		26,808
Water & sewer infrastructure	7,474,580	691,764	542,280	7,624,064
Vehicles	134,601	83,413		218,014
Equipment	180,936	113,929	23,776	271,089
Total accumulated depreciation	7,815,831	890,200	566,056	8,139,975
Capital assets, net	<u>\$ 30,428,824</u>	<u>\$ 7,264,944</u>	<u>\$ -</u>	<u>\$ 37,693,768</u>
<b>Component Units:</b>				
Nondepreciable capital assets:				
Construction in progress	\$ -	\$ 484,660	\$ -	\$ 484,660
Total nondepreciable capital assets	-	484,660	-	484,660
Capital assets, net	<u>\$ -</u>	<u>\$ 484,660</u>	<u>\$ -</u>	<u>\$ 484,660</u>

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

Administration	\$ 83,976
Fire and emergency services	331,526
Road infrastructure	353,119
Public works	146,530
Parks	298,794
Police department	159,066
Development services	12,209
Court	374
Total	<u>\$1,385,594</u>

Depreciation expense recorded in business-type activities and the Proprietary Fund was \$890,200.

## **6. Long-Term Obligations**

### *Long-term Obligations Supporting Governmental Activities*

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

Interest expense for governmental activities was \$787,001 and is reported as a separate line item in the statement of activities.

### *Business-type Activities - Revenue Bonds*

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

Interest expense for business-type activities and the Proprietary (water and sewer) Fund was \$938,891 for the year.

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

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

<i>Governmental Activities:</i>	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	\$ 1,097,025	\$ -	\$ 3,452	\$ 1,093,573	\$ 2,890
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	374,490		79,059	295,431	83,220
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2011, 3.0%-4.125%, 2012-2031	1,250,000		60,000	1,190,000	65,000
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	95,000		15,000	80,000	10,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	3,395,000		155,000	3,240,000	155,000
General Obligation Refunding Bonds Series 2013, 2.0%-3.5%, 2015-2027	3,780,000		275,000	3,505,000	330,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2013, 2.0%-4.0%, 2015-2033	5,225,000		40,000	5,185,000	125,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2014, 2.0%-4.0%, 2015-2034	2,850,000		140,000	2,710,000	130,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2015, 2.0%-5.0%, 2015-2035	2,170,000		80,000	2,090,000	80,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2016, 2.0%-4.0%, 2016-2036	2,250,000		135,000	2,115,000	165,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2017, 2.25%-3.25%, 2018-2037		4,390,000		4,390,000	290,000
Unamortized Bond Premiums	341,525	72,569	23,174	390,920	29,810
Capital Lease Obligations	-		-	-	-
Total Governmental Activities	<u>\$22,828,040</u>	<u>\$ 4,462,569</u>	<u>\$ 1,005,685</u>	<u>\$26,284,924</u>	<u>\$ 1,465,920</u>

## 6. Long-Term Obligations – continued

<i>Business-type Activities:</i>	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	\$ 277,975		\$ 16,550	\$ 261,425	\$ 17,110
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	975,510		205,940	769,570	216,780
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2007, 2.60%-3.60%, 2009-2028	705,000		210,000	495,000	215,000
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	2,990,000		400,000	2,590,000	405,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	605,000		30,000	575,000	30,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2014, 2.0%-4.0%, 2015-2034	2,310,000		10,000	2,300,000	15,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2014A, 2.65%, 2017-2024	1,645,000		20,000	1,625,000	95,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2015, 2.0%-5.0%, 2015-2035	13,020,000		140,000	12,880,000	275,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2016, 2.0% -4.0%, 2016-2036	7,485,000		-	7,485,000	70,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2017, 2.25%-3.25%, 2018-2037	-	5,110,000	-	5,110,000	180,000
Unamortized Bond Premiums	2,631,586	131,085	218,787	2,543,884	225,939
Capital Lease Obligations	18,704		18,704	-	-
<b>Total Business-type Activities</b>	<b>\$32,663,775</b>	<b>\$ 5,241,085</b>	<b>\$ 1,269,981</b>	<b>\$36,634,879</b>	<b>\$ 1,744,829</b>

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

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

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

## 6. Long-Term Obligations - continued

### *Debt Service Requirements to Maturity*

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

<b><u>Governmental Activities</u></b>			
Year ending September 30	Bond principal	Bond interest	Total Required
2018	\$ 1,436,110	\$ 908,017	\$ 2,344,127
2019	1,398,333	873,676	2,272,009
2020	1,438,320	836,726	2,275,046
2021	1,479,738	796,923	2,276,661
2022	1,474,804	752,172	2,226,976
2023-2027	7,680,275	2,963,628	10,643,903
2028-2032	7,941,424	1,489,301	9,430,725
2033-2037	3,045,000	233,950	3,278,950
Totals	<u>\$ 25,894,004</u>	<u>\$ 8,854,393</u>	<u>\$ 34,748,397</u>

<b><u>Business-type Activities</u></b>			
Year ending September 30	Bond principal	Bond interest	Total Required
2018	\$ 1,518,890	\$ 1,257,279	\$ 2,776,169
2019	1,566,667	1,218,527	2,785,194
2020	1,626,680	1,170,011	2,796,691
2021	1,670,262	1,119,497	2,789,759
2022	1,730,196	1,065,793	2,795,989
2023-2027	8,634,725	4,381,391	13,016,116
2028-2032	9,653,575	2,663,737	12,317,312
2033-2037	7,690,000	692,731	8,382,731
Totals	<u>\$ 34,090,995</u>	<u>\$ 13,568,966</u>	<u>\$ 47,659,961</u>

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

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b><i>Governmental Activities:</i></b>					
Compensated absences	\$ 191,450	\$ 256,376	\$ 191,450	\$ 256,376	\$ 256,376

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

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b><i>Business-type Activities:</i></b>					
Obligation due to Celina ISD	\$ 295,444	\$ -	\$ 116,856	\$ 178,588	\$ 113,953

The obligation due to Celina ISD is a result of the school district funding the cost for the installation of a new water line that provides service to school facilities. The obligation is non-interest bearing however, the City has discounted the debt to estimated present value using the assumption of a 5.5% annual interest rate. The agreement with Celina ISD is that the City will not bill the school for water use until such time as the cumulative billings are equal to the cost of installing the water line. At the current rate of water use by Celina ISD, City management estimates approximately \$120,000 of gross billings for annual water use will be credited to this obligation over each of the next two years.



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

### **Special Assessment Revenue Bonds**

In 2014, the City issued Special Assessment Revenue Bonds, Series 2014 (Creeks of Legacy Public Improvement District Phase #1 Project) in the amount of \$8,750,000 and Special Assessment Revenue Bonds, Series 2014 (Creeks of Legacy Public Improvement District Phases #2-3 Major Improvement Project) in the amount of \$6,575,000. In 2015, the City issued Special Assessment Revenue Bonds, Series 2015 (The Lakes at Mustang Ranch Public Improvement District Phase #1 Project) in the amount of \$9,000,000 and Special Assessment Revenue Bonds, Series 2015 (The Lakes at Mustang Ranch Public Improvement District Phases #2-9 Major Improvement Project) in the amount of \$13,150,000. In 2015, the City issued Special Assessment Revenue Bonds, Series 2015 (Wells South Public Improvement District Neighborhood Improvement Area #1 Project) in the amount of \$5,790,000 and Special Assessment Revenue Bonds, Series 2015 (Wells South Public Improvement District Major Improvement Area Project) in the amount of \$8,040,000. In 2015, the City issued Special Assessment Revenue Bonds, Series 2015 (Sutton Fields II Public Improvement District Neighborhood Improvement Area #1 Project) in the amount of \$11,560,000 and Special Assessment Revenue Bonds, Series 2015 (Sutton Fields II Public Improvement District Major Improvement Areas #2-5 Major Improvement Project) in the amount of \$16,825,000. In 2016, the City issued Special Assessment Revenue Bonds, Series 2016 (Glen Crossing Public Improvement District Phase #1 Project) in the amount of \$3,550,000, Special Assessment Revenue Bonds, Series 2016 (Wells North Public Improvement District Major Improvement Area Project) in the amount of \$3,235,000, and Special Assessment Revenue Bonds, Series 2016 (Wells North Public Improvement District Neighborhood Improvement Area #1 Project) in the amount of \$6,425,000. In 2017, the City issued Special Assessment Revenue Bonds, Series 2017 (Ownsby Farms Public Improvement District Phase #1 Project) in the amount of \$4,465,000 and Special Assessment Revenue Bonds, Series 2017 (Ownsby Farms Public Improvement District Phases #2 Major Improvement Project) in the amount of \$1,765,000. Total bond principal outstanding for these issues is \$99,130,000 at year-end.

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

The City is not obligated in any manner for this special assessment debt, but merely acts as the property owner's agent in handling the debt service transactions by collecting any special assessment tax collections and forwarding them to the bondholders. These collections have begun. Assessment collections for all of the City's Special Assessment Revenue Bonds are on time and complete at year-end.

## 7. Component Unit Debt Obligations

CEDC has the following debt obligations:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Component Units:</b>					
Note Payable	\$ -	\$ 978,061	\$ -	\$ 978,061	\$ -

In February 2017, CEDC entered into a note payable agreement with Independent Bank not to exceed the principal amount of \$1,700,000 with a fixed rate of interest equal to 3.75% to provide funds for engineering and other predevelopment costs related to the Gigabit City project. Interest only payments are due monthly with 10% principal reductions in month 24 and month 36. The remaining principal balance is due in four years. The note payable is secured by the sales and use taxes that will be levied and collected by the City of Celina, Collin County, Texas pursuant to the Development Corporation Act, Chapter 501, 502, and 504 of the Texas Local Government Code. At September 30, 2017, CEDC had drawn \$978,061 of the note payable. Based on the year end note payable balance, following is the estimated annual debt service requirements to maturity for the note payable:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Required</u>
2018	\$ -	\$ 36,677	\$ 36,677
2019	97,806	34,538	132,344
2020	88,025	31,084	119,109
2021	792,230	12,379	804,609
Totals	<u>\$ 978,061</u>	<u>\$ 114,678</u>	<u>\$ 1,092,739</u>

## 8. Defined Benefit Pension Plans

### Plan Description

The City of Celina, Texas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS.

## 8. Defined Benefit Pension Plans - continued

### Benefits Provided

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

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

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

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

### *Employees covered by benefit terms*

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	42
Active employees	<u>91</u>
	<u>137</u>

### Contributions

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

Employees for the City of Celina, Texas were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Celina, Texas were 5.32% and 6.51% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$324,728, and were equal to the required contributions.

## 8. Defined Benefit Pension Plans – continued

### Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### *Actuarial assumptions:*

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the table on the following page:

## 8. Defined Benefit Pension Plans – continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	100.00%	

### Discount Rate

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

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2015	\$ 4,133,894	\$ 4,222,514	\$ (88,620)
Changes for the year:			
Service cost	634,724		634,724
Interest	297,354		297,354
Change of benefit terms	-		-
Difference between expected and actual experience	(42,188)		(42,188)
Changes of assumptions			-
Contributions - employer		241,159	(241,159)
Contributions - employee		325,261	(325,261)
Net investment income		285,732	(285,732)
Benefit payments, including refunds of employee contributions	(92,022)	(92,022)	-
Administrative expense		(3,223)	3,223
Other changes		(174)	174
Net changes	\$ 797,868	\$ 756,733	\$ 41,135
Balance at 12/31/2016	\$ 4,931,762	\$ 4,979,247	\$ (47,485)

## 8. Defined Benefit Pension Plans – continued

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

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

	1 % Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 842,335	\$ (47,485)	\$ (759,328)

### Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$400,868.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 6,221	\$ 59,913
Changes in actuarial assumptions	115,430	
Difference between projected and actual investment earnings (net of current year amortization)	172,822	570
Contributions subsequent to the measurement date	254,191	
Total	\$ 548,664	\$ 60,483

\$254,191 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2017	\$ 75,674
2018	75,673
2019	67,165
2020	14,793
2021	7,017
Thereafter	(6,332)
Total	<u>\$233,990</u>

## 9. Balances and Transfers/Payments Within the Reporting Entity

### *Receivables and Payables*

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

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 160,233	\$ -0-
Main Street Fund		879
Component units		<u>159,354</u>
	<u>\$ 160,233</u>	<u>\$ 160,233</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	\$ 492,000	\$ 3,578,894
Capital Equipment Replacement Fund	509,046	
Main Street Fund	14,568	
Grants Fund	8,940	
Law Enforcement Fund	12,225	
Court Security Fund	59,404	
Court Technology Fund	58,606	
Capital Acquisition Fund	2,916,105	
Proprietary Fund		<u>492,000</u>
	<u>\$ 4,070,894</u>	<u>\$ 4,070,894</u>

The transfer out from the Proprietary Fund provided the General Fund with supplementary revenue for the year. There were one time transfers in the amount of \$3,069,848 from the General Fund to establish new funds. In addition to the above transfers, the component units contributed \$200,000 to the debt service fund in order to supplement debt service payments for the year.

## 10. Contingencies

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended September 30, 2017 have not been conducted. Accordingly, the City's compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

## 11. Litigation

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

## 12. Operating Leases

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

<u>Year ending 9/30</u>	<u>Annual lease requirement</u>
2018	\$ 16,944
2019	14,345
2020	<u>5,589</u>
Total required	<u>\$ 36,878</u>

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

## 13. UTRWD Facilities Charges

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

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

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

<u>Year ending 9/30</u>	<u>Annual requirement</u>
2018	\$ 1,182,363
2019	1,186,333
2020	1,184,229
2021	1,185,062
2022	837,728
Thereafter	<u>12,618,925</u>
Total required	<u>\$18,194,640</u>



#### **14. Economic Dependence**

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

#### **15. 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.

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 2017, 2016 and 2015 were \$7,190, \$5,833, and \$4,405, respectively, which equaled the required contributions each year.

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINIONS**

**THIS PAGE INTENTIONALLY LEFT BLANK**

[       ]

IN REGARD to the authorization and issuance of the "City of Celina, Texas, General Obligation Refunding Bonds, Series 2018," dated August 1, 2018, in the principal amount of \$5,785,000 (the "Bonds"), we have examined into their issuance by the City of Celina, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

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

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance and an examination of the initial Bond 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 Bonds 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 Bonds, 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 Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the paying agent for the obligations being refunded and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the certification of the paying agent for the

obligations being refunded as to the sufficiency of cash deposited with the paying agent for the obligations being refunded for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. For taxable years that began before January 1, 2018, interest on the Bonds 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.

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

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

[Closing Date]

IN REGARD to the authorization and issuance of the "City of Celina, Texas, Tax and Revenue Certificates of Obligation, Series 2018," dated August 1, 2018, in the principal amount of \$50,890,000 (the "Certificates"), we have examined into their issuance by the City of Celina, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

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

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

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

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

other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

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. 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.

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



## City of Celina

Tax and Waterworks and Sewer System (Limited Pledge)

Revenue Certificates of Obligation, Series 2018

(GO)

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
09/30/2018	-	-	-	-
09/30/2019	125,000.00	5.000%	813,002.92	938,002.92
09/30/2020	635,000.00	5.000%	834,787.50	1,469,787.50
09/30/2021	605,000.00	5.000%	803,037.50	1,408,037.50
09/30/2022	645,000.00	5.000%	772,787.50	1,417,787.50
09/30/2023	680,000.00	5.000%	740,537.50	1,420,537.50
09/30/2024	835,000.00	5.000%	706,537.50	1,541,537.50
09/30/2025	875,000.00	5.000%	664,787.50	1,539,787.50
09/30/2026	920,000.00	5.000%	621,037.50	1,541,037.50
09/30/2027	965,000.00	5.000%	575,037.50	1,540,037.50
09/30/2028	1,015,000.00	5.000%	526,787.50	1,541,787.50
09/30/2029	1,065,000.00	5.000%	476,037.50	1,541,037.50
09/30/2030	1,120,000.00	4.000%	422,787.50	1,542,787.50
09/30/2031	1,165,000.00	3.000%	377,987.50	1,542,987.50
09/30/2032	1,200,000.00	4.000%	343,037.50	1,543,037.50
09/30/2033	1,245,000.00	3.250%	295,037.50	1,540,037.50
09/30/2034	1,285,000.00	4.000%	254,575.00	1,539,575.00
09/30/2035	1,340,000.00	3.375%	203,175.00	1,543,175.00
09/30/2036	1,385,000.00	4.000%	157,950.00	1,542,950.00
09/30/2037	1,440,000.00	3.500%	102,550.00	1,542,550.00
09/30/2038	1,490,000.00	3.500%	52,150.00	1,542,150.00
<b>Total</b>	<b>\$20,035,000.00</b>	<b>-</b>	<b>\$9,743,627.92</b>	<b>\$29,778,627.92</b>

### Yield Statistics

Bond Year Dollars	\$247,057.17
Average Life	12.331 Years
Average Coupon	3.9438758%
Net Interest Cost (NIC)	3.4048601%
True Interest Cost (TIC)	3.2960050%
Bond Yield for Arbitrage Purposes	3.1387059%
All Inclusive Cost (AIC)	3.3408764%

### IRS Form 8038

Net Interest Cost	3.1801930%
Weighted Average Maturity	12.071 Years

## City of Celina

Tax and Waterworks and Sewer System (Limited Pledge)

Revenue Certificates of Obligation, Series 2018

(WS)

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
09/30/2018	-	-	-	-
09/30/2019	-	-	1,255,331.46	1,255,331.46
09/30/2020	1,045,000.00	5.000%	1,298,618.76	2,343,618.76
09/30/2021	1,095,000.00	5.000%	1,246,368.76	2,341,368.76
09/30/2022	1,150,000.00	5.000%	1,191,618.76	2,341,618.76
09/30/2023	1,210,000.00	5.000%	1,134,118.76	2,344,118.76
09/30/2024	1,270,000.00	5.000%	1,073,618.76	2,343,618.76
09/30/2025	1,330,000.00	5.000%	1,010,118.76	2,340,118.76
09/30/2026	1,400,000.00	5.000%	943,618.76	2,343,618.76
09/30/2027	1,470,000.00	5.000%	873,618.76	2,343,618.76
09/30/2028	1,540,000.00	5.000%	800,118.76	2,340,118.76
09/30/2029	1,620,000.00	5.000%	723,118.76	2,343,118.76
09/30/2030	1,700,000.00	4.000%	642,118.76	2,342,118.76
09/30/2031	1,770,000.00	3.000%	574,118.76	2,344,118.76
09/30/2032	1,820,000.00	4.000%	521,018.76	2,341,018.76
09/30/2033	1,895,000.00	3.250%	448,218.76	2,343,218.76
09/30/2034	1,955,000.00	4.000%	386,631.26	2,341,631.26
09/30/2035	2,035,000.00	3.375%	308,431.26	2,343,431.26
09/30/2036	2,100,000.00	4.000%	239,750.00	2,339,750.00
09/30/2037	2,185,000.00	3.500%	155,750.00	2,340,750.00
09/30/2038	2,265,000.00	3.500%	79,275.00	2,344,275.00
<b>Total</b>	<b>\$30,855,000.00</b>	<b>-</b>	<b>\$14,905,581.62</b>	<b>\$45,760,581.62</b>

### Yield Statistics

Bond Year Dollars	\$377,381.50
Average Life	12.231 Years
Average Coupon	3.9497383%
Net Interest Cost (NIC)	3.3991864%
True Interest Cost (TIC)	3.2889770%
Bond Yield for Arbitrage Purposes	3.1387059%
All Inclusive Cost (AIC)	3.3341316%

### IRS Form 8038

Net Interest Cost	3.1731840%
Weighted Average Maturity	11.967 Years



## City of Celina

Tax and Waterworks and Sewer System (Limited Pledge)

Revenue Certificates of Obligation, Series 2018

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
09/30/2018	-	-	-	-
09/30/2019	125,000.00	5.000%	2,068,334.38	2,193,334.38
09/30/2020	1,680,000.00	5.000%	2,133,406.26	3,813,406.26
09/30/2021	1,700,000.00	5.000%	2,049,406.26	3,749,406.26
09/30/2022	1,795,000.00	5.000%	1,964,406.26	3,759,406.26
09/30/2023	1,890,000.00	5.000%	1,874,656.26	3,764,656.26
09/30/2024	2,105,000.00	5.000%	1,780,156.26	3,885,156.26
09/30/2025	2,205,000.00	5.000%	1,674,906.26	3,879,906.26
09/30/2026	2,320,000.00	5.000%	1,564,656.26	3,884,656.26
09/30/2027	2,435,000.00	5.000%	1,448,656.26	3,883,656.26
09/30/2028	2,555,000.00	5.000%	1,326,906.26	3,881,906.26
09/30/2029	2,685,000.00	5.000%	1,199,156.26	3,884,156.26
09/30/2030	2,820,000.00	4.000%	1,064,906.26	3,884,906.26
09/30/2031	2,935,000.00	3.000%	952,106.26	3,887,106.26
09/30/2032	3,020,000.00	4.000%	864,056.26	3,884,056.26
09/30/2033	3,140,000.00	3.250%	743,256.26	3,883,256.26
09/30/2034	3,240,000.00	4.000%	641,206.26	3,881,206.26
09/30/2035	3,375,000.00	3.375%	511,606.26	3,886,606.26
09/30/2036	3,485,000.00	4.000%	397,700.00	3,882,700.00
09/30/2037	3,625,000.00	3.500%	258,300.00	3,883,300.00
09/30/2038	3,755,000.00	3.500%	131,425.00	3,886,425.00
<b>Total</b>	<b>\$50,890,000.00</b>	<b>-</b>	<b>\$24,649,209.54</b>	<b>\$75,539,209.54</b>

#### Yield Statistics

Bond Year Dollars	\$624,438.67
Average Life	12.270 Years
Average Coupon	3.9474188%
Net Interest Cost (NIC)	3.4014312%
True Interest Cost (TIC)	3.2917552%
Bond Yield for Arbitrage Purposes	3.1387059%
All Inclusive Cost (AIC)	3.3367978%

#### IRS Form 8038

Net Interest Cost	3.1759565%
Weighted Average Maturity	12.008 Years