

Texas Water Development Board

Application The project would consist of replacing excessively leaking pipes within the City's Old Town area. The water lines would be replaced with a minimum 6" water main, which is the City's current minimum pipe size for residential areas and an 8" water main, the minimum pipe size for commercial areas.

The Old Town portion of Justin is located in the center of town, and the City's primary water source, surface water from Upper Trinity Regional Water District, is delivered directly to an elevated tank in Old Town. As this elevated tank supplies the other parts of the City, it is a critical portion of the Justin's water infrastructure. This critical part of the system is significantly hindered from working properly due to the leaking water mains surrounding the elevated tank.

Additionally, many times when leaks occur in Old Town the elevated tank has to be valved off in order to work on the water mains as sufficient valves are not present either. This project is proposed to replace these mains with modern and appropriate water pipe to help the City of Justin conserve water and operate a more efficient water system.

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Legal Authority

The legal authority under which the applicant was created and operates.: TYPE_A

General Information

County: Denton

Name of Entity: Justin

System Contact Physical Address

Address 1: 415 N College

Address 2:

City: Justin

State: TX

Zip: 76247-9429

Phone: (940) 648-2541

Fax: (940) 648-0091

Website: www.cityofjustin.com

System Contact Mailing Address

Address 1: 415 N College

Address 2:

City: Justin

State: TX

Zip: 76247-9429

Description

Brief description of the project: The project would consist of replacing excessively leaking pipes within the City's Old Town area. The water lines would be replaced with a minimum 6" water main, which is the City's current minimum pipe size for residential areas and an 8" water main, the minimum pipe size for commercial areas.

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operate a more efficient water system.

Officers/Members

Applicant's Officers and Members

Greg Scott
Mayor

David Wilson
Mayor Pro Tem

Lisa Cate
Council Member

Jamey Lamm
Council Member

Eric Priddy
Council Member

Alan Woodall
Council Member

Primary Contact

Name: Cori Reamue
Title: City Manager
Address 1: 415 N. College Avenue
Address 2:
City: Justin
State: TX
Zip: 76247-9429
Phone: (940) 648-2541
Fax: (940) 648-0091
Email: CityManager@cityofjustin.com

Applicant's Contributors

Contributor Type	Firm Name	Contact Name	Address	Phone	Fax	Email
Applicant Engineer	Pacheco Koch	Chris Cha	6100 Western Place Fort Worth TX	817-412-7155		CCha@p-kce.com
Bond Counsel	Norton Rose Fulbright	Kristen Savant	2200 Ross Avenue, Ste 3600 Dallas TX 75201-7932	214-855-8024	214-855-8200	kristen.savant@nortonrosefulbright.com
Financial Advisor	First Southwest	Nick Bulaich	777 Main Street, Ste 1200 Fort Worth TX	817-332-9710		Nick.Bulaich@hilltopsecurities.com
Certified Public Accountant (or other appropriate rep)	Boucher, Morgan And Young	Kimberly Knox, CPA	1115 Waters Edge Granbury TX	940-329-8270	254-965-4245	kknox@bmy-cpa.com
Legal Counsel	Nichols Jackson, LLP	Robert Dillard	500 N Akard Street Ste 1800 Dallas TX	940-965-9900		rdillard@njdhs.com
Any other Contributor representing the Applicant before the board	Thomas L. Hoover	Thomas L Hoover	PO Box 1808 Keller TX	817-913-1350		Tom.Theng@yahoo.com

Contributor Contracts (documents follow this page)

627480

Engineering

627482

Financial Advisor

627484

Legal Advice

627483

Audit and Financial Advice

627485

Application Services

627481

Bond Counsel

AGREEMENT FOR PROFESSIONAL CONSULTING SERVICES

This Agreement is made between Pacheco Koch, LLC, a Texas limited liability company, (hereinafter referred to as “CONSULTANT”) whose mailing address is 6100 Western Place, Suite 1001, Fort Worth, Texas 76107, and City of Justin (hereinafter referred to as “CITY”), whose mailing address is 415 N. College Avenue, PO Box 129, Justin, Texas 76247 and is subject to the following terms and conditions to which the parties mutually agree:

Recitals:

WHEREAS, the CITY desires to engage the services of CONSULTANT as an independent contractor and not as an employee in accordance with the terms and conditions set forth in this Agreement; and

WHEREAS, the CONSULTANT desires to render Professional Consulting services for the CITY in accordance with the terms and conditions set forth in this Agreement in connection with **SWIFT Water Improvements (the “Project”)**;

NOW THEREFORE, in exchange for the mutual covenants set forth herein and other valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

Article 1 Scope of Services

- 1.1 In consideration of the mutual covenants contained herein, CONSULTANT shall perform the Professional Consultant services for the Project as set forth in Exhibit “A”, which is attached and made a part hereof, in accordance with the terms of this Agreement.
- 1.2 CONSULTANT will commence the services upon receipt of an executed copy of this Agreement signed by an authorized representative of the CITY and by an authorized representative of CONSULTANT.
- 1.3 CONSULTANT shall not be responsible for a CITY’s directive or substitution made without CONSULTANT’s agreement and which agreement shall not be unreasonably withheld.
- 1.4 CITY, without invalidating this Agreement, may request changes within the general scope of the Service required by this Agreement by altering or adding to the Services to be performed, and any such changes in the Services shall be performed subject to this Agreement. Upon receiving the CITY’s request, CONSULTANT shall return to CITY a written change proposal setting forth an adjustment to the services, schedule and/or cost estimated by CONSULTANT to represent the value of the requested changes. Following CITY’s review of CONSULTANT’s change proposal, CITY shall execute said written Supplemental Agreement authorizing CONSULTANT to perform the changes in the Services.
- 1.5 The parties acknowledge and agree that any and all opinions and cost estimates provided by the CONSULTANT represent a professional opinion consistent with the normal and customary standard of care.

- 1.6 All designs, drawings, specifications, documents, and other work products of the CONSULTANT, whether in hard copy or in electronic form, are instruments of service for this Project, whether the Project is completed or not. Reuse, change, or alteration by the CITY or by others acting through or on behalf of the CITY of any such instruments of service without the written permission of the CONSULTANT will be at the CITY's sole risk. The CONSULTANT shall own the final designs, drawings, specifications and documents.

Article 2
Compensation and Method of Payment

- 2.1 CONSULTANT shall be compensated by payment of fees as set forth in Exhibit "B" and any subsequent executed Supplemental Agreement(s) to said proposal.
- 2.2 Unless otherwise provided herein, payment to the CONSULTANT shall be monthly based on the CONSULTANT's monthly invoice that shows the total amount of fees earned to date and the amount due and payable as of the current statement, in a form reasonably acceptable to the CITY.
- 2.3 CONSULTANT will submit an invoice to CITY at the end of each month, on a basis as stipulated in Exhibit "B".
- 2.4 Payment shall be made by CITY within 30 days after receipt of the invoice.
- 2.5 CITY shall provide written notification to CONSULTANT within 15 days of receipt of the invoice should CITY object to all or any part of charges appearing on the invoice. The portion of the invoice that is not in dispute shall be paid by CITY within 30 days of receipt of said invoice.

Article 3
Schedule, Personnel, and Equipment

- 3.1 The CONSULTANT agrees to commence services upon receipt of an executed copy of the Agreement from CITY. The CONSULTANT will not be held responsible for delays beyond the CONSULTANT's control.
- 3.2 The CONSULTANT shall devote such time as reasonably necessary for the satisfactory performance of the work under this Agreement. Should the CITY require additional services not included under this Agreement, the CONSULTANT shall make reasonable effort to provide such additional services at mutually agreed charges or rates, and within the agreed upon revised time schedule and without decreasing the effectiveness of the performance of services required under this Agreement.
- 3.3 To the extent reasonably necessary for the CONSULTANT to perform the services under this Agreement, the CONSULTANT shall be authorized to engage the services of any subcontractors, agents, assistants, persons, or corporations that the CONSULTANT may deem proper to aid or assist in the performance of the services under this Agreement with the prior written approval of the CITY. The cost of such personnel and assistance shall be borne exclusively by the CONSULTANT.
- 3.4 The CONSULTANT shall furnish the facilities, equipment, and personnel necessary to perform the services required under this Agreement unless otherwise provided herein.

- 3.5 Upon request of the CITY, CONSULTANT shall submit progress reports and attend progress meetings as may be required from time to time based upon Project demands. Each progress report shall detail the work accomplished and special problems or delays experienced on the Project during the previous report period, and the planned work activities and special problems or delays anticipated for the next report period.
- 3.6 The CONSULTANT shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, or disability.

Article 4 Delays and Termination

- 4.1 CITY or CONSULTANT may terminate this Agreement upon thirty (30) days written notice to the other party. In the event of such termination, the CONSULTANT shall be entitled to compensation for any services completed to the reasonable satisfaction of the CITY in accordance with this Agreement prior to such termination.
- 4.2 If the CITY suspends the Project, CONSULTANT shall be compensated for services performed prior to notice of such suspension. When the Project is resumed, CONSULTANT shall be compensated for expenses incurred in the interruption and resumption of CONSULTANT's services. CONSULTANT's fees for the remaining services and the time schedules shall be equitably adjusted.
- 4.3 CITY's failure to make payment to CONSULTANT in accordance with the payment terms herein shall constitute a material breach of this Agreement and shall be cause for termination by CONSULTANT.

Article 5 Right of Entry

- 5.1 CITY shall provide for CONSULTANT's right to enter from time to time, property owned by CITY and/or others, in order for CONSULTANT to fulfill the scope of services included hereunder.
- 5.2 Should the project property not be owned by CITY, CITY shall provide written right of entry from the property CITY(s) unless otherwise stated in Exhibit "A".

Article 6 Information Provided by Others

- 6.1 CONSULTANT shall indicate to CITY the information needed for rendering of services hereunder, and CITY shall provide to CONSULTANT such information as is available to CITY. CITY recognizes that it is impossible for CONSULTANT to assure the sufficiency of such information, either because it is impossible to do so, or because of errors or omissions, which may have occurred in assembling the information. CITY shall be responsible for, and CONSULTANT may rely upon, the accuracy and completeness of all requirements, programs, instructions, reports, data, and other information furnished by CITY to CONSULTANT pursuant to this Agreement. CONSULTANT may use such requirements, programs, instructions, reports, data, and information in performing or furnishing services under this Agreement.

- 6.2 Subject to the standard of care set forth here within, CONSULTANT and its subconsultants may use or rely upon design elements and information ordinarily or customarily furnished by others, including, but not limited to, specialty contractors, manufacturers, suppliers, and the publishers of technical standards.

Article 7
Construction Activities

- 7.1 CITY agrees that the General Contractor is solely responsible for job site safety and for construction means, methods, sequence, techniques and procedures necessary for performing, superintending and/or coordination all construction activities and warrants that this intent shall be made evident in CITY's agreement with the General Contractor.
- 7.2 CONSULTANT shall have no responsibility for discovery, presence, handling, removal or disposal of, or exposure of persons to, hazardous materials or toxic substances in any form at the Project site.

Article 8
Jurisdiction

- 8.1 This Agreement is to be governed by the laws of the State of Texas.
- 8.2 In compliance with Sec. 29 of the Professional Land Surveying Act, as enacted by the Legislature of the State of Texas, CONSULTANT is required to inform CITY that land surveying services in the State of Texas are under the jurisdiction of the Texas Board of Professional Land Surveying, 12100 Park 35 Circle, Bldg. A, Suite 156, MC-230, Austin, Texas 78753, (512) 239-5263. Complaints regarding surveying services rendered may be addressed to that agency. The firm registration number is TBPLS No. 10008000.

Article 9
Indemnification

- 9.1 CONSULTANT shall indemnify and hold harmless CITY from and damages and expenses, including, but not limited to, reasonable attorney's fees and expenses, by whomever asserted, including, but not limited to, any government agency or branch or any third party to the extent the same arise from negligent errors or omissions of CONSULTANT or its employees or subconsultants in the performance of the Services.

Article 10
Conflicts of Interest

- 10.1 The CONSULTANT represents that no official or employee of the CITY has any direct or indirect pecuniary interest in this Agreement.

Article 11 Insurance

- 11.1 CONSULTANT shall during the term hereof maintain in full force and effect the following insurance: (1) a policy of insurance for bodily injury, death and property damage insuring against all claims, demands or actions relating to the CONSULTANT's performance of services pursuant to this Agreement with a minimum combined single limit of not less than \$1,000,000 Dollars per occurrence for injury to persons (including death), and for property damage; (2) policy of automobile liability insurance covering any vehicles owned and/or operated by CONSULTANT, its officers and employees, and used in the performance of this Agreement; (3) statutory Worker's Compensation Insurance covering all of CONSULTANT's employees involved in the provision of services under this Agreement; and (4) Professional Liability Insurance covering damages arising out of the negligent acts, errors or omissions.
- 11.2 All insurance and certificate(s) of insurance shall contain the following provisions: (1) name the CITY, its officers and employees as additional insureds as to all applicable coverage with the exception of Workers Compensation Insurance and Professional Liability Insurance; (2) provide for at least thirty (30) days prior written notice to the CITY for cancellation or non-renewal of the insurance; (3) provide for a waiver of subrogation against the CITY for injuries, including death, property damage, or any other loss to the extent the same is covered by the proceeds of insurance.
- 11.3 All insurance companies providing the required insurance shall be authorized to transact business in Texas and be rated at least "A" by AM Best or other equivalent rating service.
- 11.4 A certificate of insurance evidencing the required insurance shall be submitted to the CITY prior to commencement of services.

Article 12 Assignment

- 12.1 Unless otherwise noted, neither CONSULTANT nor CITY shall assign this Agreement in whole or in part without the prior written consent of both parties. CONSULTANT shall not subcontract any portion of the work to be performed hereunder, except that CONSULTANT may use the services of persons and entities not in the employ of CONSULTANT when it is appropriate and customary to do so. Such persons and entities include, but are not necessarily limited to, surveyors, specialized consultants, and testing laboratories. CONSULTANT's use of others for additional services shall not be unreasonably restricted by CITY provided CONSULTANT notifies CITY in advance.
- 12.2 CONSULTANT may, at their discretion, assign this contract to a subsidiary of CONSULTANT. CONSULTANT shall notify CITY of their assignment at such time it takes place.
- 12.3 Subject to the provisions regarding assignment, this Agreement shall be binding on and inure to the benefit of the parties to it and their respective heirs, executors, administrators, legal representatives, successors and assigns.

Article 13
Notices

- 13.1 Any notice given hereunder shall be deemed served when hand-delivered in writing to an officer or other duly appointed representative of the party to whom the notice is directed, or if sent by registered or certified mail or by a commercial courier service to the business address identified at the end of the Agreement. All notices shall be effective upon the date of receipt.

If intended for CITY - Representative:

Cori Reaume
City Manager
City of Justin
415 N. College Avenue
Justin, Texas 76247
Telephone: 940-648-2541
Email: citymanager@cityofjustin.com

If intended for CONSULTANT - Representative:

Brian D. O'Neill, PE, CFM
Principal
6100 Western Place Suite 1001
Fort Worth, TX 76107
Telephone: 817-412-7155
Email: boneill@pkce.com

Article 14
Standard of Care

- 14.1 The standard of care for all professional consulting services performed or furnished by CONSULTANT under this Agreement will be the care and skill ordinarily used by members of the subject profession practicing under similar circumstances at the same time and in the same locality. CONSULTANT makes no warranties, express or implied, under this Agreement or otherwise, in connection with CONSULTANT's services.

Article 15
Entire Agreement

- 15.1 The Agreement (including attached schedules) constitutes the sole and entire agreement between CONSULTANT and CITY. This Agreement replaces and supersedes all prior discussions and agreements between the CITY and CONSULTANT with respect to the matters contained herein. This Agreement may only be amended, supplemented, modified, or canceled by a duly executed written instrument signed by both CITY and CONSULTANT.

Article 16
Independent Contractor

- 16.1 It is understood and agreed by and between the parties that the CONSULTANT in satisfying the conditions of this Agreement, is acting independently, and that the CITY assumes no responsibility or liabilities to any third party in connection with these actions. All services to be performed by CONSULTANT pursuant to this Agreement shall be in the capacity of an independent contractor, and not as an agent or employee of the CITY. CONSULTANT shall supervise the performance of its services and shall be entitled to control the manner and means by which its services are to be performed, subject to the terms of this Agreement. There is no intended third party beneficiary to this agreement.

Article 17
Audits and Records

- 17.1 The CONSULTANT agrees that during the term hereof the CITY and its representatives may, during normal business hours and as often as deemed necessary, inspect, audit, examine and reproduce any and all of the CONSULTANT's records relating to the services provided pursuant to this Agreement for a period of one (1) year following the date of completion of services as determined by the CITY or date of termination if sooner.

Article 18
Miscellaneous Provisions

- 18.1 All waivers, indemnifications, and limitations of liability included in this Agreement will survive its completion or termination for any reason.
- 18.2 Any provision or part of the Agreement held to be void or unenforceable under any Laws or Regulations shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon CITY and CONSULTANT, which agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.
- 18.3 CITY shall not rely in any way on any Document unless it is issued in final form, signed or sealed by CONSULTANT or one of its subconsultants.
- 18.4 A party's non-enforcement of any provision shall not constitute a waiver of that provision, nor shall it affect the enforceability of that provision or of the remainder of this Agreement.
- 18.5 To the fullest extent permitted by law, all causes of action arising under this Agreement shall be deemed to have accrued, and all statutory periods of limitation shall commence, no later than the date of Substantial Completion.

The following Appendices and/or Exhibits are attached to and made a part of this Agreement:

- Exhibit A – Scope of Services
- Exhibit B – Compensation & Method of Payment

Executed in two (2) counterparts, each of which is deemed to be an original and as of the day and date first written in this Contract.

EXECUTED this _____ day of _____, 20__.

CITY:

CONSULTANT:

By: _____

By:  _____

Name: Cori Reaume

Name: Brian D. O'Neill, PE, CFM

Title: City Manager

Title: Principal

Witness: _____

Witness:  _____

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
Koch LLC, (CONSULTANT) for
Consulting Services

EXHIBIT 'A' – SCOPE OF SERVICES

CITY OF JUSTIN – SWIFT WATER IMPROVEMENTS

PROJECT DESCRIPTION:

The project consists of survey and design for the City of Justin's water system. The design will be for the replacement of water mains in and around Old Town Justin. This will include necessary survey and construction administration. Finally, there will be coordination of plans and contract documents with the Texas Water Development Board as the project is funded by SWIFT. (PROJECT)

BASIC SERVICES:

- A. Project Management, Coordination & Permitting
1. Manage the Team:
 - Lead, manage and direct design team activities
 - Ensure quality control is practiced in performance of the work
 - Communicate internally among team members
 - Allocate team resources
 2. Communications and Reporting:
 - Attend a pre-design project kickoff meeting with CITY staff to confirm and clarify scope, understand CITY objectives, and ensure economical and functional designs that meet CITY requirements.
 - Conduct review meetings with the CITY at the end of each design phase.
 - Prepare and submit monthly invoices in the format acceptable to the CITY.
 - Prepare and submit monthly progress reports.
 - Prepare and submit baseline Project Schedule initially and Project Schedule updates.
 - Coordinate with other agencies and entities as necessary for the design of the proposed infrastructure and provide and obtain information needed to prepare the design.
 - With respect to coordination with permitting authorities, CONSULTANT shall communicate with permitting authorities such that their regulatory requirements are appropriately reflected in the designs. CONSULTANT shall work with regulatory authorities to obtain approval of the designs, and make changes necessary to meet their requirements.

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
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Consulting Services

3. Permit Coordination:
CONSULTANT will provide coordination with the railroad, USCOE and/or TxDOT or other required agency for Permitting of the proposed infrastructure construction. Included in this item are:
 - Coordination of submittal of Application for Permit.
 - Research and provide appropriate design specifications.
 - Coordination for final plan approval.
 - Up to three (3) coordination meetings, if required.
 - Application and Permitting fees and special insurance premiums are not included.

4. Constructability Review:
 - Prior to the 60 percent review meeting with the CITY, the CONSULTANT shall schedule and attend a project site visit with the CITY Project Manager and Construction personnel to walk the project. The CONSULTANT shall summarize the CITY's comments from the field visit and submit this information to the CITY in writing.

5. Utility Clearance:
 - The CONSULTANT will consult with the CITY, public utilities, private utilities and government agencies to determine the approximate location of above and underground utilities, and other facilities (current and future) that have an impact or influence on the project. CONSULTANT will design CITY facilities to avoid or minimize conflicts with existing utilities, and where known and possible consider potential future utilities in designs.
 - CONSULTANT will provide plans to and coordinate with utility CITY related to the relocation efforts of franchise utilities that remain in conflict with the proposed construction.

6. Data Collection
 - In addition to data obtained from the CITY, CONSULTANT will research proposed improvements in conjunction with any other planned future improvements known by the CITY that may influence the project.
 - The CONSULTANT will also identify and seek to obtain data for existing conditions that may impact the project including but not limited to; utilities, agencies (TxDOT and USCOE), CITY Master Plans, and property ownership as available from the Tax Assessor's office.
 - The data collection efforts will also include conducting special coordination meetings with affected property owners and businesses as necessary to develop the design.

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Consulting Services

B. Preliminary Design (60% Submittal)

1. Prepare preliminary construction plans. Prepare the following sheets at the engineering scale indicated:
 - Cover Sheet
 - General Notes
 - Quantity Sheet
 - Project Layout & Control Sheet
 - Water (12" diameter or larger) plan and profile sheets.
Scale 1" = 20' Horizontal; 1" = 2' Vertical
 - Water (smaller than 12" diameter) plan sheets.
Scale 1" = 20' Horizontal;
 - Traffic Control Plan
 - Erosion Control Plans
 - Tree Protection and Mitigation Plans
 - Detail sheets

Information required can be combined on sheets if the information can be clearly shown and is approved by CITY's project manager.

2. Assemble CITY's standard construction contract documents and modify special technical specifications, if needed, for the project (if any).
3. Prepare an estimate of construction quantities and develop the preliminary opinion of probable construction costs.
4. Submit two (2) full sized 22"x34" sets of preliminary 60% plans, one (1) set of preliminary construction contract documents, special conditions and preliminary opinion of probable construction costs to the CITY for review. One (1) set of half size (11"x17") plans will be submitted with the 60% plan submittal.

C. Final Design (90% & 100% Submittals)

1. Revise preliminary plans incorporating comments from the CITY.
2. Submit two (2) full sized 22"x34" sets of 90% plans, one (1) set of 90% construction contract documents and 90% opinion of probable construction costs for CITY review. One (1) set of half size (11"x17") plans will be submitted with the 90% plan submittal.
3. Incorporate final CITY review comments into the plans and construction contract documents to finalize construction plans for proposed improvements.
4. Finalize construction contract documents including CITY standard specifications, special technical specifications and special conditions (if any).

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
Koch LLC, (CONSULTANT) for
Consulting Services

5. Estimate of final construction quantities and final opinions of construction cost.
 6. Submit (1) sealed (100%) set of final plans and construction documents.
- D. Bid Phase Services
CONSULTANT will support the bid phase of the project as follows.
1. Bid Advertisement:
 - CONSULTANT shall prepare and submit to CITY a draft Bid Advertisement for publishing by the CITY.
 2. Bid Document Distribution:
 - The CONSULTANT shall sell construction plans and contract bid documents. The CONSULTANT shall also maintain a plan holders list of documents sold.
 3. Bidder Assistance:
 - The CONSULTANT will develop and implement procedures for receiving and answering bidders' questions and requests for additional information. The procedures shall include a log of all significant bidders' questions and requests, and the response thereto. The CONSULTANT will provide technical interpretation of the contract bid documents and will prepare proposed responses to all bidders' questions and requests, in the form of addenda.
 - Attend the prebid conference in support of the CITY.
 - Attend the bid opening in support of the CITY.
 4. Bid Analysis and Recommendation of Award:
 - The CONSULTANT will tabulate and review all bids received for the construction project, assist the CITY in evaluating bids, and recommend award of the contract.
 - The CONSULTANT will assist the CITY in determining the qualifications and acceptability of prospective contractors, subcontractors, and suppliers.
 - The CONSULTANT shall make a recommendation of award to the CITY.
 5. Conformed Construction Documents:
 - Upon award of a contract by the CITY, the CONSULTANT shall assist with the execution, assembly and distribution of the construction contract documents for the Project.

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
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Consulting Services

E. Construction Administration

1. Preconstruction Conference:

- The CONSULTANT shall attend the preconstruction conference.

2. Public Meeting:

- After the pre-construction conference, the CONSULTANT shall provide project exhibits and attend a public meeting, if any, to help explain the proposed project to interested parties. The CITY shall select a suitable location and extend the invitation to the affected parties and the public as deemed appropriate.

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
Koch LLC, (CONSULTANT) for
Consulting Services

3. Site Visits:
 - The CONSULTANT shall visit the project site at appropriate intervals as construction proceeds to observe and report on progress. It is estimated that one (1) visit per month will be made by the CONSULTANT.
4. Shop Drawing and Lab Report Review
 - The CONSULTANT shall review shop and erection drawings submitted by the contractor for compliance with design concepts. The CONSULTANT shall review laboratory, shop, and mill test reports on materials and equipment.
5. Instructions to Contractor
 - The Engineer shall provide necessary interpretations and clarifications of contract documents, review change orders and make recommendations as to the acceptability of the work, at the request of the CITY.
6. Contractor's Payment Estimates
 - The Engineer shall review monthly and final estimates for payments to contractors. The payment estimates shall include appropriate certifications.
7. Final Inspection
 - The Engineer shall attend final inspection of the Project with representatives of the CITY and the construction contractor.
8. Record Drawings:
 - Prepare construction "Record Drawings" based upon mark-ups and information provided by the construction contractor(s). Submit one (1) set of the record drawings (with "record drawing stamp" bearing the signature of the Engineer and the date) to the CITY on a CD-ROM disk or flash drive containing scanned 22"x34" black and white PDF images.

F. Direct Expenses

1. Included in this item are usual and customary expenses normally incurred during performance of the services described. These expenses could include courier delivery charges, copies of existing engineering plans and/or maps, printing and reproduction (either in-house or by reproduction company) and mileage.

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
Koch LLC, (CONSULTANT) for
Consulting Services

SPECIAL SERVICES:

A. Field Survey

1. Establish Survey Control

Establish survey control along each street or intersecting streets as necessary. These control points will be established based on and tied to established City horizontal and vertical control points. The horizontal control for each street in the PROJECT will be established on the State Plane Coordinate System (NAD'83 Surface Coordinates) from CITY monumentation. Control points will be established using 5/8" iron rods, 18" long. These control points will be established using GPS and conventional surveying methods.

2. Benchmark Loop

A benchmark circuit will be established, based on the vertical control points provided. These benchmarks will be located outside of the construction limits and put in such a place so that they may be easily found for future use. Benchmarks will be located at about 1,000' intervals and will be referenced. Benchmarks shall be looped in accordance with good surveying practice prior to field surveys. All control leveling work will be performed using appropriate modified second order procedures with closed loops into the PROJECT vertical control.

3. Existing Streets, Driveways and Right-of-Way

Existing streets, driveways and right-of-way will be profiled and cross-sectioned at 50' intervals and to a point at least 20' outside of the Right-of-Way line. Low points, high points and other unique features will be noted. Pavement surfacing will be determined by visual inspection only. Intersecting streets will be profiled and cross-sectioned to a point at least 50' beyond the roadway being replaced.

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
Koch LLC, (CONSULTANT) for
Consulting Services

4. Existing Drainage Channels and Drainage Area Verification

Existing drainage channels and swales will be profiled and cross sectioned within the immediate vicinity of the PROJECT, 100' upstream and downstream. Low points, high points and any other unique features will be noted. Additional surveying may be necessary to verify the limits of drainage areas.

5. Existing Underground and/or Overhead Utilities

Utility CITY's will be contacted, on an as-needed basis, and requested to assist in locating existing utilities identified for the PROJECT. Above ground features of existing utilities within the proposed Right-of-Way for the limits of the PROJECT will be field located, including elevations of sanitary and storm sewer manhole flowlines and water/gas valve stems. The location of utilities between above ground features will be determined from visual inspection, utility records, and/or from locations determined by the respective utility companies. The utilities will be tied to the PROJECT control points and depths determined in sufficient detail to identify potential conflicts with proposed construction. The excavation and other costs required to expose or probe the underground utilities will be the responsibility of others.

6. Right-of-Way

Right-of-Way lines along the PROJECT will be located. This information will be included on the PROJECT's plan sheets.

7. Existing Storm Sewers and Culverts

The size of existing culverts will be measured and tied along with existing headwalls, channels and aprons. The size, length, and flowline elevation of existing storm sewers will be surveyed. Drainage areas contributing to the PROJECT or conveying water from the PROJECT will be determined through field investigations and available topographic mapping.

8. Temporary Signs, Traffic Control, Flags, Safety Equipment, Etc.

The Surveyor will exercise care in completing this surveying assignment by using traffic control devices, flags and safety equipment when necessary.

B. Geotechnical Investigation:

1. Through a qualified subcontractor, CONSULTANT shall:

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
Koch LLC, (CONSULTANT) for
Consulting Services

- Perform soil investigations, including field and laboratory tests, borings, related engineering analysis and recommendations for determining soil conditions will be made.
- Field and laboratory analysis will be made at reasonable intervals along the project alignment.
- A pavement section design will be prepared based on the results.
- Recommendations regarding design of trench safety and below ground structure, and suitability of pipe materials and construction technologies will be prepared based on the results.

C. Subsurface Utility Engineering:

CONSULTANT will provide Subsurface Utility Engineering (S.U.E.) Services through the use of a qualified sub-consultant. The S.U.E. will be performed to ASCE standard guidelines (ASCE 38-02). The deliverables for this project will be electronic files only in AutoCAD format. All Right-of-Entry Coordination is to be provided by CITY. Non-Routing Traffic Control Measures are not included in the scope of services. As described in the publication, four levels have been established to describe the quality of utility location and attribute information used on plans. The four quality levels are as follows:

- Quality Level D (QL"D") – Information derived from existing utility records;
- Quality Level C (QL"C") – QL"D" information supplemented with information obtained by surveying visible above-ground utility features such as valves, hydrants, meters, manhole covers, etc.
- Quality Level B (QL"B") – Two-dimensional (x, y) information obtained through the application and interpretation of non-destructive surface geophysical methods. Also known as "designating" this quality level provides the horizontal position of subsurface utilities within approximately one foot.
- Quality Level A (QL"A") – Three dimensional (x, y, z) utility information obtained utilizing non-destructive vacuum excavation equipment to expose utilities at critical points which are then tied down by surveying. Also known as "locating", this quality level provides precise horizontal and vertical positioning of utilities within approximately 0.05 feet.

Services not included in this contract:

- *Construction inspection services*
- *As-built surveys of constructed improvements*
- *Public hearings or City Council/Commission meetings*
- *Utility coordination meeting(s) to start relocation process with affected franchise utilities.*
- *Reset property corner monumentation disturbed or removed during or after construction*

EXHIBIT A to Agreement between the
City of Justin, (CITY) and Pacheco
Koch LLC, (CONSULTANT) for
Consulting Services

- *Required application and permitting fees (LOMR) or special insurance premiums are not included*
- *Phase II Environmental Site Assessments*
- *Storm Water Pollution Prevention Plans (SWPPP)*

END OF EXHIBIT 'A'

EXHIBIT B to Agreement between the
City of Justin, Texas (CITY) and
Pacheco Koch, LLC (CONSULTANT)
for Consulting Services

EXHIBIT 'B' – COMPENSATION AND METHOD OF PAYMENT

CITY OF JUSTIN – SWIFT WATER IMPROVEMENTS

COMPENSATION:

For all professional services included in EXHIBIT 'A', Scope of Services, the CONSULTANT shall be compensated a lump sum fee of \$1,350,000 as summarized below. The total lump sum fee shall be considered full compensation for the services described in EXHIBIT A, including all labor materials, supplies, and equipment necessary to deliver the services.

Basic & Special Services

A.	Project Management, Coordination & Permitting	\$ 180,000
B.	Preliminary Design (60% Submittal)	500,000
C.	Final Design (90% & 100% Submittals)	220,000
D.	Bid Phase Services	35,000
E.	Construction Administration	90,000
F.	Direct Expense (Not to Exceed)	7,000
G.	Field Survey	180,000
H.	Geotechnical Investigation	28,000
I.	Subsurface Utility Engineering	110,000

TOTAL **\$ 1,350,000**

METHOD OF PAYMENT:

The CONSULTANT shall be paid monthly payments as described in Article 3 of the AGREEMENT. The cumulative sum of such monthly partial fee payments shall not exceed the total current project budget including all approved Amendments. Each invoice shall be verified as to its accuracy and compliance with the terms of this Agreement by an officer of the CONSULTANT.

Monthly statements for reimbursable services performed by sub consultants will be based upon the actual cost to the CONSULTANT plus ten percent (10%). Direct expenses for services such as printing, express mail, fees, mileage and other direct expenses that are incurred during the progress of the project will be billed at 1.1 times the CONSULTANT'S cost.

END OF EXHIBIT 'B'

FINANCIAL ADVISORY AGREEMENT

This Financial Advisory Agreement (the "Agreement") is made and entered into by and between The City of Justin, Texas ("Issuer") and First Southwest Company ("FSC") effective as of the date executed by the Issuer as set forth on the signature page hereof.

WITNESSETH:

WHEREAS, the Issuer will have under consideration from time to time the authorization and issuance of indebtedness in amounts and forms which cannot presently be determined and, in connection with the authorization, sale, issuance and delivery of such indebtedness, Issuer desires to retain an independent financial advisor; and

WHEREAS, the Issuer desires to obtain the professional services of FSC to advise the Issuer regarding the issuance and sale of certain evidences of indebtedness or debt obligations that may be authorized and issued or otherwise created or assumed by the Issuer (hereinafter referred to collectively as the "Debt Instruments") from time to time during the period in which this Agreement shall be effective; and

WHEREAS, FSC is willing to provide its professional services and its facilities as financial advisor in connection with all programs of financing as may be considered and authorized by Issuer during the period in which this Agreement shall be effective.

NOW, THEREFORE, the Issuer and FSC, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

SECTION I DESCRIPTION OF SERVICES

Upon the request of an authorized representative of the Issuer, FSC agrees to perform the financial advisory services stated in the following provisions of this Section I; and for having rendered such services, the Issuer agrees to pay to FSC the compensation as provided in Section V hereof.

A. Financial Planning. At the direction of Issuer, FSC shall:

1. Survey and Analysis. Conduct a survey of the financial resources of the Issuer to determine the extent of its capacity to authorize, issue and service any Debt Instruments contemplated.

This survey will include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, will include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the Debt Instruments then under consideration, the survey will take into account any outstanding indebtedness payable from the revenues thereof, additional revenues to be available from any proposed rate increases and additional revenues, as projected by consulting engineers employed by the Issuer, resulting from improvements to be financed by the Debt Instruments under consideration.

2. Future Financings. Consider and analyze future financing needs as projected by the Issuer's staff and consulting engineers or other experts, if any, employed by the Issuer.
3. Recommendations for Debt Instruments. On the basis of the information developed by the survey described above, and other information and experience available, submit to the Issuer recommendations regarding the Debt Instruments under consideration, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, security provisions, and such other provisions as may be appropriate in order to make the issue attractive to investors while achieving the objectives of the Issuer. All recommendations will be consistent with the goal of designing the Debt Instruments to be sold on terms which are advantageous to the Issuer, including the lowest interest cost consistent with all other considerations.
4. Market Information. Advise the Issuer of our interpretation of current bond market conditions, other related forthcoming bond issues and general information, with economic data, which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Debt Instruments may be set at a favorable time.
5. Elections. In the event it is necessary to hold an election to authorize the Debt Instruments then under consideration, FSC will assist in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to a firm of municipal bond attorneys ("Bond Counsel") retained by the Issuer.

B. Debt Management and Financial Implementation. At the direction of Issuer, FSC shall:

1. Method of Sale. Evaluate the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:

a. If the Debt Instruments are to be sold by an advertised competitive sale, FSC will:

(1) Supervise the sale of the Debt Instruments, reserving the right, alone or in conjunction with others, to submit a bid for any Debt Instruments issued under this Agreement which the Issuer advertises for competitive bids; however, in keeping with the provisions of Rule G-23 of the Municipal Securities Rulemaking Board, FSC will request and obtain written consent to bid prior to submitting a bid, in any instance wherein FSC elects to bid, for any installment of such Debt Instruments;

(2) Disseminate information to prospective bidders, organize such informational meetings as may be necessary, and facilitate prospective bidders' efforts in making timely submission of proper bids;

(3) Assist the staff of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids; and

(4) Advise the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids.

b. If the Debt Instruments are to be sold by negotiated sale, FSC will:

(1) Recommend for Issuer's final approval and acceptance one or more investment banking firms as managers of an underwriting syndicate for the purpose of negotiating the purchase of the Debt Instruments.

(2) Cooperate with and assist any selected managing underwriter and their counsel in connection with their efforts to prepare any Official Statement or Offering Memorandum. FSC will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters agreement and other related documents. The costs incurred in such efforts, including the printing of the documents, will be paid in accordance with the terms of the Issuer's agreement with the underwriters, but

shall not be or become an obligation of FSC, except to the extent specifically provided otherwise in this Agreement or assumed in writing by FSC.

(3) Assist the staff of the Issuer in the safekeeping of any good faith checks, to the extent there are any such, and provide a cost comparison, for both expenses and interest which are suggested by the underwriters, to the then current market.

(4) Advise the Issuer as to the fairness of the price offered by the underwriters.

2. Offering Documents. Coordinate the preparation of the notice of sale and bidding instructions, official statement, official bid form and such other documents as may be required and submit all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, FSC shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute by mail or, where appropriate, by electronic delivery, sets of the same to prospective purchasers of the Debt Instruments. Also, FSC shall provide copies of the final Official Statement to the purchaser of the Debt Instruments in accordance with the Notice of Sale and Bidding Instructions.

3. Credit Ratings. Make recommendations to the Issuer as to the advisability of obtaining a credit rating, or ratings, for the Debt Instruments and, when directed by the Issuer, coordinate the preparation of such information as may be appropriate for submission to the rating agency, or agencies. In those cases where the advisability of personal presentation of information to the rating agency, or agencies, may be indicated, FSC will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be finally approved or directed by the Issuer.

4. Trustee, Paying Agent, Registrar. Upon request, counsel with the Issuer in the selection of a Trustee and/or Paying Agent/Registrar for the Debt Instruments, and assist in the negotiation of agreements pertinent to these services and the fees incident thereto.

5. Financial Publications. When appropriate, advise financial publications of the forthcoming sale of the Debt Instruments and provide them with all pertinent information.

6. Consultants. After consulting with and receiving directions from the Issuer, arrange for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the Debt Instruments.

7. Auditors. In the event formal verification by an independent auditor of any calculations incident to the Debt Instruments is required, make arrangements for such services.
8. Issuer Meetings. Attend meetings of the governing body of the Issuer, its staff, representatives or committees as requested at all times when FSC may be of assistance or service and the subject of financing is to be discussed.
9. Printing. To the extent authorized by the Issuer, coordinate all work incident to printing of the offering documents and the Debt Instruments.
10. Bond Counsel. Maintain liaison with Bond Counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the Debt Instruments.
11. Changes in Laws. Provide to the Issuer copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which FSC becomes aware in the ordinary course of its business, it being understood that FSC does not and may not act as an attorney for, or provide legal advice or services to, the Issuer.
12. Delivery of Debt Instruments. As soon as a bid for the Debt Instruments is accepted by the Issuer, coordinate the efforts of all concerned to the end that the Debt Instruments may be delivered and paid for as expeditiously as possible and assist the Issuer in the preparation or verification of final closing figures incident to the delivery of the Debt Instruments.
13. Debt Service Schedule; Authorizing Resolution. After the closing of the sale and delivery of the Debt Instruments, deliver to the Issuer a schedule of annual debt service requirements for the Debt Instruments and, in coordination with Bond Counsel, assure that the paying agent/registrar and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.

SECTION II OTHER AVAILABLE SERVICES

In addition to the services set forth and described in Section I herein above, FSC agrees to make available to Issuer the following services, when so requested by the Issuer and subject to the agreement by Issuer and FSC regarding the compensation, if any, to be paid for such services, it being understood and agreed that the services set forth in this Section II shall require further agreement as to the compensation to be received by FSC for such services:

1. Investment of Funds. From time to time, as an incident to the other services provided hereunder as financial advisor, FSC may purchase such investments as may be directed and authorized by Issuer to be purchased, it being understood that FSC will be compensated in the normal and customary manner for each such transaction. In any instance wherein FSC may become entitled to receive fees or other compensation in any form from a third party with respect to these investment activities on behalf of Issuer, we will disclose to Issuer the nature and, to the extent such is known, the amount of any such compensation so that Issuer may consider the information in making its investment decision. It is understood and agreed that FSC is a duly licensed broker/dealer and is affiliated with First Southwest Asset Management, Inc. ("FSAMI"), a duly registered investment advisor. Issuer may, from time to time, utilize the broker/dealer services of FSC and/or the investment advisory services of FSAMI with respect to matters which do not involve or affect the financial advisory services referenced in this Agreement. The terms and conditions of the engagement of FSC and/or FSAMI to provide such services shall be determined by mutual agreement at the time such services are requested.
2. Exercising Calls and Refunding. Provide advice and assistance with regard to exercising any call and/or refunding of any outstanding Debt Instruments.
3. Capital Improvements Programs. Provide advice and assistance in the development of any capital improvements programs of the Issuer.
4. Long-Range Planning. Provide advice and assistance in the development of other long-range financing plans of the Issuer.
5. Post-Sale Services. Subsequent to the sale and delivery of Debt Instruments, review the transaction and transaction documentation with legal counsel for the Issuer, Bond Counsel, auditors and other experts and consultants retained by the Issuer and assist in developing appropriate responses to legal processes, audit procedures, inquiries, internal reviews and similar matters.

**SECTION III
TERM OF AGREEMENT**

This Agreement shall become effective as of the date executed by the Issuer as set forth on the signature page hereof and, unless terminated by either party pursuant to Section IV of this Agreement, shall remain in effect thereafter for a period of five (5) years from such date. Unless FSC or Issuer shall notify the other party in writing at least thirty (30) days in advance of the applicable anniversary date that this Agreement will not be renewed, this Agreement will be automatically renewed on the fifth anniversary of the date hereof for an additional one (1) year period and thereafter will be automatically renewed on each anniversary date for successive one (1) year periods.

**SECTION IV
TERMINATION**

This Agreement may be terminated with or without cause by the Issuer or FSC upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due FSC for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

**SECTION V
COMPENSATION AND EXPENSE REIMBURSEMENT**

The fees due to FSC for the services set forth and described in Section I of this Agreement with respect to each issuance of Debt Instruments during the term of this Agreement shall be calculated in accordance with the schedule set forth on Appendix A attached hereto. Unless specifically provided otherwise on Appendix A or in a separate written agreement between Issuer and FSC, such fees, together with any other fees as may have been mutually agreed upon and all expenses for which FSC is entitled to reimbursement, shall become due and payable concurrently with the delivery of the Debt Instruments to the purchaser.

**SECTION VI
MISCELLANEOUS**

1. Choice of Law. This Agreement shall be construed and given effect in accordance with the laws of the State of Texas.

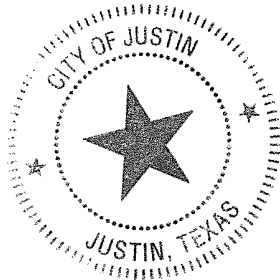
2. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and FSC, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

3. Entire Agreement. This instrument contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto.

FIRST SOUTHWEST COMPANY

By: Hill A. Feinberg
Hill A. Feinberg, Chairman and
Chief Executive Officer

By: Steven A. Adams
Steven A. Adams
Senior Vice President



City of Justin
By: Dale Rabouan
Title: MAYOR
Date: 5-13-02

ATTEST:

Virginia L. Blevins
Secretary

APPENDIX A

The fees due FSC will not exceed those contained in our customary fee schedule as listed below.

\$5,000	for the first	\$ 1,000,000	of bonds issued
plus \$ 5.00 per \$1,000	for the next	\$ 4,000,000	of bonds issued
plus \$ 2.00 per \$1,000	thereafter		

The above charges shall be multiplied by 1.25 times for the completion of an application to a federal or state government agency or for the issuance of revenue bonds or refunding bonds, reflecting the additional services required.

The charges for ancillary services, including computer structuring and official statement printing, shall be levied only for those services which are reasonably necessary in completing the transaction and which are reasonable in amount, unless such charges were incurred at the specific direction of the Issuer.

The payment of charges for financial advisory services described in Section I of the foregoing Agreement shall be contingent upon the delivery of bonds and shall be due at the time that bonds are delivered. The payment of charges for services described in Section II of the foregoing Agreement shall be due and payable in accordance with the mutual agreement therefor between FSC and Issuer.

The Issuer shall be responsible for the following expenses, if and when applicable, whether they are charged to the Issuer directly as expenses or charged to the Issuer by FSC as reimbursable expenses:

- Bond counsel
- Bond printing
- Bond ratings
- Computer structuring
- Credit enhancement
- CPA fees for refunding
- Official statement preparation and printing
- Paying agent/registrar/trustee
- Travel expenses
- Underwriter and underwriters counsel
- Miscellaneous, including copy, delivery, and phone charges

The payment of reimbursable expenses that FSC has assumed on behalf of the Issuer shall NOT be contingent upon the delivery of bonds and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by FSC.

NICHOLS, JACKSON, DILLARD, HAGER & SMITH, L.L.P.

Robert L. Dillard, III
Email: rdillard@njdhs.com

Attorneys & Counselors at Law
1800 Lincoln Plaza
500 North Akard
Dallas, Texas 75201
(214) 965-9900
Fax (214) 965-0010
E-mail NJDHS@NJDHS.com

ROBERT L. DILLARD, JR. (1913-2000)
H. LOUIS NICHOLS
LAWRENCE W. JACKSON
OF COUNSEL

November 23, 2004

Ed Trietsch
Mayor
City of Justin
P.O. Box 129
Justin, Texas 76247

By Facsimile (940) 648-1191

Re: Contract with Nichols, Jackson, Dillard, Hager & Smith, L.L.P.

Dear Mayor Trietsch:

This is to confirm that the City of Justin (the "City") has employed the law firm of Nichols, Jackson, Dillard, Hager & Smith, L.L.P. (the "Firm") as City Attorneys to provide legal services and legal representation to the City. Our contract includes all phases of legal representation including, upon request, the provision of legal advice, consultation and representation, attendance at council meetings and work sessions, and representation in judicial and administrative proceedings. The legal services contemplated herein do not include ad valorem tax collection. Should the City request the Firm to perform its delinquent ad valorem tax collection, a separate contract will be executed.

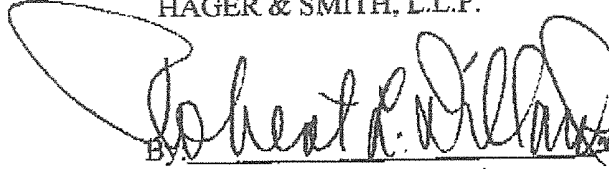
The Firm will be compensated at the rate of \$140.00 per hour and will be reimbursed for reasonable out-of-pocket expenses incurred in the provision of legal services, including but not limited to postage, photocopies, facsimile charges, delivery charges, travel expenses, filing fees advanced by the Firm on the City's behalf, etc. The Firm will present the City with invoices on a monthly basis detailing the work performed and the costs and expenses incurred. This agreement is for a period of one (1) year and will be renewed automatically for successive one-year periods unless terminated by either party at least 10 days prior to the expiration of the contract period. Notwithstanding the foregoing, this agreement is terminable at will of either party upon ten (10) days' written notice.

We understand that the City will vote to approve this agreement and appoint the Firm as the City Attorney at a duly posted open meeting, which will be reflected in the minutes thereof. We suggest that the City council authorize the Mayor to execute this Contract on the City's behalf.

We are grateful for the opportunity to serve the City of Justin and look forward to an association of many years.

Respectfully,

NICHOLS, JACKSON, DILLARD,
HAGER & SMITH, L.L.P.


By: Robert L. Dillard, III

Robert L. Dillard, III

RLD/si

ACCEPTED AND AGREED TO:

CITY OF JUSTIN

By: Edward Trietsch
Ed Trietsch
Mayor, City of Justin

NICHOLS, JACKSON, DILLARD,
HAGER & SMITH, L.L.P.

1800 LINCOLN PLAZA
500 N. AKARD
DALLAS, TEXAS 75201
(214) 965-9900
(214) 965-0010 FAX

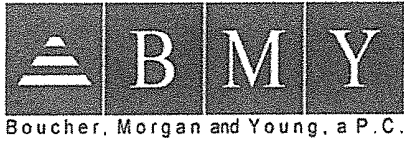
PLEASE DELIVER THE FOLLOWING TO:

NAME: Mayor Ed Trietsch
COMPANY: City of Justin
FAX NO.: 940 648-1191
DATE: November 23, 2004
FROM: Robert L. Dillard, III
TRANSMITTED BY: Susan Irvin

NUMBER OF PAGES (Including Cover Sheet): 3

COMMENTS:

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November 21, 2016

To City Council and Management

City of Justin, Texas
PO Box 129
Justin, Texas 76247

We are pleased to confirm our understanding of the services we are to provide the City of Justin, Texas (the City) for the year ended September 30, 2016. We will audit the financial statements of the governmental activities, the business-type activities, and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City as of and for the year ended September 30, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- 3) Schedule of Change in Net Pension Liability and Related Ratios
- 4) Schedule of Contributions
- 5) Notes to Required Supplementary Information

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the City's financial statements. Our report will be addressed to the City Council of the City of Justin, Texas. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also prepare the financial statements of the City in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Boucher, Morgan and Young, a P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to any applicable regulator or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Boucher, Morgan and Young, a P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to any applicable regulator or its designee. The applicable regulator or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit on approximately January 23, 2017 and to issue our reports in March 2017. Mr. Jeremy Shell is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will range from \$16,500 – \$19,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not

be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the City of Justin, Texas and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Boucher, Morgan & Young

Boucher, Morgan and Young, a P.C.

RESPONSE:

This letter correctly sets forth the understanding of City of Justin, Texas.

Management signature: *Ceri Reaume*
Title: *City manager*
Date: *February 27, 2017*

Governance signature: *Greg Scott*
Title: *Mayor*
Date: *4/24/17*

SUBCONSULTANT AGREEMENT FOR PROFESSIONAL SERVICES

Justin – SWIFT Funding Application
City of Justin, Denton County, Texas
PK No: 3340-13.294

This is an agreement made this 22 day of March, 2017 between **Pacheco Koch, LLC**, hereinafter called PK, with principal offices at 6100 Western Place, Suite 1001, Fort Worth, Texas 76107, and **Thomas Hoover Engineering, LLC**, hereinafter called SUBCONSULTANT with principal offices at PO Box 1808, Keller, Texas 76244, and is subject to the terms and conditions contained herein to which the parties mutually agree.

ARTICLE 1 – PRIME AGREEMENT

- 1.1 PK has an agreement with the City of Justin, hereinafter called OWNER, which is herein referred to as the Prime Agreement, which provides for PK to furnish professional services for the Project, which are generally described as preparation of the SWIFT Loan Application.
- 1.2 PK is the prime professional with respect to the subconsultant services to be performed under this Agreement and is responsible for coordinating SUBCONSULTANT's services with services of others involved in the Project. SUBCONSULTANT is an independent subconsultant to PK responsible for the means and methods used in performing services under this Agreement, and is not a joint venture with PK. SUBCONSULTANT shall address all correspondence and communications through PK and shall not communicate directly with the OWNER unless authorized by PK.

ARTICLE 2 – SCOPE OF SERVICES

- 2.1 In consideration of the mutual covenants contained herein, SUBCONSULTANT shall perform the services identified in letter of proposal to PK dated March 7, 2017, which is made a part hereof, in accordance with the terms of this Agreement.
- 2.2 SUBCONSULTANT will commence the services upon receipt of an executed copy of this Agreement signed by an authorized representative of SUBCONSULTANT and by an authorized representative of PK.

ARTICLE 3 – SCHEDULE

- 3.1 The SUBCONSULTANT recognizes that the services of PK and others involved in the Project are dependent upon timely performance of SUBCONSULTANT's services. The Schedule for completion and delivery of the services described herein will be as defined in the Scope of Services.

ARTICLE 4 - CHANGES

- 4.1 PK may, by written order only, make changes revisions, additions, or deletions (collectively hereinafter called "changes") in the Scope of Services.
- 4.2 SUBCONSULTANT will immediately, upon knowledge of any potential changes (including actions, inactions, and written or oral communications) that do not conform to the authorized method of directing changes specified herein, notify PK of such changes and will request written disposition.
- 4.3 SUBCONSULTANT will not proceed with any changes unless notified to proceed in writing by PK.
- 4.4 Nothing herein will be construed as relieving SUBCONSULTANT of its obligations to perform, including without limitation, the failure of the parties to agree upon SUBCONSULTANT entitlement to, or the amount of, any adjustment in time or compensation.
- 4.5 Any claim by SUBCONSULTANT for an adjustment under this paragraph must be asserted in writing, fully supported by factual information to PK, within 30 days from the date of receipt by SUBCONSULTANT of the written change authorization from PK or within such extension of that 30-day period as PK in its sole discretion, may grant in writing at SUBCONSULTANT'S request prior to expiration of said period.
- 4.6 If the Scope of Services is reduced by changes, such action will not constitute a claim for damages based on loss of anticipated profits.

ARTICLE 5 – COMPENSATION

- 5.1 SUBCONSULTANT shall be compensated in accordance with the afore referenced letter of proposal and any subsequent executed changes to said proposal.
- 5.2 The maximum compensation, exclusive of reimbursables, to SUBCONSULTANT shall not exceed \$20,000 for the entire project without prior written approval of PK.
- 5.3 SUBCONSULTANT shall submit invoices to PK on or before the 31st of each month for services rendered for inclusion in PK's invoice to OWNER. SUBCONSULTANT shall maintain documentation of services performed and personnel utilized and, upon request of PK, submit same for review.
- 5.4 SUBCONSULTANT's invoices to PK must be submitted in accordance with the following:
 - a. Invoices must be submitted:
 - 1) Via electronic format (PDF) to accounting@pkce.com (PREFERRED METHOD)
OR
 - 2) Two (2) paper copies to Pacheco Koch, LLC, Accounts Payable Dept., 7557 Rambler Road, Suite 1400, Dallas, Texas 75231-2388.
 - b. Indicate the SUBCONSULTANT'S Federal Employer Identification Number (EIN).
 - c. Indicate the Project Name. SWIFT Funding Application
 - d. Indicate PK's project number. 3340-13.294
 - e. Indicate the SUBCONSULTANT'S invoice number.
 - f. Indicate when the services invoiced were provided.
 - g. Indicate the amount previously invoiced.
 - h. Indicate the amount due for the current invoice.
 - i. Indicate the amount invoiced to date.
 - j. Indicate the estimated percent completion level on the contract.
 - k. Backup data for effort to be compensated based on a time and materials basis.
 - l. If the invoice is a final invoice, then it should indicate so.
- 5.5 PK will bill OWNER monthly and will, to the best of their ability, pay SUBCONSULTANT within 15 days of the time PK receives payment from OWNER on account thereof. It is intended that payments to SUBCONSULTANT will be made to SUBCONSULTANT if PK is paid by OWNER under the Prime Agreement. All services performed by SUBCONSULTANT shall be to the satisfaction of PK and OWNER before payment is made to the SUBCONSULTANT.

ARTICLE 6 - TERMINATION

- 6.1 The obligation to provide services under this Agreement may be terminated by SUBCONSULTANT upon thirty days written notice to PK in the event of substantial failure by PK to perform in accordance with the terms hereof through no fault of SUBCONSULTANT.
- 6.2 This Agreement may be terminated by PK with or without cause of any termination. SUBCONSULTANT will be paid for services rendered to the date of termination.
- 6.3 This Agreement will terminate automatically upon termination of the Prime Agreement. PK will promptly notify SUBCONSULTANT of such termination.

ARTICLE 7 – INSTRUMENTS OF SERVICE

- 7.1 SUBCONSULTANT agrees to maintain books, accounts, records, documents, and other evidence directly pertinent to the performance of this Agreement in accordance with generally accepted principles and practices consistently applied for a minimum period of five years after project completion, during which period they will be made available to PK and OWNER at all reasonable times.

ARTICLE 8 - INDEMNIFICATION

- 8.1 SUBCONSULTANT shall indemnify and save harmless PK and OWNER from all suits, actions, and damages or costs of every name and description to which PK and OWNER may be subject or put by reason or injury to persons (bodily injury, including death, or any personal injury) or property damage as a result of SUBCONSULTANT, his servants' or agents' negligent acts, errors or omissions. Monies to become due the SUBCONSULTANT under the contract as may be considered necessary by PK shall be retained by PK until such suits or claims for damages shall have been settled or until SUBCONSULTANT furnishes to PK satisfactory evidence of insurance coverage with respect to such suits or claims.

- 8.2 The SUBCONSULTANT shall include the provisions of this paragraph in every contract or agreement with any and all subcontractors of the SUBCONSULTANT.

ARTICLE 9 - INSURANCE

- 9.1 SUBCONSULTANT shall procure and maintain insurance for the entire project period and a minimum period of three years thereafter, unless otherwise specified, in accordance with the following:
- a. Workers' Compensation Insurance, with statutory limits; Employers Liability Insurance of not less than \$1,000,000 for each accident, \$1,000,000 disease per employee, \$1,000,000 disease policy limit.
 - b. Commercial General Liability Insurance, including Personal Injury Liability, and Contractual Liability covering, but not limited to, the indemnification provisions of this Contract, with a combined bodily injury (including death) and property damage minimum limit of \$1,000,000 per occurrence, \$2,000,000 annual aggregate. If coverage is written on a claims-made basis, coverage shall be continuous (by renewal or extended reporting period) of no less than 36 months following completion of the contract and acceptance of work by PK. Coverage, including any renewals, shall have the same retroactive date as the original policy applicable to the Project. PK and OWNER shall be named additional insured as to the SUBCONSULTANT'S liability under this Contract, by using endorsement CG 20 26 or broader.
 - c. Business Automobile Liability Insurance, covering owned, hired and non-owned vehicles, with a combined bodily injury (including death) and property damage minimum limit of \$1,000,000 per occurrence.
 - ~~d. Umbrella Liability Insurance, in the amount of \$4,000,000 combined single limits bodily injury and property damage liability insurance, including death, as excess and that follows form of the primary coverage required above.~~
 - e. Professional Liability Insurance (including Errors and Omissions) on a claims-made basis, with minimum limits of \$2,000,000 per claim, \$2,000,000 annual aggregate. Coverage shall be continuous (by renewal or extended reporting period) for not less than 36 months following completion of this Contract and acceptance by PK. Coverage, including any renewals, shall have the same retroactive date as the original policy applicable to the Project.
 - f. SUBCONSULTANT shall be responsible for all damages to life and property due to his activities or those of his agents or employees in connection with his services, and it is expressly understood that SUBCONSULTANT shall indemnify and hold PK and OWNER harmless from any claims, suits, action, damages, and cost to every name and description arising out of or resulting from the negligent acts, errors or omissions of the SUBCONSULTANT under this Agreement.
 - g. The premium to be expended for all of the above mentioned policies of insurance shall be paid by SUBCONSULTANT. The policies of insurance, certificates of insurance, and the insurance company or insurance companies issuing such policies or certificates of insurance must be acceptable to PK.
 - h. All certificates of insurance must be issued indicating that such policies of certificates are applicable to work being performed under a specific contract or to all work performed by SUBCONSULTANT for PK.
 - i. Certificates of Insurance shall be completed and submitted to PK before SUBCONSULTANT performs any work.
 - j. A minimum of 30 days written notification must be given of any alteration, material change, or cancellation affecting any certificates or policies of insurance as required under this Agreement. Such required notification must be sent via Registered or Certified Mail to PK at the address previously stated in this Agreement.
 - k. Nothing to be contained in this Agreement between SUBCONSULTANT and PK will require that SUBCONSULTANT obtain insurance to cover willful acts of misconduct. However, it should be clearly understood that SUBCONSULTANT is responsible for the willful acts of misconduct of SUBCONSULTANT, his servants, or agents.
 - l. Should any of the above insurance coverages expire during time of contract, PK will retain any payment due SUBCONSULTANT until such a coverage is reactivated retrospectively from the time of expiration.

7/11
FRD

ARTICLE 10 - LOWER TIER SUBCONTRACTORS

- 10.1 Any proposed or existing subcontractors to SUBCONSULTANT who will perform a portion of the Scope of Services hereunder, hereinafter called LOWER TIER SUBCONTRACTOR, must, before Services are begun, be submitted to and approved in writing by PK. SUBCONSULTANT will bind any LOWER TIER SUBCONTRACTOR to the provisions of this Agreement.
- 10.2 Neither this Agreement nor any LOWER TIER SUBCONTRACTOR will create any contractual relationship between any LOWER TIER SUBCONTRACTOR and PK, nor any liability of PK to any LOWER TIER SUBCONTRACTOR.

ARTICLE 11 - ADDITIONAL ASSIGNMENTS

- 11.1 SUBCONSULTANT will not separately solicit or accept any assignment from OWNER directly related to the project during the life of the Agreement without PK's prior written approval.

ARTICLE 12 - COMMUNICATIONS

- 12.1 All of SUBCONSULTANT's written or verbal communication with or to OWNER, or with federal, state, or local agencies, relative to Services under this Agreement must be through or with the prior knowledge and consent of PK.

ARTICLE 13 - CONTROLLING LAW

- 13.1 If any of the provisions of this Agreement are invalid under any applicable statute or rule of law, they are, to that extent, deemed omitted.
- 13.2 This Agreement shall be governed by the laws of the State of Texas.

ARTICLE 14 - NOTICES

- 14.1 Any notice given hereunder shall be deemed served when hand delivered in writing to an officer or other duly appointed representative of the party to whom the notice is directed, or if sent by registered or certified mail to the business address stated previously in this Agreement.

ARTICLE 15 - ENTIRE AGREEMENT

- 15.1 The Agreement (including scope and fee related portion of the attachments) constitutes the sole and entire agreement between PK and SUBCONSULTANT. This Agreement replaces and supersedes all prior discussions and agreements between PK and SUBCONSULTANT with respect to the matters contained herein.

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be executed in their behalf respectively by their proper officers or officials thereunto duly authorized by their respective governing bodies.

Pacheco Koch, LLC

By: 

Printed Name: Brian D. O'Neill, P.E., CFM

Title: Principal

Thomas Hoover Engineering, LLC

By: 

Printed Name: THOMAS L. HOOVER

Title: MANAGER

Fed. Tax I.D. No.: 68-0528022

Christopher J. Cha

From: Tom Hoover <tom.theng@yahoo.com>
Sent: Tuesday, March 07, 2017 8:46 AM
To: Christopher J. Cha
Subject: Justin - 2017 SWIFT Application

Chris-

In accordance with our conversations with Cori Reaume, we will be performing the preparation of the SWIFT application for the City of Justin on an hourly basis not to exceed \$20,000. She requested that we invoice our services through the professional services agreement that the City has with PK.

If you have any questions, please give us a call. We look forward to helping the City reduce their water losses through the replacement of the deteriorated water mains.

THOMAS HOOVER, P.E.
THOMAS HOOVER ENGINEERING, LLC
P.O. Box 1808
Keller, TX 76244
Phone 817-913-1350



April 27, 2017

Re: Agreement for Services – Bond Counsel: Norton Rose Fulbright

Dear Texas Water Development Board,

Our Bond Counsel will be the firm of Norton Rose Fulbright, which is based out of Dallas, Texas. We do not maintain a Standard Agreement for Services with this firm, but will contract with them on an individual basis for each issuance.

We hope this explanation is adequate to satisfy the requirements of the SWIFT application.

Please do not hesitate to contact me with any questions.

A handwritten signature in cursive script that reads 'Cori Reaume'.

Cori Reaume
City Manager
City of Justin
Citymanager@cityofjustin.com

A6 & A7

Counties

Denton

Identify the Applicant's total service area population:: 3,640

Funding Program(s)

Funding Programs

SWIFT: \$12,000,000

Other Funding Sources

Other Funding Sources

Funding Source	Type of Funds (Loan, Grant, etc.)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
City Funds		\$100,000		

Other Funding Comments: The City's general fund will contribute \$100,000.

Funding_1 N/A

Funding & Project Type

Has this project received TWDB funding for any other project phases?: N

Requesting Funding for Planning: N

Requesting Funding for Acquisition: N

Requesting Funding for Design: Y

Requesting Funding for Construction: Y

Is the project a water project?: Y

Is the project a wastewater project?: N

Is Applicant requesting funding to refinance existing debt?: N

DUNS:

Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?:
2. Did applicant receive over \$25 million in Federal Awards last year?:
3. Does the public have access to executive compensation information via SEC or IRS reports?:

Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts):

TWDB-0215 N/A

Contractors & Loan/Grant Participation Summary

Have you already solicited contractors?:

Have contracts already been awarded?:

Legal Information

Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.: The Constitution and laws of the State of Texas, including Texas Local Government Code, Subchapter C of Chapter 271, as amended, and Texas Government Code, Sections 1502.056 and 1502.058.

What type of pledge will be used to repay the proposed debt?: COMBO

Provide the full legal name of the security for the proposed debt issue(s): TWDB to fill in based on email from bond coun

Describe the pledge being offered and any existing rate covenants.: Pledge: Ad valorem taxes and a lien on and pledge of the Net Revenues of the City's combined Waterworks and Sewer System, such lien and pledge, however, being junior and subordinate to the lien on and pledge of such Net Revenues securing the payment of the certain obligations hereafter issued by the City

City of Justin
Resolution 504-17

TWDB-0201A
Rev 11/16

Application Filing and Authorized Representative Resolution

A RESOLUTION by the City Council of the City of Justin requesting financial assistance from the Texas Water Development Board; authorizing the filing of an application for assistance; and making certain findings in connection therewith.

BE IT RESOLVED BY THE City Council OF THE City of Justin:

SECTION 1: That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed \$12,000,000 to provide for the costs of replacing deteriorating water lines through Justin Old Town area.

SECTION 2: That Cori Reaume be and is hereby designated the authorized representative of the City of Justin for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

SECTION 3: That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the City of Justin before any hearing held by the Texas Water Development Board on such application, to wit:

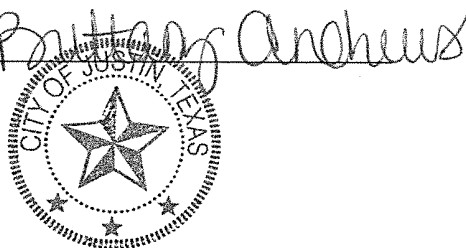
Financial Advisor: Nick Bulaich, Managing Director
FirstSouthwest, a Division of Hilltop Securities

Engineer: Chris Cha, Associate Principal
Pacheco Koch

Bond Counsel: Robert Collins, Partner
Bracewell, LLP

PASSED AND APPROVED, this the 10th day of April, 2017.

ATTEST:



(Seal)

By: Brittany Andrews, City Secretary

Application Affidavit

THE STATE OF TEXAS §
COUNTY OF Denton §
APPLICANT City of Justin §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Greg Scott as the Authorized Representative of the City of Justin, who being by me duly sworn, upon oath says that:

1. The decision by the City of Justin (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("TWDB") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the City of Justin (authority, city, county, corporation, district).

2. The information submitted in the application is true and correct according to my best knowledge and belief.

3. The City of Justin (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none").

Violation notice received for no nitrification action plan & currently enrolled in an SSO Initiative Program

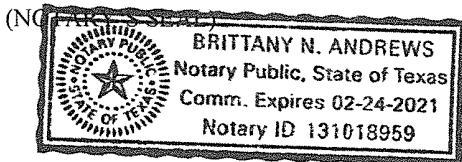
4. The City of Justin (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the TWDB provides the financial assistance; and

5. the City of Justin (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

Greg Scott
Official Representative

Title: Mayor

SWORN TO AND SUBSCRIBED BEFORE ME, by Brittany Andrews
on this 24th day of April, 2017.

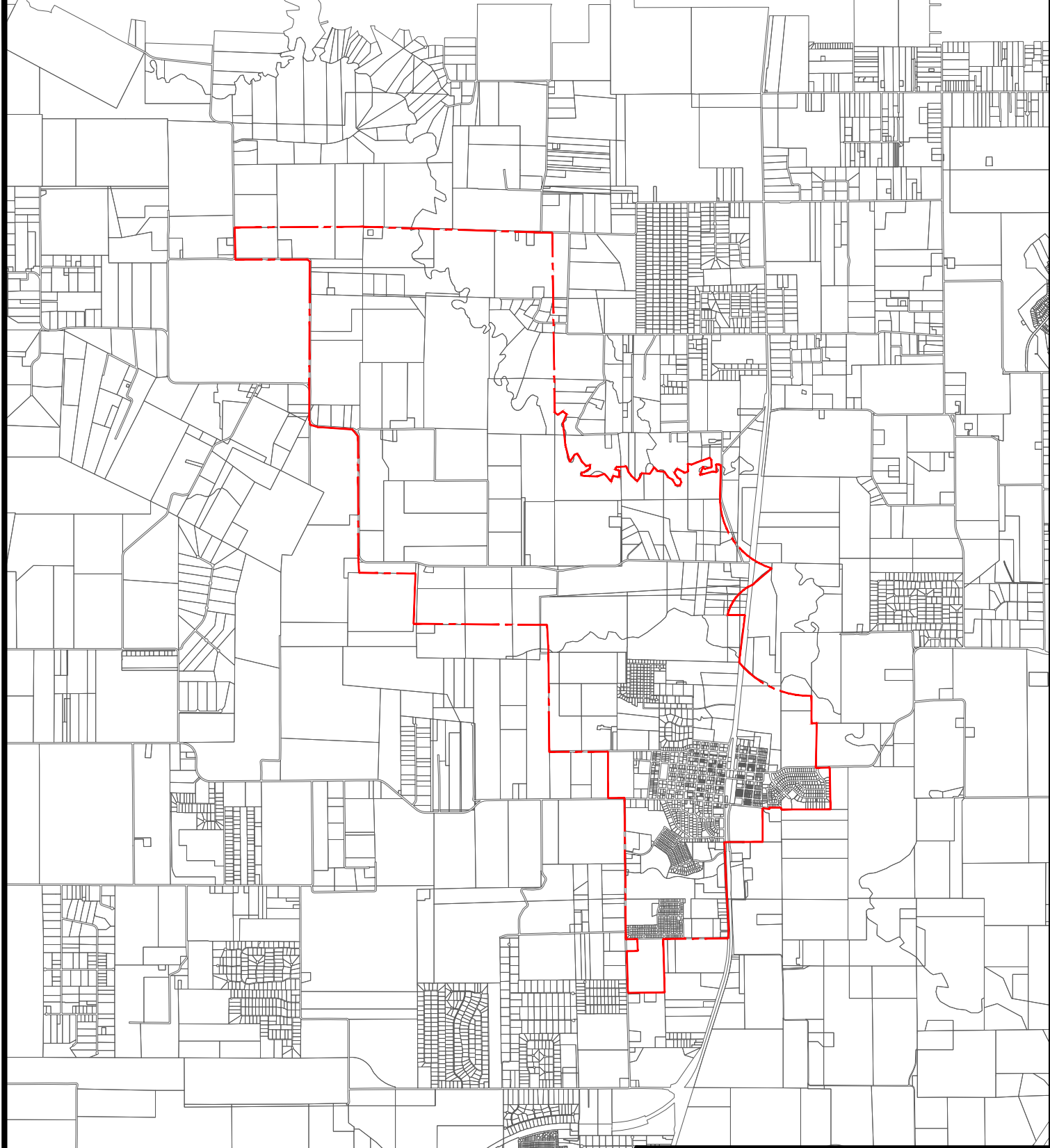


Brittany N. Andrews
Notary Public, State of Texas

Bonds, CCN, Enforcement Action

Does the applicant possess a Certificate of Convenience and Necessity (CCN)?: Y

Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?: Y



WATER CCN LIMITS OF JUSTIN, TX.



PRELIMINARY
 NOT FOR CONSTRUCTION
 THIS DOCUMENT IS ISSUED FOR THE PURPOSE OF SCHEMATIC REVIEW ONLY AND IS NOT INTENDED FOR PERMITTING, BIDDING, OR CONSTRUCTION PURPOSES.
 PLANS PREPARED UNDER THE DIRECT SUPERVISION OF CHRISTOPHER J. DIA, P.E. TEXAS REGISTRATION NO. 112732
 DATE: 04/18/2017

LEGEND

CITY OF JUSTIN WATER CCN



INFORMATION SHOWN IS FOR GENERAL REFERENCE AND SHOULD NOT BE USED FOR SPECIFIC PROPERTY OWNERSHIP OR DESCRIPTION.



April 27, 2017

Re: TCEQ Enforcement

Dear Texas Water Development Board,

The City of Justin is not currently under any enforcement action from the Texas Commission of Environmental Quality, nor has it been in the last three years.

We are currently enrolled in the SSO Initiative program and are making satisfactory progress toward our wastewater system improvements.

We also received a violation notice for not having a nitrification action plan in place, but are currently working to correct that issue.

Please feel free to contact me with any questions or concerns.

A handwritten signature in cursive script that reads 'Cori Reaume'.

Cori Reaume
City Manager
City of Justin
Citymanager@cityofjustin.com

Municipality

Is the area to be served by the project within the service area of a municipality or other public utility?: Y

If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?: N

If no, provide an explanation as to why not.: The City of Justin provides the water services.

NoObjectionAffidavit N/A

Board Approved WCP

If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than FIVE years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.): Y

Enter date of Applicant's WCP adoption: 2008-09-08 00:00:00.0

CITY OF JUSTIN
ORDINANCE NO. 453-08

AN ORDINANCE OF THE CITY OF JUSTIN, TEXAS, AMENDING THE CODE OF ORDINANCES OF THE CITY OF JUSTIN, AS HERETOFORE AMENDED, BY AMENDING ARTICLE 11.300 "WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN" TO ADOPT THE PLANS RECOMMENDED BY UPPER TRINITY REGIONAL WATER DISTRICT; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING A SEVERABILITY CLAUSE; PROVIDING FOR A PENALTY OF FINE NOT TO EXCEED THE SUM OF FIVE HUNDRED DOLLARS (\$500.00) FOR EACH OFFENSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Justin has given public notice and conducted a public hearing as required by the plans proposed for adoption; and

WHEREAS, the City Council finds and determines that is in the best interest of the public health, safety and welfare of the citizens of the City to adopt a water conservation plan and a drought contingency plan; NOW, THEREFORE,

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

SECTION 1. That Article 11.300 "Water Conservation and Drought Contingency Plan" of the Code of Ordinances, City of Justin, Texas, is hereby amended to read as follows:

"ARTICLE 11.300 WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN"

§11.301 Approval of Water Conservation Plan

There is hereby adopted as the City's water conservation plan the Model Water Conservation Plan for Upper Trinity Regional Water District Members, dated April 2007, which is incorporated herein by reference and made a part hereof for all purposes as the Water Conservation Plan for the City of Justin, Texas. A true and correct copy of the Water Conservation Plan shall be kept in the office of the City Secretary and made available for public inspection at all times during regular business hours.

§11.302 Reports

The City shall report to the Texas Commission on Environmental Quality and the Upper Trinity Regional Water District as required by the Water Conservation Plan.

§11.303 Drought Contingency Plan

There is hereby adopted as the City's drought contingency plan the Model Drought Contingency Plan for Upper Trinity Regional Water District Member Cities and Customers, dated April 2007, which is incorporated herein by reference and made a part hereof for all purposes as the Drought Contingency Plan for the City of Justin, Texas.. A true and correct copy of the Drought Contingency Plan shall be kept on file in the office of the City Secretary and made available for public inspection at all times during regular business hours.

§11.304 Duties of City Administrator

The City Administrator or his designee will carry out the steps required by the Water Conservation Plan or the Drought Contingency Plan. References in the Plans to "City Manager" shall mean City Administrator."

SECTION 2. That all other ordinances of the City of Justin in conflict with the provisions of this ordinance, are hereby repealed.

SECTION 3. That should any sentence, paragraph, subdivision, clause, phrase or section of this ordinance, or the Water Conservation Plan or Drought Contingency Plan, which are attached to this ordinance as Exhibits "A" and "B" respectively, be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this ordinance as a whole, or any part or provision thereof, other than the part decided to be invalid, illegal or unconstitutional.

SECTION 4. That any person, firm or corporation violating any of the provisions or terms of this ordinance shall be subject to the same penalty as provided for in the Code of Ordinances of the City of Justin, as heretofore amended, and upon conviction shall be punished by a fine not to exceed the sum of five hundred dollars (\$500.00) for each offense.

SECTION 5. This ordinance shall take effect immediately from and after its passage and the publication of the caption, as the law in such cases provides.


DULY PASSED by the City Council of the City of Justin, Texas, on the 8 day of September 2008.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF JUSTIN, TEXAS, AMENDING THE CODE OF ORDINANCES OF THE CITY OF JUSTIN, AS HERETOFORE AMENDED, BY AMENDING ARTICLE 11.300 "WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN" TO ADOPT THE PLANS RECOMMENDED BY UPPER TRINITY REGIONAL WATER DISTRICT; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING A SEVERABILITY CLAUSE; PROVIDING FOR A PENALTY OF FINE NOT TO EXCEED THE SUM OF FIVE HUNDRED DOLLARS (\$500.00) FOR EACH OFFENSE; AND PROVIDING AN EFFECTIVE DATE.

DULY PASSED by the City Council of the City of Justin, Texas, on the 8 day of Sept, 2008.

APPROVED:



Daniel Cocanougher, Mayor

ATTEST:



Virginia Blevins, City Secretary

**Model Drought Contingency Plan for
Upper Trinity Regional Water District Member Cities and
Customers**

APRIL 2007

1. INTRODUCTION AND OBJECTIVES

This document is as a Model Drought Contingency Plan intended to be available for adoption by Upper Trinity Regional Water District (UTRWD) Members and Customers. This model plan addresses all of the current Texas Commission on Environmental Quality (TCEQ) requirements for a drought contingency plan.

The purpose of this model plan is as follows:

- To conserve the available water supply in times of drought and emergency.
- To maintain supplies for domestic water use, sanitation, and fire protection.
- To protect and preserve public health, welfare, and safety.
- To minimize the adverse impacts of water supply shortages.
- To minimize the adverse impacts of emergency water supply conditions.

UTRWD supplies treated water to its Members and Customers in Denton and Collin Counties. This model plan was developed by UTRWD in consultation with its Member cities, utilities and other customers. In order to adopt this model plan, each UTRWD Member and Customer will need to adopt ordinance(s) or

regulation(s) implementing the model plan, including the determination of fines and enforcement procedures. The model plan calls for Member Cities and Customers to adopt drought stages initiated by UTRWD during a drought. Member Cities and Customers may also adopt more stringent drought stages than UTRWD if conditions warrant.

2. TEXAS COMMISSION ON ENVIRONMENTAL QUALITY RULES

The TCEQ rules governing development of drought contingency plans for public water suppliers are contained in Title 30, Part 1, Chapter 288, Subchapter B, Rule 288.20 of the Texas Administrative Code, which is included in Appendix B. For the purpose of these rules, a drought contingency plan is defined as “a strategy or combination of strategies for temporary supply and demand management responses to temporary and potentially recurring water supply shortages and other water supply emergencies.”

Minimum Requirements

TCEQ's minimum requirements for drought contingency plans are addressed in the following subsections of this report:

- 288.20(a)(1)(A) – Provisions to Inform the Public and Provide Opportunity for Public Input – Section 3.1
- 288.20(a)(1)(B) – Provisions for Continuing Public Education and Information – Section 3.2
- 288.20(a)(1)(C) – Coordination with the Regional Water Planning Group – Section 3.7
- 288.2(a)(1)(D) – Criteria for Initiation and Termination of Drought Stages – Section 3.3

- 288.20(a)(1)(E) – Drought and Emergency Response Stages – Section 3.4
- 288.20(a)(1)(F) – Water Supply and Demand Management Measures for Each Stage – Section 3.4
- 288.20(a)(1)(G) – Procedures for Initiation and Termination of Drought Stages – Section 3.3
- 288.20(a)(1)(H) – Procedures for Granting Variances – Section 3.5
- 288.20(a)(1)(I) – Procedures for Enforcement of Mandatory Restrictions – Section 3.6
- 288.20(a)(3) – Consultation with Wholesale Suppliers – Sections 1, 3.3, and 3.4
- 288.20(b) – Notification of Implementation of Mandatory Measures – Section 3.3
- 288.20(c) – Review and Update of Plan – Section 3.8

3. DROUGHT CONTINGENCY PLAN

3.1 Provisions to Inform the Public and Opportunity for Public Input

[Entity] will provide opportunity for public input in the development of this Drought Contingency Plan (the "Plan") by the following means:

- Providing written notice of the draft Plan, and the opportunity for the public to comment on the Plan, by newspaper, posted notice, and notice on the [Entity's] web site (if available).
- Making the draft Plan available on the [Entity's] web site (if available).
- Providing a copy of the draft Plan to anyone requesting a copy.
- Holding a public meeting to gather public comment on the draft Plan.

3.2 Provisions for Continuing Public Education and Information

[Entity] will inform and educate the public about the Plan by the following means:

- Preparing a bulletin describing the Plan and making it available at city hall and other appropriate locations.
- Making the Plan available to the public through the [Entity's] web site (if available).
- Including information on water conservation and appropriate responses under the Plan on the [Entity's] web site (if available).

- Notifying local organizations, schools, and civic groups that [Entity's] staff Members are available to make presentations on the Plan (usually in conjunction with presentations on water conservation programs).

Any time the Plan is activated or the drought stage changes, [Entity] will notify local media of the relative issues, the drought response stage, and the specific actions required of the public. The information will also be publicized on the [Entity's] web site (if available). Billing inserts will also be used as appropriate.

3.3 Initiation and Termination of Drought Response Stages

Initiation of a Drought Response Stage

The City Manager, General Manager, Mayor, Chief Executive, or official designee may order the implementation of a drought response stage or water emergency when one or more of the trigger conditions for that stage is met. The following actions will be taken when a drought stage is initiated:

- The public will be notified through local media and the [Entity's] web site (if available) as described in Section 3.2.
- Wholesale customers (if any) and UTRWD will be notified by telephone with a follow-up letter, e-mail, or fax that provides details of the reason for initiation of any drought stage.
- If any mandatory provisions of the Plan are activated, [Entity] will notify the Executive Director of the TCEQ within 5 business days.

Drought stages imposed by UTRWD action must be initiated by [Entity]. For other trigger conditions, the City Manager, General Manager, Mayor, Chief Executive, or official designee may decide not to order the implementation of a drought response stage or water emergency even though one or more trigger criteria for the stages are met. Factors, which could influence such a decision, include, but are not limited to, the time of the year, weather conditions, the anticipation of replenished water supplies, or the anticipation that additional facilities will become available to meet needs. The reason for this decision should be documented.

Termination of a Drought Stage

The City Manager, General Manager, Mayor, Chief Executive, or official designee may order the termination of a drought response stage or water emergency when the conditions for termination are met or at their discretion. The following actions will be taken when a drought stage is terminated:

- The public will be notified through local media and the [Entity's] web site (if available) as described in Section 3.2.
- Wholesale customers (if any) and UTRWD will be notified by telephone with a follow-up letter, e-mail, or fax.
- If any mandatory provisions of the Plan that have been activated are terminated, [Entity] will notify the Executive Director of the TCEQ within 5 business days.

The City Manager, General Manager, Mayor, Chief Executive, or official designee may decide not to order the termination of a drought response stage or water emergency even though the conditions for termination of the stage are met. Factors, which could influence such a decision, include, but are not limited to, the time of the year, weather conditions, or the anticipation of potential changed conditions that warrant the continuation of the drought stage. The reason for this decision should be documented.

3.4 Drought and Emergency Response Stages

Stage 1 – Water Wise

A. Initiation of Stage 1 – Water Wise

- UTRWD has initiated Stage 1, Water Wise.
- [Entity]'s demand exceeds 85% of the amount that can be delivered to customers in seven consecutive days.
- [Entity]'s water demand for all or part of the delivery system approaches delivery capacity because delivery capacity is inadequate.
- [Entity]'s supply source(s) becomes contaminated.
- [Entity]'s water supply system is unable to deliver water due to the failure or damage of major water system components.
- [Entity]'s individual plan may be implemented if other criteria dictate.

B. Termination of Stage 1 – Water Wise

Stage 1 may terminate when UTRWD terminates its Stage 1 condition, or when the circumstances that caused the initiation of Stage 1 no longer prevail.

C. Goal for Use Reduction and Actions Available under Stage 1 – Water Wise

The goal for use reduction under Stage 1, Water Wise, is to raise public awareness. There is no goal for reduction of water use. The [City Manager] or the official designee may order the implementation of any or all of the following actions, or other measures, as deemed necessary.

- Request voluntary reductions in water use by the public and wholesale customers.
- Avoid outdoor watering from 5am to 8am and from 10am to 6pm daily.
- Increase public education efforts on ways to conserve water use.
- Review the problems that caused the initiation of Stage 1.
- Notify major water users and work with them to achieve voluntary water use reductions.
- Intensify efforts on leak detection and repair.
- Reduce non-essential city government water use. (Examples include street cleaning, vehicle washing, operation of ornamental fountains, etc.)
- Reduce city government water use by 5% for landscape irrigation.
- Recommend for all [Entity] water users the following water use schedule for landscape sprinkler systems and outdoor water usage during the normal growing period:

<u>Last Digit of Address</u>	<u>Allowed Landscape Water Days</u>
Retail, Businesses, Industrial and Commercial Customers	Monday and Thursday
Schools, Places of Worship, Parks, Designated Open Space, Medians/ROW, and other Non-Residential Users including HOA areas	Monday and Thursday
Residential Only 0,2,4,6,8 (Includes Duplexes, Town homes, and Apartments)	Tuesday and Saturday
Residential Only 1,3,5,7,9 (Includes Duplexes, Town homes, and Apartments)	Wednesday and Sunday

- Suggest for all [Entity] water users the following recommendations during the normal dormant months:
 - Use soaker hoses to maintain foundation moisture.
 - Irrigate landscaping by hand with garden hoses.
 - Operate sprinkler systems only once per week.

Stage 2 – Water Watch (Mandatory)

A. Initiation of Stage 2 – Water Watch (Mandatory)

- UTRWD has initiated Stage 2, Water Watch.
- [Entity]'s demand exceeds 90% of the amount that can be delivered to customers for three consecutive days.

- [Entity]'s supply source becomes contaminated.
- [Entity]'s water supply system is unable to deliver water due to failure or damage of major water system components.
- [Entity]'s individual plan may be implemented if other criteria dictate.

B. Termination of Stage 2 – Water Watch

Stage 2 may terminate when UTRWD terminates its Stage 2 condition, or when the circumstances that caused the initiation of Stage 2 no longer prevail. Upon termination of Stage 2 – Water Watch, Stage 1 – Water Wise will be initiated, unless otherwise provided by [Entity] or UTRWD.

C. Goal for Use Reduction and Actions Available under Stage 2 – Water Watch

The goal for water use reduction under Stage 2 – Water Watch, is a five percent (5%) reduction in the use that would have occurred in the absence of drought contingency measures. The [City Manager] or the official designee may order the implementation of any or all of the following actions, or other measures, as deemed necessary:

- Continue or initiate any actions available under Stage 1.
- Further accelerate public education efforts on voluntary ways to reduce water use.
- Prohibit outdoor watering from 5 am to 8 am and from 10 am to 6 pm daily.

- Require all [Entity] water users to comply with the following water use schedule for landscape sprinkler systems and outdoor water usage during the normal growing season:

<u>Last Digit of Address</u>	<u>Allowed Landscape Water Days</u>
Retail, Businesses, Industrial and Commercial Customers	Monday and Thursday
Schools, Places of Worship, Parks, Designated Open Space, Medians/ROW, and other Non-Residential Users including HOA areas	Monday and Thursday
Residential Only 0,2,4,6,8 (Includes Duplexes, Town homes, and Apartments)	Tuesday and Saturday
Residential Only 1,3,5,7,9 (Includes Duplexes, Town homes, and Apartments)	Wednesday and Sunday

- Require all [Entity] water users to comply with the following restrictions during the normal dormant months:
 - Use soaker hoses to maintain foundation moisture.
 - Irrigate landscaping by hand using garden hoses.
 - Operate sprinkler systems only once per week.
- Allow soaker hoses for foundation moisture, drip systems, and hand watering at any time.
- Restrict non-essential city government water use. (Examples include street cleaning, vehicle washing, operation of ornamental fountains, etc.)

- Encourage public to wait until current drought or emergency situation has passed before establishing new landscaping.

Stage 3 – Water Warning

A. Initiation of Stage 3 – Water Warning

- UTRWD has initiated Stage 3 – Water Warning.
- [Entity]'s demands exceed 95% of the amount that can be delivered to customers for three consecutive days.
- [Entity]'s demand for all or part of the delivery system exceeds delivery capacity because delivery capacity is inadequate.
- [Entity]'s supply becomes contaminated.
- [Entity]'s water supply is unable to deliver water due to the failure or damage of major water system components.
- [Entity]'s individual plan may be implemented if other criteria dictate.

B. Termination of Stage 3 – Water Warning

Stage 3 may terminate when UTRWD terminates its Stage 3 condition or when the circumstances that caused the initiation of Stage 3 no longer prevail. Upon termination of Stage 3 – Water Warning, Stage 2 – Water Watch will be initiated, unless otherwise provided by [Entity] or UTRWD.

C. Goals for Use Reduction and Actions Available under Stage 3, Water Warning

The goal for water use reduction under Stage 3 – Water Warning, is a reduction of ten percent (10%) in the use that would have occurred in the absence of drought contingency measures. If circumstances warrant or if required by UTRWD, the [City Manager] or the official designee can set a goal for a greater water use reduction.

The [City Manager] or the official designee must implement any action(s) required by UTRWD. In addition, the [City Manager] or the official designee may order the implementation of any or all of the following actions, or other measures, as deemed necessary. Measures described as “requires notification to TCEQ” impose mandatory requirements on customers. TCEQ must be notified within five business days if these measures are implemented:

- Continue or initiate any actions available under Stages 1 and 2.
- Prohibit outdoor watering from 5 am to 8 am and 10 am to 6 pm daily.
- Implement viable alternative water supply strategies.
- **Requires Notification to TCEQ** – Initiate mandatory water use restrictions as follows:
 - Prohibit hosing of paved areas, buildings, or windows.
 - Prohibit operation of ornamental fountains.
 - Prohibit washing or rinsing of vehicles by hose.

- Prohibit using water in such a manner as to allow runoff or other waste.
- **Requires Notification to TCEQ –** Limit landscape watering at each service address to once every seven days based on location within the residential trash collection zones. Soaker hoses, drip systems, and hand-held hoses may be used for trees and shrubs up to one hour on any day or for foundations as necessary. Restrictions do not apply to those customers using well water, reuse, or reclaimed water for irrigation.
 - **The [Entity]'s mandatory seven day watering schedule is as follows:**

<u>Last Digit of Address</u>	<u>Allowed Landscape Water Days</u>
Retail, Businesses, Industrial and Commercial Customers	Trash Collection Zone Day
Schools, Places of Worship, Parks, Designated Open Space, Medians/ROW, and other Non-Residential Users including HOA areas	Trash Collection Zone Day
Residential Only 0,2,4,6,8 (Includes Duplexes, Town homes, and Apartments)	Residential Trash Collection Zone Day
Residential Only 1,3,5,7,9 (Includes Duplexes, Town homes, and Apartments)	Residential Trash Collection Zone Day

- If UTRWD has imposed a reduction in water available to its Members and Customers, [Entity] will impose the same percent reduction on wholesale customers.

Stage 4 – Emergency (Mandatory)

A. Initiation of Stage 4 – Emergency

- The UTRWD has initiated Stage 4.
- [Entity]'s demand exceeds the amount that can be delivered to customers.
- [Entity]'s demand for all or part of the delivery system seriously exceeds delivery capacity because the delivery capacity is inadequate.
- [Entity]'s supply source becomes contaminated.
- [Entity]'s water supply system is unable to deliver water due to the failure or damage of major water system components.
- [Entity]'s individual plan may be implemented if other criteria dictate.
- UTRWD has imposed a reduction in water available to [Entity].

B. Termination of Stage 4 – Emergency

Stage 4 can terminate when UTRWD terminates its Stage 4 condition, or when the circumstances that caused the initiation of Stage 4 no longer prevail. Upon termination of Stage 4 – Water Emergency, Stage 3 – Water Warning shall be initiated, unless otherwise provided by [Entity] or UTRWD.

**C. Goals for Reduction and Actions Available under Stage 4 –
Emergency**

The goal for water use reduction under Stage 4 – Emergency, is to eliminate all non-essential outdoor uses and to prevent public health emergencies that would have occurred in the absence of drought contingency measures. If circumstances warrant, or are required by UTRWD, the [City Manager] or the official designee can set a goal for further water use reduction.

The [City Manager] or the official designee must implement any action(s) required by UTRWD. In addition, the [City Manager] or official designee may implement any or all of the following actions ranked in order of importance as listed, or other measures, as deemed necessary. Measures described as “requires notification to TCEQ” impose mandatory requirements on customers. TCEQ must be notified within five business days if these measures are implemented.

- 1. Requires Notification to TCEQ –** Prohibit commercial and residential landscape watering, except that soaker hoses, drip systems, or hand-held hoses may be used to water trees up to two hours per week or foundations as necessary, and the minimum necessary watering to maintain public safety at parks and athletic fields.

2. **Requires Notification to TCEQ** – Prohibit the installation of new landscaping, modifications to existing landscaping, and all associated outdoor watering.
3. **Requires Notification to TCEQ** – Prohibit the hand washing of all vehicles.
4. **Requires Notification to TCEQ** – Prohibit all potable watering of golf courses except for greens and tee boxes.
5. **Requires Notification to TCEQ** – Prohibit any filling of private swimming pools. Commercial and public pools may refill to replace losses during normal use.
6. **Requires Notification to TCEQ** – Prohibit outdoor water usage of nurseries, commercial car washes, and other businesses that require water for outdoor purposes.
7. **Requires Notification to TCEQ** – Prohibit all underground construction and trenching in the vicinity of the [Entity]'s water system and water use related to any construction activity.
8. **Requires Notification to TCEQ** – Prohibit the use of outdoor watering to maintain parks and athletic fields.
9. **Requires Notification to TCEQ** – Prohibits all outdoor watering, no exceptions.
 - Allow water use for municipal purposes limited to those activities necessary to maintain public health, safety, and welfare including fire-fighting and water system maintenance.

- Continue any actions required under Stages 1, 2, and 3.
- Implement viable alternative water supply strategies.
- Notify wholesale customers of actions being taken and request them to implement similar procedures.

3.5 Procedures for Granting Variances to the Plan

The [City Manager] or the official designee may grant temporary variances for existing water uses otherwise prohibited under this Plan if one or more of the following conditions are met:

- Failure to grant such a variance would cause an emergency condition adversely affecting health, sanitation, or fire safety for the public or the person requesting the variance.
- Compliance with this Plan cannot be accomplished due to technical or other limitations.
- Alternative methods that achieve the same level of reduction in water use can be implemented.

Variances shall be granted or denied at the discretion of the [City Manager] or the official designee. All petitions for variances should be in writing and should include the following information:

- Name and address of the owner and a licensed Texas irrigator responsible for the variance.
- Purpose of water use.

- Specific provisions from which relief is requested.
- Detailed statement of the adverse effect of the provision from which relief is requested.
- Description of the relief requested including a proposed irrigation plan.
- Monthly report verifying the goal reductions.
- Period of time for which the variance is sought.
- On-call personnel with contact information for 24-hour a day repair response within one hour of notice.
- Alternative measures that will be taken to reduce water use.
- Other pertinent information.

3.6 Procedures for Enforcing Mandatory Water Use Restrictions

Mandatory water use restrictions may be imposed in Stages 2, 3 or 4 of the Plan. These mandatory water use restrictions will be enforced by any combination of warnings, reconnection fees, suspension of service, monetary penalties, citations, and fees as follows:

- On the first violation, customers will be notified by a sign or door-hanger that they have violated the mandatory water use restriction.
- On the second violation, the [Entity] will disconnect the irrigation system and post notification of violation with reconnection fees and possible monetary penalties.

- On the third violation, the [Entity] will disconnect water service and post notification of violation with reconnection fees, fines, and/or citations.
- **The [Entity] maintains the right, at any violation level, to disconnect irrigation systems and/or total water services to a customer with reconnection fees and possible monetary penalties.**
- Any [Entity] employee, as designated by the Director of Public Works, may implement any provision of the enforcement process of this Plan.

3.7 Coordination with the Regional Water Planning Group and UTRWD

Appendix C includes a copy of a letter sent to the Chair of the Region C water planning group with this water conservation and drought contingency plan.

The [Entity] will send a draft of its ordinance(s) or other regulation(s) implementing this plan to UTRWD for their review and comment. The [Entity] will also send the final ordinance(s) or other regulation(s) to UTRWD.

3.8 Review and Update of Drought Contingency Plan

As required by TCEQ rules, the [Entity] will review this Plan every five years. The plan will be updated as appropriate based on new or updated information.

**Model Water Conservation Plan for
Upper Trinity Regional Water District Members**

APRIL 2007

1. INTRODUCTION AND OBJECTIVES

Water supply has always been a key issue in the development of Texas. In recent years, the growing population and economic development of North Central Texas have led to increasing demands for water supplies. At the same time, local and less expensive sources of water supply are largely developed. Additional supplies to meet higher demands will be expensive and difficult to develop. It is therefore important that we make efficient use of our existing supplies and make them last as long as possible. This will delay the need for new supplies, minimize the environmental impacts associated with developing new supplies, and delay the high cost of additional water supply development.

Recognizing the need for efficient use of existing water supplies, the Texas Commission on Environmental Quality (TCEQ) has developed guidelines and requirements governing the development of water conservation plans for public water suppliers. TCEQ guidelines and requirements are included in Appendix A. The Upper Trinity Regional Water District (UTRWD) has also developed this model water conservation plan for its Members and Customers following the TCEQ guidelines and best management practices.

The objectives of this water conservation plan are as follows:

- To reduce water consumption from the levels that would prevail without conservation efforts.
- To reduce the loss and waste of water.
- To improve efficiency in the use of water.
- To document the level of recycling and reuse in the water supply.
- To extend the life of current water supplies by reducing the rate of growth in demand.

The water conservation plan presented in this document is a model water conservation plan intended for adoption by UTRWD Members and Customers. In order to adopt this plan, each Member and Customer will need to do the following:

- Complete the water utility profile (provided in Appendix B).
- Set five- and ten- year goals for per capita water use.
- Adopt ordinance(s) or regulation(s) approving the model plan.

The water utility profile, goals, and ordinance(s) or regulations should be provided to UTRWD in draft form for review and comments. Final adopted versions should also be provided to UTRWD.

This model plan includes all of the elements required by TCEQ. Some elements of this model plan go beyond TCEQ requirements, and Members and Customers

can be flexible in their implementation. The following elements are recommended for inclusion in the water conservation plan but are not required:

- Landscape water management plan and
- 12% goal for unaccounted water. (The goal for unaccounted water might be higher for rural systems.)

Any city wishing to adjust other elements of the plan should coordinate with UTRWD.

2. TEXAS COMMISSION ON ENVIRONMENTAL QUALITY RULES

The TCEQ rules governing the development of water conservation plans for public water suppliers are contained in Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2 of the Texas Administrative Code, which is included in Appendix A. For the purpose of these rules, a water conservation plan is defined as “A strategy or combination of strategies for reducing the volume of water withdrawn from a water supply source, for reducing the loss or waste of water, for maintaining or improving the efficiency in the use of water, for increasing the recycling and reuse of water, and for preventing the pollution of water¹.” The elements in the TCEQ water conservation rules covered in this conservation plan are listed below.

Minimum Conservation Plan Requirements

The Minimum requirements in the Texas Administrative Code for Water Conservation Plans for Public Water Suppliers are covered in this report as follows:

- 288.2(a)(1)(A) – Utility Profile – Section 3 and Appendix B
 - 288.2(a)(1)(B) – Specification of Goals – Section 4
-

- 288.2(a)(1)(C) – Accurate Metering – Sections 5.1 and 5.2
- 288.2(a)(1)(D) – Universal Metering – Section 5.2
- 288.2(a)(1)(E) – Determination and Control of Unaccounted Water –
Section 5.4
- 288.2(a)(1)(F) – Public Education and Information Program – Section 6
- 288.2(a)(1)(G) – Non-Promotional Water Rate Structure – Section 7
- 288.2(a)(1)(H) – Reservoir System Operation Plan – Section 8.1
- 288.2(a)(1)(I) – Means of Implementation and Enforcement – Section 9
- 288.2(a)(1)(J) – Coordination with Regional Water Planning Group –
Section 8.6 and Appendix E

Conservation Additional Requirements (Population over 5,000)

The Texas Administrative Code includes additional requirements for water conservation plans for cities with a population over 5,000:

- 288.2(a)(2)(A) – Leak Detection, Repair, and Water Loss Accounting –
Sections 5.4, 5.5, and 5.6
- 288.2(a)(2)(B) – Record Management System – Section 5.3
- 288.2(a)(2)(C) – Requirement for Water Conservation Plans by Wholesale
Customers – Section 8.5

Additional Conservation Strategies

TCEQ rules also list additional optional but not required conservation strategies, which may be adopted by suppliers. The following optional strategies are included in this plan:

- 288.2(a)(3)(A) – Conservation Oriented Water Rates – Section 7
- 288.2(a)(3)(B) – Ordinances, Plumbing Codes or Rules on Water-Conserving Fixtures – Section 8.3
- 288.2(a)(3)(D) – Reuse and Recycling of Wastewater – Section 8.2
- 288.2 – (a)(3)(F) – Considerations for Landscape Water Management Regulations – Section 8.4 and Appendix D
- 288.2(a)(3)(G) – Monitoring Method – Section 5.6

3. WATER UTILITY PROFILE

Appendix B to this water conservation plan is a sample water utility profile based on the format recommended by TCEQ. In adopting this model water conservation plan, each Member and Customer will provide a draft water utility profile to UTRWD for review and comment. A final water utility profile will be provided to UTRWD.

4. SPECIFICATION OF WATER CONSERVATION GOALS

Current TCEQ rules require the adoption of specific water conservation goals as part of the water conservation plan. As part of plan adoption, each Member and Customer will develop 5-year and 10-year goals for per capita municipal use, following TCEQ procedures described in the water utility profile (Appendix B). These goals should be submitted to UTRWD in draft form review. The goals for this water conservation plan include the following:

- Keep the per capita municipal water use below the specified amount in gallons per capita per day in a dry year, to be shown on the completed Table C-1 (5-year and 10-year goals).
- Keep the level of unaccounted water in the system below 12% annually in 2008 and subsequent years, as discussed in Section 5.4. (The 12% goal for unaccounted water is recommended but not required. Systems with long distances between customers may adopt a higher unaccounted water goal.)
- Implement and maintain a program of universal metering and meter replacement and repair, as discussed in Section 5.2.
- Decrease waste in lawn irrigation by implementation and enforcement of landscape water management regulations, as discussed in Section 8.4. (The landscape water management regulations are recommended but are not required.)

- Raise public awareness of water conservation and encourage responsible public behavior by a public education and information program, as discussed in Section 6.
- Develop a system specific strategy to conserve water during peak demands, thereby reducing the peak use.

5. METERING, WATER USE RECORDS, CONTROL OF UNACCOUNTED WATER, AND LEAK DETECTION REPAIR

One of the key elements in water conservation is carefully tracking water use and controlling losses from illegal diversions and leaks. Careful metering of water deliveries and water use, detection and repair of leaks in the distribution system, and regular monitoring of unaccounted water are important in controlling water losses.

5.1 Accurate Metering of Treated Water Deliveries from UTRWD

UTRWD supplies treated water to its Members and Customers. Water deliveries are metered by UTRWD using meters with accuracy of $\pm 2\%$. These meters are calibrated annually by UTRWD to maintain the required accuracy.

5.2 Meter Reading and Meter Testing, Repair, and Replacement

All customers (both retail and non-retail), including governmental users, will be metered. For those connections that are not currently metered, [Entity] will implement a program to meter all water uses within the next three years. A plan for said implementation, including estimated capital costs, should be prepared.

On a period basis determined as necessary, [Entity] will test and calibrate all retail meters. For the non-retail customers, [Entity] will test and calibrate such meters annually. All customer meters should be replaced on a 15-year cycle. Those who do not currently have a meter testing and replacement program will implement such a program over the next three years.

5.3 Record Management System

As required by TAC Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2(a)(2)(B), the record management system allows for the separation of water sales and uses into residential, commercial, public/institutional, and industrial categories. This information will be included in an annual water conservation report, as described in Section 5.6 below.

For those entities whose record management systems do not currently allow for the separation of water sales as described above, they will move to implement such a system within the next five years.

5.4 Determination and Control of Unaccounted Water

Unaccounted water is the difference between the amount of water produced/received and metered deliveries to retail and non-retail customers plus, authorized but unmetered uses. (Authorized but unmetered uses would include use for fire fighting, releases for flushing of lines, and uses associated with new construction.) Unaccounted water can include several categories:

- Inaccuracies in customer meters. (Customer meters tend to run more slowly as they age and under-report actual use.)
- Accounts which are being used but have not yet been added to the billing system.
- Losses due to water main breaks and leaks in the water distribution system.
- Losses due to illegal connections and theft. (Included in Appendix G.)
- Other.

Measures to control unaccounted water are part of the routine operations of [Entity]. Maintenance crews and personnel are asked to look for and report evidence of leaks in the water distribution system. The leak detection and repair program is described in Section 5.5 below. Meter readers are asked to watch for and report signs of illegal connections to the appropriate department, so they can be addressed quickly.

Unaccounted water is to be calculated in Appendix B. With the measures described in this plan, [Entity] intends to maintain the unaccounted water below 12% annually. If unaccounted water exceeds this goal, the [Entity] will implement a more intensive audit to determine the source(s) of and reduce the unaccounted water. The annual conservation report described below is the primary tool used to monitor unaccounted water.

5.5 Leak Detection and Repair

As described above, city crews and personnel are asked to look for and report evidence of leaks in the water distribution system. Areas of the water distribution system in which numerous leaks and line breaks occur should be targeted for replacement as funds are available.

5.6 Monitoring of Effectiveness and Efficiency – Annual Water Conservation Report

Appendix C is a form that will be used in the development of an annual water conservation report for [Entity]. This form will be completed by March 31 of each year, and will be used to monitor the effectiveness and efficiency of [Entity's] water conservation program and to plan conservation-related activities for the next year. The form records the water use by category, per capital municipal use, and unaccounted water for the current year and compares them to historical values. The annual water conservation report will be sent to UTRWD, which will monitor regional water conservation trends.

6. CONTINUING PUBLIC EDUCATION AND INFORMATION CAMPAIGN

The continuing public education and information campaign on water conservation includes the following elements:

- Insert water conservation information with water bills. Inserts will include material developed by [Entity]'s staff and material obtained from the TWDB, the TCEQ, and other sources.
- Encourage local media coverage of water conservation issues and the importance of water conservation.
- Notify local organizations, schools, and civic groups that [Entity]'s staff, and staff of the UTRWD, are available to make presentations on the importance of water conservation and ways to save water.
- Make the water conservation brochures, and other water conservation materials available to the public at City Hall and other public places.
- Make information on water conservation available on its website (if any) and include links to the *Texas Smartscape* website and to information on water conservation on the TWDB and TCEQ web sites.

As a regional water supplier, UTRWD has developed a water conservation garden as a way to demonstrate how to incorporate native and adaptive plants into landscaping practices. This gardening technique provides a beautiful and

practical approach to implementing a water-conserving landscape. The Water Conservation Garden at Upper Trinity Regional Water District includes a variety of plants that are either native to Texas or well adapted to the area. These plants not only thrive under drought conditions, they also attract birds, butterflies, and other wildlife helping to enhance the natural beauty of the garden.

Other best management practices that could be included as part of the plan:

- Public Service Announcements
- Water efficient landscape judging/competition
- Awards/certificates to recognize water efficient commercial users – recognize water saving landscape designs
- Presentations, workshops, seminars on water conservation techniques for residents, students, professors, or civic groups - - i.e. landscaping using native and adaptive plants, composting, etc.

7. WATER RATE STRUCTURE

[Entity] will adopt, if not already done so, an increasing block rate water structure that is intended to encourage water conservation and discourage excessive use and waste of water upon completion of the next rate study or within five years.

An example water rate structure is as follows:

Residential Rates

1. Monthly minimum charge. This can (but does not have to) include up to 2,000 gallons of water use with no additional charge.
2. Base charge per 1,000 gallons up to the approximate average residential use.
3. 2nd tier (from the average to 2 times the approximate average) at 1.25 to 2.0 times the base charge.
4. 3rd tier (above 2 times the approximate average) at 1.25 to 2.0 times the 2nd tier.
5. The residential rate can also include a lower tier for basic household use up to 4,000 gallons per month or so.

Commercial/Industrial Rates

Commercial/industrial rates should include at least 2 tiers, with rates for the 2nd tier at 1.25 to 2.0 times the first tier. Higher water rates for commercial irrigation use are encouraged but not required.

8. OTHER WATER CONSERVATION MEASURES

8.1 UTRWD Reservoir System Operation Plan

UTRWD Customers purchase treated water from UTRWD and do not have surface water supplies for which to implement a reservoir system operation plan. UTRWD's permits do allow some coordinated operation of its reservoirs, and UTRWD is seeking additional water rights for coordinated operation to optimize its available water supplies.

8.2 Reuse and Recycling of Wastewater

Most Customers do not own and operate their own wastewater treatment plants, including [Entity]. UTRWD has water rights allowing reuse of up to 35,941 acre-feet per year of treated wastewater for municipal purposes, which provides about 13 percent of UTRWD's total water supply. UTRWD is considering additional reuse projects to increase its long-term water supply sources. UTRWD also makes treated wastewater from its plant available for direct reuse for landscape irrigation and industrial use.

8.3 Ordinances, Plumbing Codes, or Rules on Water-Conserving Fixtures

The State of Texas has required water-conserving fixtures in new construction and renovations since 1992. The state standards call for flows of no more than 2.5 gallons per minute (gpm) for faucets, 3.0 gpm for showerheads, and 1.6 gallons per flush for toilets. Similar standards are now required nationally under federal law. These state and federal standards assure that all new construction and renovations will use water-conserving fixtures. [Entity] has incorporated these plumbing code standards into the [City's/Utility's] building regulations.

8.4 Considerations for Landscape Water Management Regulations (Optional)

Appendix D is a summary of considerations for landscape water management regulations adopted as part of the development of this water conservation plan. These regulations are intended to minimize waste in landscape irrigation. The proposed regulations might include the following elements:

- Prohibition of outdoor watering with sprinklers from 10:00 a.m. to 6:00 p.m. every day from June 1 through September 30. (Resetting of watering times in sprinkler systems is recommended to comply with the water schedule. Watering with hand-held hoses, soaker hoses, or dispensers is allowed.)
- Requirement that all new irrigation systems include rain and freeze sensors capable of multiple programming. Existing irrigation systems are encouraged to be retrofitted with similar rain and freeze sensors.

- Requirement that all new irrigation systems to be in compliance with state design and installation regulations (TAC Title 30, Part 1, Chapter 344).
- Prohibition irrigation systems that spray directly onto impervious surfaces or onto other non-irrigated areas. (Wind driven water drift will be taken into consideration.)
- Prohibition of use of poorly maintained sprinkler systems that waste water.
- Prohibition of outdoor watering during any form of precipitation.
- Enforcement of the regulations by a system of warnings followed by fines for continued or repeat violations.
- Implement other measures to encourage off-peak water use.

Additional water conservation incentive programs might include:

- Low-flow toilet replacement and rebate programs,
- Pressure reduction in the system or for individual customers,
- Rebates for rain/freeze sensors,
- Low-flow showerhead and sink aerators replacement programs, or
- Other water conservation incentive programs.

8.5 Requirement for Water Conservation Plans by Wholesale Customers

Every contract for the wholesale of water by UTRWD Customers that is entered into, renewed, or extended after the adoption of this water conservation and drought contingency plan will include a requirement that the wholesale customer develop and implement a water conservation plan meeting the requirements of

Title 30, Part 1, Chapter 288, Subchapter A, Rule 288.2 of the Texas Administrative Code. The requirement will also extend to each successive wholesale customer in the resale of the water.

8.6 Coordination with Regional Water Planning Group and UTRWD

Appendix E includes a letter sent to the Chair of the Region C water planning group announcing the [Entity]'s adoption of this water conservation plan. [Entity] will also send a copy of their draft ordinance(s) or regulation(s) implementing the plan and their water utility profile to UTRWD for review and comment. After adoption, [Entity] will forward said ordinance(s) or regulation(s), and the adopted water profile, to UTRWD.

9. IMPLEMENTATION AND ENFORCEMENT OF THE WATER CONSERVATION PLAN

Appendix F contains a copy of an ordinance, order, or resolution which may be tailored to meet UTRWD Customer's needs and be adopted by the City Council or governing board regarding this water conservation plan. The ordinance, order, or resolution designates responsible officials to implement and enforce the water conservation plan. Appendix D, the considerations for landscape water management regulations, also includes information about enforcement. Appendix G includes a copy of an ordinance, order, or resolution related to illegal connections and water theft.

APPENDIX

- Appendix A: TCEQ guidelines and requirements
- Appendix B: Water Utility Profile
- Appendix C: Form used in development of annual water conservation report
- Appendix D: Considerations for landscape water management
- Appendix E: Coordination with Regional Water Planning Group
- Appendix F: Copy of ordinance, order or resolution which may be tailored to meet UTRWD customer's needs and be adopted by City Council or governing board regarding water conservation
- Appendix G: Copy of ordinance, order or resolution related to illegal connections and water theft

Retail Water Services

Does the applicant provide retail water services?: Y

If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last THREE years?: Y

Potable Water Services

Is the applicant a retail public utility that provides potable water?: Y

If yes, has the applicant already submitted a most recently required water loss audit to the TWDB?: Y

Provide Wastewater Services

Does the applicant provide wastewater services?: Y

Provide Regional or Wholesale Water Services

Does the applicant provide regional or wholesale water services?: N

Top Ten Customers of Water System

Top Ten Water Customers

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
Longmeadow Health Care	3,579,867	2.30%	N
Lonesome Spur	1,470,471	1.10%	N
Rabbit Hole Brewery	223,230	0.20%	N
Canam Car Wash	2,517,315	1.50%	N
Finish Line Oil & Lube	433,197	0.30%	N
First Baptist Church	1,515,931	0.10%	N
Justin Elementary	171,922	0.30%	N
Justin Place Apartments	729,706	0.60%	N
Leuty Ave Apartments	658,537	0.50%	N
Texas Environmental	389,235	0.40%	N

Top Ten Water System Customers Comments:

Current average Residential Usage and Rate Information

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer (\$)	Projected Monthly Increase Necessary (\$)	Anticipated Date of Projected Rate Increase (Date)
Water	10-01-2010	5,000	\$51.5	\$4.68	\$0	

Top Ten Customers of Wastewater System

Top Ten Wastewater Customers

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
Longmeadow Health Care	3,224,046	2.30%	N
Lonesome Spur	1,470,471	1.10%	N
Rabbit Hole Brewert	223,230	0.20%	N
Canam Car Wash	2,517,315	1.90%	N
Finish Line Oil & Lube	433,197	0.30%	N
First Baptist Church	138,771	0.10%	N
Justin Elementary	171,922	0.20%	N
Leuty Ave Apartments	658,537	0.50%	N
Texas Environmental	99,532	0.10%	N
Justin Place Apartments	729,706	0.60%	N

Top Ten Wastewater System Customers Comments:

Current average Residential Usage and Rate Information

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer (\$)	Projected Monthly Increase Necessary (\$)	Anticipated Date of Projected Rate Increase (Date)
Wastewater	06-01-2009	5,000	\$33	\$3	\$0	

Number of Customers in Past 5 Years

Customers in Past 5 Years

2017: 1,354

2016: 1,354
2015: 1,282
2014: 1,254
2013: 1,239

Debt

Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc).: None

Has the applicant ever defaulted on any debt?: N

Taxing Authority

Does the applicant have taxing authority?: Y

Tax Assessed Valuations

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate (\$)	General Fund (\$)	Interest & Sinking Fund (\$)	Tax Levy (\$)	Percentage Current Collections (%)	Percentage Total Collections (%)
2017	\$281,069,516	\$0.66	\$0.57	\$0.08	\$1,858,595	0.00%	0.00%
2016	\$235,839,696	\$0.66	\$0.57	\$0.08	\$1,693,171	100.00%	100.00%
2015	\$216,685,904	\$0.66	\$0.57	\$0.08	\$1,561,207	100.00%	100.00%
2014	\$207,422,880	\$0.66	\$0.55	\$0.1	\$1,490,799	100.00%	100.00%
2013	\$198,555,458	\$0.66	\$0.55	\$0.1	\$1,383,840	100.00%	100.00%

Tax Assessed Values Comments: Fiscal Year End 2017 taxes are still in process of collection

Overlapping Debt City of Justin, Texas

<u>Taxing Jurisdiction</u>	<u>2016/17 Taxable Assessed Value</u>	<u>2016/17 Tax Rate</u>	<u>Total Funded Debt</u>	<u>Estimated % Applicable</u>	<u>City's Overlapping Funded Debt as of 5/1/17</u>	<u>Authorized But Unissued Debt As of 5/1/2017</u>
City of Justin	\$ 281,609,516	\$0.66000	\$ 8,765,000	100.00%	\$ 8,765,000	\$ -
Denton County	78,259,024,841	0.24840	608,895,000	0.33%	2,009,354	118,408,296
Northwest Independent School District	12,620,107,909	1.45250	716,987,028	1.69%	<u>12,117,081</u>	100,000,000
Total Direct and Overlapping Funded Debt					\$ 22,891,434	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					8.13%	
Per Capita Overlapping Funded Debt					\$ 6,792.71	

Source: Municipal Advisory Council of Texas

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 195,920,768	66.47%	\$ 172,379,651	62.80%	\$ 155,147,295	61.74%
Real, Residential, Multi-Family	4,388,241	1.49%	2,647,173	0.96%	2,409,563	0.96%
Real, Vacant Lots Tracts	7,298,802	2.48%	6,402,853	2.33%	4,591,380	1.83%
Real, Acreage (Land Only)	4,808,243	1.63%	5,123,703	1.87%	5,635,551	2.24%
Real, Farm and Ranch Improvements	3,764,805	1.28%	4,084,109	1.49%	2,794,106	1.11%
Real, Commercial and Industrial	27,045,895	9.18%	27,711,685	10.10%	26,679,506	10.62%
Real, Oil, Gas and Mineral Reserve	7,921,264	2.69%	5,835,043	2.13%	4,237,578	1.69%
Real and Intangible Personal, Utilities	6,677,741	2.27%	6,975,450	2.54%	5,175,413	2.06%
Tangible Personal, Business	36,775,126	12.48%	42,982,621	15.66%	43,709,088	17.39%
Real Property, Inventory	150,558	0.05%	313,680	0.11%	889,705	0.35%
Special Inventory	1,117	0.00%	12,280	0.00%	10,750	0.00%
Total Appraised Value Before Exemptions	\$ 294,752,560	100.00%	\$ 274,468,248	100.00%	\$ 251,279,935	100.00%
Less: Total Exemption/Reductions	<u>(13,143,044)</u>		<u>(10,691,651)</u>		<u>(9,052,395)</u>	
Taxable Assessed Value	<u>\$ 281,609,516</u>		<u>\$ 263,776,597</u>		<u>\$ 242,227,540</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2014		2013	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 147,961,370	61.89%	\$ 147,425,713	64.55%
Real, Residential, Multi-Family	2,042,560	0.85%	2,021,798	0.89%
Real, Vacant Lots Tracts	4,928,623	2.06%	4,717,015	2.07%
Real, Acreage (Land Only)	5,821,797	2.44%	7,124,173	3.12%
Real, Farm and Ranch Improvements	2,694,332	1.13%	1,408,896	0.62%
Real, Commercial and Industrial	23,472,229	9.82%	23,844,927	10.44%
Real, Oil, Gas and Mineral Reserve	4,036,198	1.69%	2,354,916	1.03%
Real and Tangible Personal, Utilities	7,459,423	3.12%	6,609,902	2.89%
Tangible Personal, Business	39,811,024	16.65%	31,855,095	13.95%
Real Property, Inventory	824,912	0.35%	1,022,426	0.45%
Special Inventory	8,823	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 239,061,291	100.00%	\$ 228,384,861	100.00%
Less: Total Exemption/Reductions	<u>(7,891,377)</u>		<u>(7,754,290)</u>	
Taxable Assessed Value	<u>\$ 231,169,914</u>		<u>\$ 220,630,571</u>	

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Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 195,920,768	66.47%	\$ 172,379,651	62.80%	\$ 155,147,295	61.74%
Real, Residential, Multi-Family	4,388,241	1.49%	2,647,173	0.96%	2,409,563	0.96%
Real, Vacant Lots Tracts	7,298,802	2.48%	6,402,853	2.33%	4,591,380	1.83%
Real, Acreage (Land Only)	4,808,243	1.63%	5,123,703	1.87%	5,635,551	2.24%
Real, Farm and Ranch Improvements	3,764,805	1.28%	4,084,109	1.49%	2,794,106	1.11%
Real, Commercial and Industrial	27,045,895	9.18%	27,711,685	10.10%	26,679,506	10.62%
Real, Oil, Gas and Mineral Reserve	7,921,264	2.69%	5,835,043	2.13%	4,237,578	1.69%
Real and Intangible Personal, Utilities	6,677,741	2.27%	6,975,450	2.54%	5,175,413	2.06%
Tangible Personal, Business	36,775,126	12.48%	42,982,621	15.66%	43,709,088	17.39%
Real Property, Inventory	150,558	0.05%	313,680	0.11%	889,705	0.35%
Special Inventory	1,117	0.00%	12,280	0.00%	10,750	0.00%
Total Appraised Value Before Exemptions	\$ 294,752,560	100.00%	\$ 274,468,248	100.00%	\$ 251,279,935	100.00%
Less: Total Exemption/Reductions	<u>(13,143,044)</u>		<u>(10,691,651)</u>		<u>(9,052,395)</u>	
Taxable Assessed Value	<u>\$ 281,609,516</u>		<u>\$ 263,776,597</u>		<u>\$ 242,227,540</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2014		2013	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 147,961,370	61.89%	\$ 147,425,713	64.55%
Real, Residential, Multi-Family	2,042,560	0.85%	2,021,798	0.89%
Real, Vacant Lots Tracts	4,928,623	2.06%	4,717,015	2.07%
Real, Acreage (Land Only)	5,821,797	2.44%	7,124,173	3.12%
Real, Farm and Ranch Improvements	2,694,332	1.13%	1,408,896	0.62%
Real, Commercial and Industrial	23,472,229	9.82%	23,844,927	10.44%
Real, Oil, Gas and Mineral Reserve	4,036,198	1.69%	2,354,916	1.03%
Real and Tangible Personal, Utilities	7,459,423	3.12%	6,609,902	2.89%
Tangible Personal, Business	39,811,024	16.65%	31,855,095	13.95%
Real Property, Inventory	824,912	0.35%	1,022,426	0.45%
Special Inventory	8,823	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 239,061,291	100.00%	\$ 228,384,861	100.00%
Less: Total Exemption/Reductions	<u>(7,891,377)</u>		<u>(7,754,290)</u>	
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Top Ten Taxpayers

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
Enterprise Texas Pipeline LP	\$21,092,190	8.57%	N
Enervest Operating LLC	\$333,730	1.35%	N
Justin Center LLC	\$2,400,000	0.98%	N
Devon Energy Production Co LP	\$2,247,833	0.91%	N
Bishop Gardens Apartment LP	\$1,994,886	0.81%	N
Oncor Electric Delivery Co	\$1,924,240	0.81%	N
Harwell, Sam & Kimmey, Kelley	\$1,920,240	0.78%	N
Cam-Longmeadow	\$1,900,000	0.77%	N
Dallas MTA LP	\$1,682,780	0.68%	N
Reatta Ridge 56 LTD	\$1,641,220	0.67%	N

Top Ten Taxpayer Comments:

Tax Rate and Sales Tax

Provide the maximum tax rate permitted by law per \$100 of property value.: \$1.5

Does the applicant collect sales tax?: Y

2017: \$0

2016: \$1,164,071

2015: \$1,137,279

2014: \$1,022,616

2013: \$883,448

Sales Tax History Comments: Fiscal Year End for 2017 has not occurred.

Is the proposed loan tax-exempt?: Y

45-A 2 years io

Response - Question 45-A

FYE	Projected	Projected	Net Available	Existing	\$2,400,000		\$2,400,000		\$7,200,000		Total Debt	Projected
	Gross Revenues	Expenses ⁽¹⁾	for Debt Service	Debt Paid by	Principal	Int. @ 1.65%	Principal	Int. @ 2.00%	Principal	Int. @ 2.50%	Utility Sys Revs	
2017	\$ 1,732,200	\$ 1,335,612	\$ 396,588	\$ 483,715							\$ 483,715	0.82x
2018	1,775,505	1,365,663	409,842	485,506	\$ -	\$ 33,984					519,490	0.79x
2019	1,819,893	1,396,391	423,502	482,818	-	35,565					518,383	0.82x
2020	1,865,390	1,427,809	437,581	483,222	120,000	35,565	\$ -	\$ 45,867			684,654	0.64x
2021	1,912,025	1,459,935	452,090	483,253	120,000	34,689	-	48,000			685,942	0.66x
2022	1,959,825	1,492,784	467,041	484,418	120,000	33,693	110,000	48,000	-	172,000	968,111	0.48x
2023	2,008,821	1,526,371	482,450	483,347	125,000	32,565	115,000	45,800	-	180,000	981,712	0.49x
2024	2,059,041	1,560,715	498,326	483,405	125,000	31,278	115,000	43,500	320,000	180,000	1,298,182	0.38x
2025	2,110,517	1,595,831	514,686	487,312	125,000	29,890	120,000	41,200	330,000	172,000	1,305,402	0.39x
2026	2,163,280	1,631,737	531,543	490,511	125,000	28,415	120,000	38,800	340,000	163,750	1,306,476	0.41x
2027	2,217,362	1,668,451	548,911	490,794	130,000	26,853	125,000	36,400	345,000	155,250	1,309,296	0.42x
2028	2,272,797	1,705,991	566,806	494,358	130,000	25,176	125,000	33,900	355,000	146,625	1,310,059	0.43x
2029	2,306,888	1,731,581	575,307	492,482	135,000	23,317	130,000	31,400	365,000	137,750	1,314,949	0.44x
2030	2,341,492	1,757,555	583,937	495,000	135,000	21,211	130,000	28,800	375,000	128,625	818,636	0.71x
2031	2,376,614	1,783,918	592,696	497,000	135,000	18,997	135,000	26,200	380,000	119,250	814,447	0.73x
2032	2,412,263	1,810,677	601,586	498,000	140,000	16,675	135,000	23,500	390,000	109,750	814,925	0.74x
2033	2,448,447	1,837,837	610,610	499,000	140,000	14,169	140,000	20,800	400,000	100,000	814,969	0.75x
2034	2,472,932	1,847,026	625,906	499,000	145,000	11,579	145,000	18,000	410,000	90,000	819,579	0.76x
2035	2,497,661	1,856,261	641,400	499,000	145,000	8,838	145,000	15,100	420,000	79,750	813,688	0.79x
2036	2,522,638	1,865,543	657,095	499,000	150,000	6,040	150,000	12,200	435,000	69,250	822,490	0.80x
2037	2,547,864	1,874,870	672,994	499,000	155,000	3,085	150,000	9,200	445,000	58,375	820,660	0.82x
2038	2,573,343	1,884,245	689,098	499,000	155,000		155,000	6,200	455,000	47,250	663,450	1.04x
2039	2,599,076	1,893,666	705,410	499,000	155,000		155,000	3,100	465,000	35,875	658,975	1.07x
2040	2,625,067	1,903,134	721,933	499,000					480,000	24,250	504,250	1.43x
2041	2,651,318	1,912,650	738,668	499,000					490,000	12,250	502,250	1.47x
Totals					\$ 6,325,141	\$ 2,400,000	\$ 471,579	\$ 2,400,000	\$ 575,967	\$ 7,200,000	\$ 2,182,000	\$ 21,554,686

(1) Does not include depreciation or any other 'noncash' items.

	Fiscal Year Ended September 30,				
	2016	2015	2014	2013	2012
<u>Revenues</u>					
Charges for Services	\$ 1,790,824	\$ 1,729,842	\$ 1,675,033	\$ 1,696,806	\$ 1,610,496
<u>Expenses</u>					
Cost of Water	\$ 439,818	\$ 402,140	\$ 374,004	\$ 388,035	\$ 404,553
Cost of Labor	445,725	447,058	386,470	296,116	338,928
Repair and Maintenance	30,656	61,434	75,633	26,515	67,855
Utilities	97,396	86,545	97,062	97,523	92,312
Vehicle Expenses	12,457	15,204	16,305	10,239	18,822
Insurance	6,641	7,292	6,674	6,536	7,314
Contractual Services	372,624	160,791	178,555	37,265	30,209
Depreciation		279,448	270,624	266,633	306,173
Other	47,344	155,148	208,804	247,994	24,418
Total Expense	\$ 1,452,661	\$ 1,615,060	\$ 1,614,131	\$ 1,376,856	\$ 1,290,584
Operating Income (Loss)	\$ 338,163	\$ 114,782	\$ 60,902	\$ 319,950	\$ 319,912
<u>Nonoperating Revenues (Expenses)</u>					
Investment Income		\$ 2,358	\$ 1,113	\$ 2,585	\$ 3,291
Developer Contributions		800,000	-	-	-
Gain on Sale of Assets		3,229	-	-	-
Interest Expense and Amortization		(211,563)	(226,421)	(159,044)	(208,385)
Total Nonoperating Revenues (Expenses)	\$ -	\$ 594,024	\$ (225,308)	\$ (156,459)	\$ (205,094)
Income Before Transfers	\$ 338,163	\$ 708,806	\$ (164,406)	\$ 163,491	\$ 114,818
Transfers (Out)			-	-	(98,679)
	\$ 338,163	\$ 708,806	\$ (164,406)	\$ 163,491	\$ 16,139
Beginning Net Assets	3,560,000	3,563,581	3,727,987	3,573,136	3,556,997
Prior Period Adjustment		(11,664)	-	(8,640)	
Ending Net Assets	\$ 3,898,163	\$ 4,260,723	\$ 3,563,581	\$ 3,727,987	\$ 3,573,136

CITY OF JUSTIN, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
SEPTEMBER 30, 2015

**CITY OF JUSTIN, TEXAS
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YEAR ENDED SEPTEMBER 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and members
of the City Council
City of Justin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Justin, Texas (the City) as of and for the year ended September 30, 2015, 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, and each major fund of the City as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended September 30, 2015 and required the restatement of net position as discussed in Note XI to the financial statements:

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of change in Net Position Liability and Related Ratios, Schedule of Contributions, and Notes to Required Supplementary Information on pages 3 through 9 and 44 through 48 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.



Stephenville, Texas
June 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF JUSTIN, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the City of Justin, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

Management's discussion and analysis ("MD&A") has been designed to [1] assist readers and interested parties in focusing on significant financial issues [2] provide an overview of the City's financial activity, [3] identify changes in the City's financial position, including its ability to address the next and subsequent years challenges, [4] identify material deviations from the approved budgets adopted by the City Council (those charged with governance), and [5] identify individual fund issues or concerns.

Because MD&A focuses on the current year's activity, resulting changes and currently known facts, you are encouraged to read it in conjunction with the basic financial statements including notes thereto, required supplemental information, and other supplementary data provided below.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at September 30, 2015 by \$10,346,945, an increase of \$993,028 from the prior year.
- At September 30, 2015 the City's governmental funds reported combined fund balances of \$2,284,445, an increase of \$386,300 from the prior year.
- The City's capital assets, reported at cost less accumulated depreciation, total \$15,586,566 at September 30, 2015 while the City's long-term debt totaled \$9,933,540 at September 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., arbitrage rebate owed but not due until a future year and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, physical environment, and transportation. The business-type activities of the City include water, wastewater and solid waste and emergency transportation services.

The government-wide financial statements include not only the City of Justin (the primary government) but also the legally separate Justin Economic Development Corporation (JEDC) and Justin Community Development Corporation (JCDC) (the component units). Financial information for JEDC and JCDC are reported separately from the financial information reported for the City of Justin. The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. The fund financial statements provide detailed information about the most significant funds -not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes. The City's kinds of funds - *governmental and proprietary* - use different accounting approaches.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements. The governmental fund statements can be found on pages 18-20 of this report.
- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's water and sewer fund are the same as the business-type activities we report in the government-wide statements but we provide more detail and additional information, such as cash flows, for proprietary funds. The proprietary fund financial statements can be found on pages 19-21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position:

The following table reflects the condensed statement of net position:

	Governmental		Statement of Net Position		Totals	
	Activities		Business-type			
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 2,607,538	\$ 2,209,494	\$ 3,111,586	\$ 2,506,541	\$ 5,719,124	\$ 4,716,035
Capital and Non-Current Assets	8,066,403	8,318,193	7,502,163	7,069,856	15,568,566	15,388,049
Total Assets	<u>10,673,941</u>	<u>10,527,687</u>	<u>10,613,749</u>	<u>9,576,397</u>	<u>21,287,690</u>	<u>20,104,084</u>
Total Deferred Outflows	<u>27,370</u>	<u>3,678</u>	<u>9,108</u>	<u>9,638</u>	<u>36,478</u>	<u>13,316</u>
Current Liabilities	309,153	312,753	678,688	373,061	987,841	685,814
Long Term Liabilities	4,260,916	4,381,564	5,668,463	5,649,393	9,929,379	10,030,957
Total Liabilities	<u>4,570,069</u>	<u>4,694,317</u>	<u>6,347,151</u>	<u>6,022,454</u>	<u>10,917,220</u>	<u>10,716,771</u>
Total Deferred Inflows	<u>45,020</u>	<u>-</u>	<u>14,983</u>	<u>-</u>	<u>60,003</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	3,948,419	4,078,416	1,861,319	1,452,406	5,809,738	5,530,822
Restricted	1,305,397	1,547,553	-	-	1,305,397	1,547,553
Unrestricted	832,406	211,079	2,399,404	2,111,175	3,231,810	2,322,254
Total Net Position	<u>\$ 6,086,222</u>	<u>\$ 5,837,048</u>	<u>\$ 4,260,723</u>	<u>\$ 3,563,581</u>	<u>\$ 10,346,945</u>	<u>\$ 9,400,629</u>

The City's capital assets (land, building, equipment and infrastructure) represent 73% of the City's total assets. The City uses these capital assets to provide services to the City's citizens; consequently, these assets are not available for future spending.

The City's net position increased \$993,028 (10.6%) during the fiscal year to a balance of \$10,346,945. Restricted net position is \$1,305,397, and represents net resources that are subject to external restrictions on how they may be used. Unrestricted net position totals \$3,231,810 or 31% of total net position and may be used to meet the government's ongoing obligations to its citizens and creditors.

The largest portion of the City's net position is its net investment in capital assets of \$5,809,738. This amount represents the City's total capital assets less the related debt used to acquire the capital assets. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Activities:

The following table provides a summary of the City's changes in net position.

	Statement of Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues	\$	\$	\$	\$	\$	\$
Program Revenues:						
Charges for Services	435,229	226,598	1,729,842	1,675,033	2,165,071	1,901,631
Operating Grants and Contributions	144,072	43,363	-	-	144,072	43,363
Capital Grants and Contributions	-	12,675	800,000	-	800,000	12,675
General Revenues:						
Property taxes	1,636,391	1,586,165	-	-	1,636,391	1,586,165
Sales taxes	1,203,536	1,150,062	-	-	1,203,536	1,150,062
Franchise and local taxes	207,900	205,773	-	-	207,900	205,773
Investment earnings	5,224	2,237	2,358	1,113	7,582	3,350
Miscellaneous	150,631	5,786	-	-	150,631	5,786
Gain on sale of assets	14,538	-	3,229	-	17,767	-
Total Revenues	<u>3,797,521</u>	<u>3,232,659</u>	<u>2,535,429</u>	<u>1,676,146</u>	<u>6,332,950</u>	<u>4,908,805</u>
Expenses						
General government	865,522	636,268	-	-	865,522	636,268
Police department	617,184	570,464	-	-	617,184	570,464
Fire services	321,620	301,200	-	-	321,620	301,200
Municipal court	124,760	122,796	-	-	124,760	122,796
Public works	803,357	813,453	-	-	803,357	813,453
Parks and recreation	364,160	326,541	-	-	364,160	326,541
Library	47,273	56,211	-	-	47,273	56,211
Inspection	191,115	87,356	-	-	191,115	87,356
Interest and amortization	178,308	194,466	211,563	226,421	389,871	420,887
Water and sewer	-	-	1,615,060	1,614,131	1,615,060	1,614,131
Total Expenses	<u>3,513,299</u>	<u>3,108,755</u>	<u>1,826,623</u>	<u>1,840,552</u>	<u>5,339,922</u>	<u>4,949,307</u>
Change in net position	<u>284,222</u>	<u>123,904</u>	<u>708,806</u>	<u>(164,406)</u>	<u>993,028</u>	<u>(40,502)</u>
Net position-Beginning, as previously stated	5,837,048	5,713,144	3,563,581	3,727,987	9,400,629	9,441,131
Prior period adjustment	(35,048)	-	(11,664)	-	(46,712)	-
Net position-Beginning, as restated	<u>5,802,000</u>	<u>5,713,144</u>	<u>3,551,917</u>	<u>3,727,987</u>	<u>9,353,917</u>	<u>9,441,131</u>
Net Position, Ending	<u>\$ 6,086,222</u>	<u>\$ 5,837,048</u>	<u>\$ 4,260,723</u>	<u>\$ 3,563,581</u>	<u>\$ 10,346,945</u>	<u>\$ 9,400,629</u>

The government's net position increased by \$993,028 during the fiscal year, compared to the prior year decrease of \$40,502. Governmental activities had an increase in net position of \$284,222 compared to the prior year increase of \$123,904. Business-type activities increased the City's net position by \$708,806 compared to a decrease in the prior year of \$164,406.

Governmental activities revenues increased \$564,862 (17%) primarily due to increases in property tax and permit fee collections during 2015 compared to 2014. Total governmental activities expenses increased \$404,544 (13%) from the prior fiscal year. Governmental activities expenses include depreciation expense of \$683,390 and interest expense of \$178,308. The depreciation expense is allocated to the function/program that primarily used the related capital asset.

Business-type activities revenues increased \$859,283 (51.27%) primarily due to an \$800,000 developer contribution to be used for system improvements. Business-type expenses decreased \$13,929 from 2014.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements; in particular, unreserved fund balance may serve a measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds include the general fund and special revenue fund. The special revenue fund is used to account for the activities of the City's blended component units; the Justin Economic Development Corporation (EDC) and the Justin Community Development Corporation (CDC.) These entities are controlled by the City Council of the City of Justin and their revenues are restricted for economic and community development as described in their by-laws.

The City's governmental fund balance at September 30, 2015 totaled \$2,284,445. The fund balance includes funds restricted for economic development (\$553,305) and community development (\$752,092.) The unassigned fund balance at September 30, 2015 is \$979,048.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues exceeded budgeted revenues by \$605,945 (24%) primarily due to an increase in sales tax and license and permit revenues over their respective budgeted revenues. Actual general fund expenditures exceeded budgeted expenditures by \$459,397 (18%) primarily due to police department (\$138,648) and public works (\$143,394) expenditures exceeding budgeted expenditures. Other financing sources and uses revenues and expenditures included proceeds from capital leases of \$157,241 and transfers in from JEDC and JCDC of \$184,145. Neither of these items was included in budgeted revenues or expenditures.

CAPITAL ASSETS

At September 30, 2015 the City's governmental activities had invested \$8,066,403 in capital assets including land, building, vehicles, equipment and infrastructure. Depreciation is included with the governmental capital assets as required by GASB Statement #34. The City's business-type activities had invested \$7,502,163 in capital assets including land, building, vehicles, equipment and infrastructure.

Capital asset purchases during the 2015 fiscal year include IT improvements of \$29,190, park improvements of \$57,278, building improvements of \$6,245, police vehicle and equipment purchases of \$161,841, municipal maintenance equipment purchases of \$73,146, community center/council chambers improvements of \$49,550, drainage improvement of \$20,750 and water and sewer improvements and equipment purchases of \$706,299. More detailed information about the City's capital assets is presented in Note IV to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$9,310,000. The City did not issue any new bonds during the fiscal year and all bond payments were made as scheduled during the fiscal year. More detailed information about the City's long-term liabilities is presented in Note V to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Fiscal year 2016 general fund budgeted revenues are \$2,646,350 and budgeted expenditures are \$2,645,331 leaving a budgeted surplus of \$1,019. Water and sewer fund 2016 budgeted revenues total \$1,853,850 and budgeted expenses total \$1,830,158 leaving a budgeted surplus of \$23,692.

Total budgeted capital outlays are \$157,359 for the general fund and \$60,514 for the water and sewer fund. Budgeted capital outlay includes police vehicles and equipment (\$72,000), park improvements and equipment (\$32,000), municipal maintenance equipment (\$50,359), office computer equipment (\$3,000) and water and sewer equipment (\$60,514.)

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City of Justin. If you have questions about this report or need any additional information, contact the City Secretary at 415 N. College Street, Justin, TX 76247 or at 940-648-2541.

BASIC FINANCIAL STATEMENTS

CITY OF JUSTIN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and equivalents	\$ 1,994,135	\$ 2,755,454	\$ 4,749,589
Certificates of deposit	308,770	-	308,770
Receivables, net of allowance of \$21,451 in business-type activities	304,633	232,137	536,770
Restricted cash and equivalents	-	33,995	33,995
Restricted certificates of deposit	-	90,000	90,000
Capital assets (net of accumulated depreciation):			
Land	1,954,896	628,307	2,583,203
Infrastructure	4,546,190	6,818,725	11,364,915
Buildings and improvements	484,615	-	484,615
Equipment and vehicles	1,080,702	55,131	1,135,833
Total Assets	<u>10,673,941</u>	<u>10,613,749</u>	<u>21,287,690</u>
DEFERRED OUTFLOWS:			
Deferred retirement contributions	17,910	5,960	23,870
Deferred investment experience	9,460	3,148	12,608
Total Deferred Outflows	<u>27,370</u>	<u>9,108</u>	<u>36,478</u>
 Total Assets and Deferred Outflows	 <u>10,701,311</u>	 <u>10,622,857</u>	 <u>21,324,168</u>
LIABILITIES:			
Accounts payable and other current liabilities	272,429	524,877	797,306
Accrued interest payable	21,076	29,816	50,892
Customer deposits	-	123,995	123,995
Unearned revenues	15,648	-	15,648
Noncurrent liabilities-			
Due within one year	301,870	343,717	645,587
Due in more than one year	3,962,168	5,325,785	9,287,953
Net pension liability (asset)	(3,122)	(1,039)	(4,161)
Total Liabilities	<u>4,570,069</u>	<u>6,347,151</u>	<u>10,917,220</u>
DEFERRED INFLOWS:			
Deferred Actual vs. Assumption	<u>45,020</u>	<u>14,983</u>	<u>60,003</u>
NET POSITION:			
Net investment in capital assets	3,948,419	1,861,319	5,809,738
Restricted For:			
Community development	752,092	-	752,092
Economic development	553,305	-	553,305
Unrestricted	832,406	2,399,404	3,231,810
Total Net Position	<u>\$ 6,086,222</u>	<u>\$ 4,260,723</u>	<u>\$ 10,346,945</u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 865,522	\$ 15,060	\$ -	\$ -	\$ (850,462)	\$ -	\$ (850,462)
Police department	617,184	7,766	10,208	-	(599,210)	-	(599,210)
Fire services	321,620	-	-	-	(321,620)	-	(321,620)
Municipal court	124,760	106,572	-	-	(18,188)	-	(18,188)
Public works	803,357	-	-	-	(803,357)	-	(803,357)
Parks and recreation	364,160	26,755	6,015	-	(331,390)	-	(331,390)
Library	47,273	3,579	13,509	-	(30,185)	-	(30,185)
Inspection	191,115	275,497	114,340	-	198,722	-	198,722
Interest and Amortization	178,308	-	-	-	(178,308)	-	(178,308)
Total Governmental Activities	<u>3,513,299</u>	<u>435,229</u>	<u>144,072</u>	<u>0</u>	<u>(2,933,998)</u>	<u>-</u>	<u>(2,933,998)</u>
Business-type Activities:							
Water and Sewer	1,826,623	1,729,842	-	800,000	-	703,219	703,219
Total Business-type Activities	<u>1,826,623</u>	<u>1,729,842</u>	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>703,219</u>	<u>703,219</u>
Total Primary Government	<u>\$ 5,339,922</u>	<u>\$ 2,165,071</u>	<u>\$ 144,072</u>	<u>\$ 800,000</u>	<u>(2,933,998)</u>	<u>703,219</u>	<u>(2,230,779)</u>
Taxes:							
Property					1,636,391	-	1,636,391
Sales					1,203,536	-	1,203,536
Franchise					207,900	-	207,900
Investment earnings					5,224	2,358	7,582
Miscellaneous revenues					150,631	-	150,631
Gain on sale of assets					14,538	3,229	17,767
Total general revenues					<u>3,218,220</u>	<u>5,587</u>	<u>3,223,807</u>
Change in net position					<u>284,222</u>	<u>708,806</u>	<u>993,028</u>
Net position - Beginning, as previously stated							
					5,837,048	3,563,581	9,400,629
Prior Period Adjustment - cumulative effect of change in accounting principle							
					(35,048)	(11,664)	(46,712)
Net position - Beginning, as restated							
					5,802,000	3,551,917	9,353,917
Net position - Ending							
					<u>\$ 6,086,222</u>	<u>\$ 4,260,723</u>	<u>\$ 10,346,945</u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Justin EDC	Justin CDC	Total Governmental Funds
ASSETS:				
Assets:				
Cash and equivalents	\$ 1,085,365	\$ 518,935	\$ 389,835	\$ 1,994,135
Certificates of deposit	2,490	-	306,280	308,770
Receivables, net	192,897	55,868	55,868	304,633
Due from other funds	21,389	-	109	21,498
Total Assets	<u>\$ 1,302,141</u>	<u>\$ 574,803</u>	<u>\$ 752,092</u>	<u>\$ 2,629,036</u>
LIABILITIES:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 272,429	\$ -	-	\$ 272,429
Due to other funds	-	21,498	-	21,498
Unearned revenue	15,648	-	-	15,648
Total Liabilities	<u>288,077</u>	<u>21,498</u>	<u>-</u>	<u>309,575</u>
DEFERRED INFLOWS:				
Deferred property taxes	35,016	-	-	35,016
Total liabilities and deferred inflows	<u>\$ 323,093</u>	<u>\$ 21,498</u>	<u>\$ -</u>	<u>\$ 344,591</u>
FUND BALANCE:				
Restricted Fund Balances:				
Community Development	-	-	752,092	752,092
Economic Development	-	553,305	-	553,305
Unassigned	979,048	-	-	979,048
Total Fund Balance	<u>979,048</u>	<u>553,305</u>	<u>752,092</u>	<u>2,284,445</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,302,141</u>	<u>\$ 574,803</u>	<u>\$ 752,092</u>	<u>\$ 2,629,036</u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015

Total fund balances - governmental funds balance sheet	\$ 2,284,445
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	8,066,403
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	35,016
The statement of net position includes the City's proportionate share of the TMRS net pension liability as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of resources.	
Net pension liability	3,122
Deferred retirement contributions	17,910
Deferred investment experience	9,460
Deferred actual vs. assumption	(45,020)
	(14,528)
Long-term liabilities, including capital leases and the related interest payable, and compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements	<u>(4,285,114)</u>
Net position of governmental activities	<u><u>\$ 6,086,222</u></u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Justin EDC	Justin CDC	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 1,621,243	\$ -	\$ -	\$ 1,621,243
Sales and beverage	615,432	294,052	294,052	1,203,536
Franchise and local	207,900	-	-	207,900
License and permits	406,408	-	-	406,408
Fines and forfeitures	114,953	-	-	114,953
Charges for services	28,216	-	-	28,216
Intergovernmental	12,500	-	-	12,500
Contributions and donations	17,224	-	-	17,224
Investment income	742	1,138	3,344	5,224
Other revenue	150,631	-	-	150,631
Total revenues	<u>3,175,249</u>	<u>295,190</u>	<u>297,396</u>	<u>3,767,835</u>
EXPENDITURES				
Current:				
General government	523,777	257,460	131,881	913,118
Police department	753,862	-	-	753,862
Fire services	321,620	-	-	321,620
Municipal court	127,434	-	-	127,434
Public works	367,298	-	-	367,298
Parks and recreation	373,754	-	-	373,754
Library	37,853	-	-	37,853
Inspection	189,424	-	-	189,424
Debt Service:				
Principal	179,125	50,000	65,000	294,125
Interest and fiscal charges	79,617	40,820	54,389	174,826
Total Expenditures	<u>2,953,764</u>	<u>348,280</u>	<u>251,270</u>	<u>3,553,314</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>221,485</u>	<u>(53,090)</u>	<u>46,126</u>	<u>214,521</u>
Other Financing Sources (Uses):				
Transfers in	184,145	80,796	-	264,941
Transfers out	-	(95,750)	(169,191)	(264,941)
Proceeds from capital leases	157,241	-	-	157,241
Proceeds from sale of assets	14,538	-	-	14,538
Total Other Financing Sources (Uses)	<u>355,924</u>	<u>(14,954)</u>	<u>(169,191)</u>	<u>171,779</u>
Net Change in Fund Balances	<u>577,409</u>	<u>(68,044)</u>	<u>(123,065)</u>	<u>386,300</u>
Fund Balances - Beginning	401,639	621,349	875,157	1,898,145
Fund Balances - Ending	<u>\$ 979,048</u>	<u>\$ 553,305</u>	<u>\$ 752,092</u>	<u>\$ 2,284,445</u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds	\$ 386,300
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the statement of activities and does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(683,390)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.	431,600
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	15,148
Net pension assets as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.	20,520
Current year changes in accrued interest payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	196
Current year changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(19,358)
Governmental funds report the effect of deferred gains and losses from the issuance of refunding bonds when the debt is first issued, whereas the amounts are capitalized and amortized in the statement of activities.	(3,678)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	<u>136,884</u>
Change in net position of governmental activities	<u><u>\$ 284,222</u></u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2015

	Enterprise Fund
	Water and Sewer Fund
ASSETS:	
Current Assets:	
Cash and equivalents	\$ 2,755,454
Receivables, net of allowance of \$22,817	232,137
Restricted cash and equivalents	33,995
Restricted certificates of deposit	90,000
Total Current Assets	3,111,586
Noncurrent Assets:	
Capital Assets:	
Land	628,307
Infrastructure	10,412,119
Equipment and vehicles	365,896
Less Accumulated Depreciation	(3,904,159)
Total Noncurrent Assets	7,502,163
Total Assets	10,613,749
DEFERRED OUTFLOWS:	
Deferred retirement contributions	5,960
Deferred investment experience	3,148
Total Deferred Outflows	9,108
Total Assets and Deferred Inflows	10,622,857
LIABILITIES:	
Current Liabilities:	
Accounts payable	186,834
Accrued expenses	338,043
Accrued interest	29,816
Customer deposits	123,995
Current portion of long-term liabilities	343,717
Total Current Liabilities	1,022,405
Noncurrent Liabilities:	
Net pension liability (asset)	(1,039)
Bonds payable	5,008,067
Capital lease	306,444
Compensated absences	11,274
Total Noncurrent Liabilities	5,324,746
Total Liabilities	6,347,151
DEFERRED INFLOWS:	
Deferred Actual vs. Assumption	\$ 14,983
NET POSITION:	
Net investment in capital assets	1,861,319
Unrestricted	2,399,404
Total net position	\$ 4,260,723

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund
	Water and Sewer
	Fund
OPERATING REVENUES:	
Charges for services	\$ 1,729,842
Total Operating Revenues	1,729,842
OPERATING EXPENSES:	
Cost of water	402,140
Cost of labor	447,058
Repair and maintenance	61,434
Utilities	86,545
Vehicle expense	15,204
Insurance	7,292
Contractual services	160,791
Depreciation	279,448
Other operating expense	155,148
Total Operating Expenses	1,615,060
 Operating Income (loss)	 114,782
Non-operating Revenues (Expenses)	
Interest revenue	2,358
Developer contributions	800,000
Gain on sale of assets	3,229
Interest and amortization expense	(211,563)
Total Non-operating Revenues (Expenses)	594,024
 Change in Net Position	 708,806
Net position - Beginning, as previously stated	3,563,581
Prior Period Adjustment - cumulative effect of change in accounting principle	(11,664)
Net position - Beginning, as restated	3,551,917
Net Position - Ending	\$ 4,260,723

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,729,882
Cash paid to employees	(340,364)
Cash paid to suppliers	(705,413)
Net Cash Provided By Operating Activities	684,105
 Cash Flows from Capital and Related Financing Activities:	
Principal repayment on debt	(283,050)
Interest and fees paid on debt issuance	(194,902)
Purchase of capital assets	(405,311)
Proceeds received for capital improvement	800,000
Proceeds on sale of capital assets	3,229
Net Cash Used in Capital & Related Financing Activities	(80,034)
 Cash Flows from Investing Activities:	
Interest on investments	2,358
Net Cash Provided By Investing Activities	2,358
 Net Increase (Decrease) in Cash and Cash Equivalents	606,429
 Cash and Cash Equivalents at Beginning of Year	2,183,020
 Cash and Cash Equivalents at End of Year	\$ 2,789,449
 Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 114,782
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and amortization	279,448
Water sales given in-kind to decrease long-term debt	(6,914)
Change in Assets and Liabilities:	
Decrease in receivables	1,384
Increase in deferred outflows	(4,402)
Increase in net pension asset	(17,409)
Increase in accounts payable	293,034
Increase in compensated absences	3,629
Increase in customer deposits	5,570
Increase in deferred inflows	14,983
Total Adjustments	569,323
Net Cash Provided By Operating Activities	\$ 684,105

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

I. Summary of Significant Accounting Policies

The City of Justin, Texas (the City) was incorporated in 1947 and operates under a Council-City Manager form of government. The City provides: police; code enforcement; public works; street repair and maintenance; parks; general administrative services; water; wastewater; and sanitation. The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. General accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The more significant accounting policies of the City are described below:

A. The Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of the fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

The following entities were found to be component units of the City and are included in the accompanying financial statements:

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

I. Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Justin Economic Development Corporation - The Justin Economic Development Corporation (JEDC) is governed by a board of five directors, all of whom are appointed by the City Council of the City of Justin and any of whom can be removed from office by the City Council at its will. The JEDC was incorporated in the state of Texas as a non-profit industrial development corporation under Section 4A of the Development Corporation Act of 1979. The Corporation was organized for the purpose of the promotion and development of new and expanded business enterprises and to provide and encourage employment in the furtherance of the public welfare.

Justin Community Development Corporation - The Justin Community Development Corporation (JCDC) is governed by a board of seven directors, all of whom are appointed by the City Council of the City of Justin and any of whom can be removed from office by the City's Council at its' will. The JCDC was incorporated in the state of Texas as a non-profit industrial development corporation under Section 4B of the Development Corporation Act of 1979. The purpose of the JCDC is to promote economic and community development within the City of Justin.

Separate financial statement of these component units have not been prepared.

B. Basis of Presentation

Government-wide Statements:

The statement of net position and the statement of activities include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements:

The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There were no other funds to be aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major Governmental funds:

The ***General Fund*** is the City's primary operating fund. This fund is used to account for all financial resources not reported in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The ***Justin EDC fund*** collects sales tax for the purpose of the promotion and development of new and expanded business enterprises and to provide and encourage employment in the furtherance of the public welfare. All EDC activity is accounted for in this fund.

The ***Justin CDC fund*** collects sales tax for the purpose of promoting economic and community development within the City of Justin. All CDC activity is accounting for in this fund.

The City reports the following major Enterprise fund:

The ***Utility Fund*** reports for revenues and expenses associated with water, sewer, garbage and EMS services for the citizens of the City. Activities of the fund include administration, operations, and maintenance of the water, sewer and sanitation system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for enterprise debt. All costs are financed through charges to utility and EMS customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes, interest revenue, charges for services and sales tax revenues are susceptible to accrual. Franchise taxes, fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for general fund. The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require the approval of the city council. The legal level of budget control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. While all appropriations lapse at year end, surpluses may be re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

E. Cash and Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

I. Summary of Significant Accounting Policies (continued)

F. Capital Assets

Capital assets purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other capital assets.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Infrastructure	10 – 25 years
Buildings and improvements	5 – 40 years
Equipment and vehicles	2 – 40 years

G. Accrued Compensated Absences

The City Council has adopted a policy whereby employees are paid lump sum payments for unused vacation if they leave City employment. Upon termination, up to one year of accumulated vacation at full pay will be paid if the employee meets the prescribed conditions. Employees are not compensated for unused sick leave.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. An example is a deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one sources: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

I. Summary of Significant Accounting Policies (continued)

I. 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.

J. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes 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.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

I. Summary of Significant Accounting Policies (continued)

J. Fund Balance and Net Position (continued)

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be extended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance. Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted position will be fully utilized first followed by unrestricted as necessary.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Deposits and Short-Term Investments

Cash and investments as of September 30, 2015 consist of the following:

	<u>Cash Deposits</u>	<u>TexStar</u>	<u>Certificates of Deposit</u>
Governmental activities:			
General fund	613,040	472,325	2,490
Economic development corporation	518,887	48	-
Community development corporation	389,579	256	306,280
Business-type activity:			
Water and sewer fund	65,056	2,724,393	90,000
Total	<u>\$ 1,586,562</u>	<u>\$ 3,197,022</u>	<u>\$ 398,770</u>

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

II. Deposits and Short-Term Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2015, the City had investments in TexStar totaling \$3,197,022 which had a weighted average maturity of 47 days and in certificates of deposit totaling \$398,770 which had a weighted average maturity of approximately 2 years.

As of September 30, 2015, the City was not invested in any securities which are highly sensitive to interest rate fluctuation.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, is AAA. The actual rating as of September 30, 2015 for TexStar was AAAM. The certificates of deposit are unrated.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2015, other than external investment pools and certificates of deposit, the City did not have 5% or more of its investments with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transactions, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

II. Deposits and Short-Term Investments (continued)

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times. At September 30, 2015, the carrying amount of the City's cash on hand and deposits were \$1,586,562 and the bank balance was \$1,780,441. Of this amount, \$834,041 is carried in the City's name while \$416,815 is carried by the Justin CDC and \$529,585 by the Justin EDC. \$250,000 of the City's bank balance was covered by depository insurance under the Federal Depository Insurance Corporation (FDIC insured), with the remaining \$584,041 secured with securities held by pledging financial institutions. The Justin CDC bank balance is maintained at two different financial institutions, and was therefore fully FDIC insured. \$500,000 of the Justin EDC's bank balance was FDIC insured leaving the remaining \$29,585 not collateralized.

Investment in State Investment Pools

The City is a voluntary participant in the TexStar external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexStar. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexStar and other persons who do not have a business relationship with TexStar. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexStar uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares

III. Property Taxes

Taxes assessed on valuations as of January 1 each year are levied during the subsequent fiscal year beginning October 1. Property taxes attach as an enforceable lien on property at the time levied. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and when they are expected to be collected during a 60 day period after the close of the fiscal year. The City has its property taxes collected by the Denton County Tax Assessor/Collector. Property taxes that are deemed uncollectible are presented as a reserve against revenues and property taxes receivable.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

IV. Capital Assets

Capital assets activity for the year ended September 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,954,896	\$ -	\$ -	\$ 1,954,896
Total assets not being depreciated	<u>1,954,896</u>	<u>-</u>	<u>-</u>	<u>1,954,896</u>
Capital assets, being depreciated:				
Infrastructure	9,289,220	20,750	-	9,309,970
Buildings and Improvements	838,576	96,270	-	934,846
Equipment and Vehicles	1,603,274	314,580	35,374	1,882,480
Total capital assets being depreciated	<u>11,731,070</u>	<u>431,600</u>	<u>35,374</u>	<u>12,127,296</u>
Accumulated depreciation:				
Infrastructure	4,196,764	567,016	-	4,763,780
Buildings and Improvements	426,231	24,000	-	450,231
Equipment and Vehicles	744,778	92,374	35,374	801,778
Total accumulated depreciation	<u>5,367,773</u>	<u>683,390</u>	<u>35,374</u>	<u>6,015,789</u>
Total capital assets being depreciated, net	<u>6,363,297</u>	<u>(251,790)</u>	<u>-</u>	<u>6,111,507</u>
Governmental activities capital assets, net	<u>\$ 8,318,193</u>	<u>\$ (251,790)</u>	<u>\$ -</u>	<u>\$ 8,066,403</u>

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

IV. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 249,184	\$ -	\$ -	\$ 249,184
Construction in process	<u>-</u>	<u>379,123</u>	<u>-</u>	<u>379,123</u>
Total assets not being depreciated	<u>249,184</u>	<u>379,123</u>	<u>-</u>	<u>628,307</u>
Capital assets, being depreciated:				
Infrastructure	10,105,675	306,444	-	10,412,119
Equipment and Vehicles	<u>361,841</u>	<u>26,188</u>	<u>22,133</u>	<u>365,896</u>
Total capital assets being depreciated	<u>10,467,516</u>	<u>332,632</u>	<u>22,133</u>	<u>10,778,015</u>
Accumulated depreciation:				
Infrastructure	3,336,232	257,162	-	3,593,394
Equipment and Vehicles	<u>310,612</u>	<u>22,286</u>	<u>22,133</u>	<u>310,765</u>
Total accumulated depreciation	<u>3,646,844</u>	<u>279,448</u>	<u>22,133</u>	<u>3,904,159</u>
Total capital assets being depreciated, net	<u>6,820,672</u>	<u>53,184</u>	<u>-</u>	<u>6,873,856</u>
Business-type activities capital assets, net	<u>\$ 7,069,856</u>	<u>\$ 432,307</u>	<u>\$ -</u>	<u>\$ 7,502,163</u>

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

Governmental Activities:	
General Government	\$ 15,554
Animal Control	1,691
Library	9,420
Municipal Court	1,115
Parks	49,566
Police	26,918
Public Works	579,126
Total depreciation expense - governmental activities	<u>\$ 683,390</u>
Business-type Activities:	
Water	\$ 107,854
Sewer	171,594
Total depreciation expense - business-type activities	<u>\$ 279,448</u>

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

V. Long-term Debt

At September 30, 2015, the City's bonds payable consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
2006 Combination Tax and Revenue Certificates of Obligation due in annual installments through 2027, bearing interest at a rate ranging between 3.5 - 4.38%	\$ 1,511,100	\$ 678,900
2008 Certificates of Obligation due in annual installments through 2028, bearing interest at a rate ranging between 4.49 - 6.5%	860,000	-
2009 Certificates of Obligation due in annual installments through 2030, bearing interest at a rate ranging between 2 - 4.5%	1,310,000	
2009 Revenue Certificates of Obligation due in annual installments through 2029, bearing interest at a rate ranging between 2 - 4.6%	-	2,370,000
2014 Revenue Certificates of Obligation due in annual installments through 2029, bearing interest at a rate of 2.92%	-	1,605,000
2014 General Obligation Refunding Bonds due in annual installments through 2025, bearing interest at a rate of 2.2%	294,500	680,500
	<u>\$ 3,975,600</u>	<u>\$ 5,334,400</u>

The following is a summary of all long-term debt transactions of the City for the year ended September 30, 2015:

<u>Description</u>	<u>Beginning Balance 9/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 9/30/2015</u>	<u>Due within one year</u>
Governmental activities:					
Capital leases	\$ 12,227	\$ 157,241	\$ 27,084	\$ 142,384	\$ 41,748
Bonds payable	4,227,550	-	251,950	3,975,600	245,050
Compensated absences	36,264	19,358	-	55,622	-
Due to state	105,523	-	15,091	90,432	15,072
Governmental activities long-term liabilities	<u>\$ 4,381,564</u>	<u>\$ 176,599</u>	<u>\$ 294,125</u>	<u>\$ 4,264,038</u>	<u>\$ 301,870</u>
Business-type activities:					
Capital leases	\$ -	\$ 306,444	\$ -	\$ 306,444	\$ 26,383
Bonds payable	5,617,450	-	283,050	5,334,400	299,950
Compensated absences	7,645	3,629	-	11,274	-
Developer agreements payable	24,298	-	6,914	17,384	17,384
Business-type activities long-term liabilities	<u>\$ 5,649,393</u>	<u>\$ 310,073</u>	<u>\$ 289,964</u>	<u>\$ 5,669,502</u>	<u>\$ 343,717</u>

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

V. Long-term Debt (continued)

The annual requirements to amortize all bonds payable outstanding as of September 30, 2015 are as follows:

Certificates of Obligation Due Fiscal Year Ending September 30	Business-Type Activities		Governmental Activities		Total
	Principal	Interest	Principal	Interest	Requirements
2016	229,950	174,900	215,050	154,479	774,379
2017	241,500	166,889	223,500	146,026	777,915
2018	248,050	158,494	231,950	137,273	775,767
2019	261,150	149,160	243,850	142,024	796,184
2020	267,700	139,352	252,300	131,032	790,384
2021-2025	1,587,600	534,764	1,437,400	469,960	4,029,724
2026-2030	1,817,950	172,987	1,077,050	124,786	3,192,773
Total	<u>\$ 4,653,900</u>	<u>\$ 1,496,546</u>	<u>\$ 3,681,100</u>	<u>\$ 1,305,580</u>	<u>\$ 11,137,126</u>
General Obligation Refunding Bonds Due Fiscal Year Ending September 30	Business-Type Activities		Governmental Activities		Total
	Principal	Interest	Principal	Interest	Requirements
2016	70,000	14,850	30,000	6,600	121,450
2017	70,000	13,310	30,000	5,940	119,250
2018	73,500	11,770	31,500	5,280	122,050
2019	70,000	10,120	30,000	4,620	114,740
2020	77,000	8,580	33,000	3,960	122,540
2021-2025	320,000	18,370	140,000	8,580	486,950
	<u>\$ 680,500</u>	<u>\$ 77,000</u>	<u>\$ 294,500</u>	<u>\$ 34,980</u>	<u>\$ 1,086,980</u>

The City was notified by the State Comptroller that the City received an overpayment of sales and use tax in the amount of \$105,523. The City will begin paying the sales tax in equal monthly installments, beginning October 2014. The State Comptroller will withhold the monthly payment from the City's received sales and use tax revenue. The annual requirements to amortize due to state outstanding as of September 30, 2015 are \$15,072 each year for the next 6 years with the final payment in 2021.

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

VI. Capital Leases

The City has entered into capital lease agreements. Of the leased property under capital leases, \$306,444 is classified as infrastructure with the remaining classified as equipment for a total capitalized cost of \$472,275 and amortized value of approximately \$449,003 at September 30, 2015. Amortization expense has been included in depreciation expense for the year ended September 30, 2015.

The following is a schedule of future minimum payments under the capital leases together with the present value of the minimum lease payments as of September 30, 2015:

Year Ending September 30		
2016	\$	86,692
2017		86,691
2018		96,527
2019		36,867
2020		36,867
Thereafter		184,337
Total payments		527,981
Less amount representing interest		79,153
Present value of net minimum lease payments	\$	448,828

VII. Retirement Plan

Plan Description

The City of Justin participates as one of 860 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 issue a publicly available comprehensive annual financial report (CAFR) that can be obtained at tmrs.com

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

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.

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

VII. Retirement Plan (continued)

Benefits Provided (continued)

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. Member may choose to receive their retirement benefit in one of seven payment 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.

Plan provisions for the City were as follows:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1 to 1	1 to 1
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees of beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>25</u>
	<u>48</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 Justin were required to contribute 5% of the annual gross earnings during the fiscal year. The contribution rates for the City of Justin were 2.42% and 2.44% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$32,879, and were equal to the required contributions.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

VII. Retirement Plan (continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actual valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, 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 Table, 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. 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. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

VII. Retirement Plan (continued)

Net Pension Liability (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Provide Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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 in active 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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 1,297,135	\$ 1,231,578	\$ 65,557
Changes for the year:			
Service cost	70,781	-	70,781
Interest	89,613	-	89,613
Change of benefit terms	-	-	-
Difference between expected and actual experience	(74,939)	-	(74,939)
Changes of assumptions	-	-	-
Contributions - employer	-	27,894	(27,894)
Contributions - employee	-	57,625	(57,625)
Net investment income	-	70,450	(70,450)
Benefit payment, including refunds of employee contributions	(104,691)	(104,691)	-
Administrative expense	-	(736)	736
Other changes	-	(60)	60
Net changes	\$ (19,236)	\$ 50,482	\$ (69,718)
Balance at 12/31/2014	\$ 1,277,899	\$ 1,282,060	\$ (4,161)

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

VII. Retirement Plan (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 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 177,380	\$ (4,161)	\$ (154,385)

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.

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

For the year ended September 30, 2015, the City recognized pension expense of \$5,570.

At September 30, 2015, 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	\$ -	\$ 60,003
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	12,608	-
Contributions subsequent to the measurement date	23,870	-
Total	\$ 36,478	\$ 60,003

\$23,870 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, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$ (11,785)
2016	(11,785)
2017	(11,785)
2018	(11,785)
2019	(254)
Thereafter	-

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

VIII. Commitments and Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectability of any related receivable may be impaired. In the opinion of the City, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

In February 2013 a jury rendered a verdict of \$163,473 against the City in relation to litigation related to eminent domain. The City has appealed the verdict. Subsequent to year-end, this litigation matter was settled. Therefore, a liability has been recorded in the amount of \$155,687, the amount of the settlement.

IX. Interfund Activity

The Justin CDC and EDC Funds transferred \$88,395 and \$70,750, respectively to the General Fund during the year for the purpose of providing funding for park projects, drive improvements and the City comprehensive plan. The EDC Fund also transferred \$25,000 for legal fees. The Justin CDC Fund transferred \$80,796 to the Justin EDC Fund for reimbursement of administrative costs.

The City has the following interfund balances as of September 30, 2015:

DUE TO	DUE FROM		
	General Fund	EDC	CDC
General Fund	\$ -	\$ 21,389	\$ -
EDC	\$ -	\$ -	\$ -
CDC	\$ -	\$ 109	\$ -

The interfund balances are related to funds transferred from for operations during the year. All balances are expected to be repaid or collected in the normal course of business, within one year of the fiscal year-end.

X. 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 insures its buildings and contents, law enforcement liability, public officials' liability, general liability and auto liability under a renewable one year policy with the Texas Municipal League. The City insures its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool which is a self-insurance policy mechanism for political subdivisions in Texas. Rates are set by the State Insurance Board. Each participant's contribution to the pool is adjusted based on its workers' compensation history. The City is responsible only to the extent of premiums paid and contributions made to Texas Municipal League and the Intergovernmental Risk Pool. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

XI. New Accounting Pronouncements

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012, which became effective for the City in fiscal year 2015. The objective of this Statement is to improve accounting and financial reporting of state and local governmental pension plans. This Statement applies to all state and governmental entities and replaces Statements 27 and 50. This Statement requires the recognition of the entire net pension liability and a more comprehensive measure of pension expense, along with additional required footnote disclosures. The impact of this implementation is discussed in Note VII and at Note XI.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* in November 2013, which was effective for the City in fiscal year 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. This Statement requires that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The impact of this implementation is discussed in Note VII and at Note XI.

The GASB issued Statement No. 72, *Fair Value Measurement and Application* in February 2015, and will be effective for the City in fiscal year 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The City has not yet determined the impact of this statement.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015 and will be effective for the City in fiscal year 2018. This Statement replaces the requirement of Statements No. 45, *Accounting and Financial Reporting by Employments for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans for OPEB*. This Statement establishes new accounting and financial reporting requirements for OPEB plans. The City has not yet determined the impact of this statement.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in June 2015 and will be effective for the City in fiscal year 2016. This Statement supersedes Statement No. 55, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP Hierarchy” consists of the sources of accounting principles use to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use and authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City has not yet determined the impact of this Statement.

XI. New Accounting Pronouncements (continued)

The GASB issues Statement No. 77, Tax Abatement Disclosures in August 2015 and will be effective for the city in fiscal year 2017. This Statement requires governments that enter in tax abatement agreements to disclose 1) brief descriptive information about the abatement, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; 2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The City has not yet determined the impact of this Statement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JUSTIN, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUE				
Taxes:				
Property	\$ 1,551,721	\$ 1,546,940	\$ 1,621,243	\$ 74,303
Sales and beverage	494,809	494,809	615,432	120,623
Franchise and local	200,734	200,734	207,900	7,166
License and permits	79,340	79,340	406,408	327,068
Fines and forfeitures	93,094	93,094	114,953	21,859
Charges for services	24,625	72,049	28,216	(43,833)
Intergovernmental	33,034	35,516	12,500	(23,016)
Contributions and donations	42,875	42,875	17,224	(25,651)
Investment income	220	372	742	370
Other revenue	3,575	3,575	150,631	147,056
Total revenues	<u>2,524,027</u>	<u>2,569,304</u>	<u>3,175,249</u>	<u>605,945</u>
EXPENDITURES				
Current:				
General government	502,391	487,200	523,777	(36,577)
Police department	618,906	615,214	753,862	(138,648)
Fire services	321,652	321,652	321,620	32
Municipal court	119,624	124,385	127,434	(3,049)
Public works	262,242	223,904	367,298	(143,394)
Parks and recreation	338,930	338,269	373,754	(35,485)
Library	47,505	41,715	37,853	3,862
Inspection	89,933	134,638	189,424	(54,786)
Debt Service:				
Principal	206,090	206,090	179,125	26,965
Interest and fiscal charges	1,300	1,300	79,617	(78,317)
Total Expenditures	<u>2,508,573</u>	<u>2,494,367</u>	<u>2,953,764</u>	<u>(459,397)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>15,454</u>	<u>74,937</u>	<u>221,485</u>	<u>146,548</u>
Other Financing Sources (Uses):				
Transfers in	-	-	184,145	184,145
Transfers out	-	-	-	-
Proceeds from capital leases	-	-	157,241	157,241
Payment to escrow agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>341,386</u>	<u>341,386</u>
Net Change in Fund Balances	<u>15,454</u>	<u>74,937</u>	<u>562,871</u>	<u>487,934</u>
Fund Balances - Beginning	118,016	118,016	118,016	-
Fund Balances - Ending	<u>\$ 133,470</u>	<u>\$ 192,953</u>	<u>\$ 680,887</u>	<u>\$ 487,934</u>

CITY OF JUSTIN
SCHEDULE OF CHANGE IN NET PENSION LIABILITY
AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

Total Pension Liability	2015
Service Cost	\$ 70,781
Interest (on the Total Pension Liability)	89,613
Changes of benefit terms	-
Difference between expected and actual experience	(74,939)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(104,691)
Net Change in Total Pension Liability	(19,236)
Total Pension Liability - Beginning	1,297,135
Total Pension Liability - Ending (a)	\$ 1,277,899
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 27,894
Contributions - Employee	57,625
Net Investment Income	70,450
Benefit payments, including refunds of employee contributions	(104,691)
Administrative Expense	(736)
Other	(60)
Net Change in Plan Fiduciary Net Position	50,482
Plan Fiduciary Net Position - Beginning	1,231,578
Plan Fiduciary Net Position - Ending (b)	\$ 1,282,060
 Net Pension Liability - Ending (a) - (b)	 \$ (4,161)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 100.33%
 Covered Employee Payroll	 \$ 1,152,504
 Net Pension Liability as a Percentage of Covered Employee Payroll	 -0.36%

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF JUSTIN
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

		2015
Actuarially Determined Contribution	\$	32,879
Contributions in relation to the actuarially determined contribution	\$	32,879
Contribution deficiency (excess)	\$	-
Covered employee payroll	\$	1,350,516
Contributions as a percentage of covered employee payroll		2.43%

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”

CITY OF JUSTIN, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later. GASB 68, Paragraph 81.2.b requires that the data in the Schedule of Contributions be presented as of the City's current fiscal year as opposed to the valuation/measurement date as provided in other schedules of these financial statements.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information

There were no benefit changes during the year

**CITY OF JUSTIN, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

DRAFT

**CITY OF JUSTIN, TEXAS
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and members
of the City Council
City of Justin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Justin, Texas (the City) as of and for the year ended September 30, 2016, 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, and each major fund of the City as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of change in Net Position Liability and Related Ratios, Schedule of Contributions, and Notes to Required Supplementary Information on pages 6 through 11 and 45 through 48 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.

Stephenville, Texas
June 20, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

DRAFT

**CITY OF JUSTIN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

As management of the City of Justin, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

Management's discussion and analysis ("MD&A") has been designed to [1] assist readers and interested parties in focusing on significant financial issues [2] provide an overview of the City's financial activity, [3] identify changes in the City's financial position, including its ability to address the next and subsequent years challenges, [4] identify material deviations from the approved budgets adopted by the City Council (those charged with governance), and [5] identify individual fund issues or concerns.

Because MD&A focuses on the current year's activity, resulting changes and currently known facts, you are encouraged to read it in conjunction with the basic financial statements including notes thereto, required supplemental information, and other supplementary data provided below.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at September 30, 2015 by \$10,346,945, an increase of \$993,028 from the prior year.
- At September 30, 2015 the City's governmental funds reported combined fund balances of \$2,284,445, an increase of \$386,300 from the prior year.
- The City's capital assets, reported at cost less accumulated depreciation, total \$15,586,566 at September 30, 2015 while the City's long-term debt totaled \$9,933,540 at September 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., arbitrage rebate owed but not due until a future year and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, physical environment, and transportation. The business-type activities of the City include water, wastewater and solid waste and emergency transportation services.

The government-wide financial statements include not only the City of Justin (the primary government) but also the legally separate Justin Economic Development Corporation (JEDC) and Justin Community Development Corporation (JCDC) (the component units). Financial information for JEDC and JCDC are reported separately from the financial information reported for the City of Justin. The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. The fund financial statements provide detailed information about the most significant funds -not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes. The City's kinds of funds - *governmental and proprietary* - use different accounting approaches.

- **Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements. The governmental fund statements can be found on pages 18-20 of this report.
- **Proprietary funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's water and sewer fund are the same as the business-type activities we report in the government-wide statements but we provide more detail and additional information, such as cash flows, for proprietary funds. The proprietary fund financial statements can be found on pages 19-21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position:

The following table reflects the condensed statement of net position:

	Governmental Activities		Statement of Net Position Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 2,607,538	\$ 2,209,494	\$ 3,111,586	\$ 2,506,541	\$ 5,719,124	\$ 4,716,035
Capital and Non-Current Assets	8,066,403	8,318,193	7,502,163	7,069,856	15,568,566	15,388,049
Total Assets	<u>10,673,941</u>	<u>10,527,687</u>	<u>10,613,749</u>	<u>9,576,397</u>	<u>21,287,690</u>	<u>20,104,084</u>
Total Deferred Outflows	<u>27,370</u>	<u>3,678</u>	<u>9,108</u>	<u>9,638</u>	<u>36,478</u>	<u>13,316</u>
Current Liabilities	309,153	312,753	678,688	373,061	987,841	685,814
Long Term Liabilities	4,260,916	4,381,564	5,668,463	5,649,393	9,929,379	10,030,957
Total Liabilities	<u>4,570,069</u>	<u>4,694,317</u>	<u>6,347,151</u>	<u>6,022,454</u>	<u>10,917,220</u>	<u>10,716,771</u>
Total Deferred Inflows	<u>45,020</u>	<u>-</u>	<u>14,983</u>	<u>-</u>	<u>60,003</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	3,948,419	4,078,416	1,861,319	1,452,406	5,809,738	5,530,822
Restricted	1,305,397	1,547,553	-	-	1,305,397	1,547,553
Unrestricted	832,406	211,079	2,399,404	2,111,175	3,231,810	2,322,254
Total Net Position	<u>\$ 6,086,222</u>	<u>\$ 5,837,048</u>	<u>\$ 4,260,723</u>	<u>\$ 3,563,581</u>	<u>\$ 10,346,945</u>	<u>\$ 9,400,629</u>

The City's capital assets (land, building, equipment and infrastructure) represent 73% of the City's total assets. The City uses these capital assets to provide services to the City's citizens; consequently, these assets are not available for future spending.

The City's net position increased \$993,028 (10.6%) during the fiscal year to a balance of \$10,346,945. Restricted net position is \$1,305,397, and represents net resources that are subject to external restrictions on how they may be used. Unrestricted net position totals \$3,231,810 or 31% of total net position and may be used to meet the government's ongoing obligations to its citizens and creditors.

The largest portion of the City's net position is its net investment in capital assets of \$5,809,738. This amount represents the City's total capital assets less the related debt used to acquire the capital assets. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Activities:

The following table provides a summary of the City's changes in net position.

	Statement of Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues	\$	\$	\$	\$	\$	\$
Program Revenues:						
Charges for Services	435,229	226,598	1,729,842	1,675,033	2,165,071	1,901,631
Operating Grants and Contributions	144,072	43,363	-	-	144,072	43,363
Capital Grants and Contributions	-	12,675	800,000	-	800,000	12,675
General Revenues:						
Property taxes	1,636,391	1,586,165	-	-	1,636,391	1,586,165
Sales taxes	1,203,536	1,150,062	-	-	1,203,536	1,150,062
Franchise and local taxes	207,900	205,773	-	-	207,900	205,773
Investment earnings	5,224	2,237	2,358	1,113	7,582	3,350
Miscellaneous	150,631	5,786	-	-	150,631	5,786
Gain on sale of assets	14,538	-	3,229	-	17,767	-
Total Revenues	<u>3,797,521</u>	<u>3,232,659</u>	<u>2,535,429</u>	<u>1,676,146</u>	<u>6,332,950</u>	<u>4,908,805</u>
Expenses						
General government	865,522	636,268	-	-	865,522	636,268
Police department	617,184	570,464	-	-	617,184	570,464
Fire services	321,620	301,200	-	-	321,620	301,200
Municipal court	124,760	122,796	-	-	124,760	122,796
Public works	803,357	813,453	-	-	803,357	813,453
Parks and recreation	364,160	326,541	-	-	364,160	326,541
Library	47,273	56,211	-	-	47,273	56,211
Inspection	191,115	87,356	-	-	191,115	87,356
Interest and amortization	178,308	194,466	211,563	226,421	389,871	420,887
Water and sewer	-	-	1,615,060	1,614,131	1,615,060	1,614,131
Total Expenses	<u>3,513,299</u>	<u>3,108,755</u>	<u>1,826,623</u>	<u>1,840,552</u>	<u>5,339,922</u>	<u>4,949,307</u>
Change in net position	<u>284,222</u>	<u>123,904</u>	<u>708,806</u>	<u>(164,406)</u>	<u>993,028</u>	<u>(40,502)</u>
Net position-Beginning, as previously stated	5,837,048	5,713,144	3,563,581	3,727,987	9,400,629	9,441,131
Prior period adjustment	(35,048)	-	(11,664)	-	(46,712)	-
Net position-Beginning, as restated	<u>5,802,000</u>	<u>5,713,144</u>	<u>3,551,917</u>	<u>3,727,987</u>	<u>9,353,917</u>	<u>9,441,131</u>
Net Position, Ending	<u>\$ 6,086,222</u>	<u>\$ 5,837,048</u>	<u>\$ 4,260,723</u>	<u>\$ 3,563,581</u>	<u>\$ 10,346,945</u>	<u>\$ 9,400,629</u>

The government's net position increased by \$993,028 during the fiscal year, compared to the prior year decrease of \$40,502. Governmental activities had an increase in net position of \$284,222 compared to the prior year increase of \$123,904. Business-type activities increased the City's net position by \$708,806 compared to a decrease in the prior year of \$164,406.

Governmental activities revenues increased \$564,862 (17%) primarily due to increases in property tax and permit fee collections during 2015 compared to 2014. Total governmental activities expenses increased \$404,544 (13%) from the prior fiscal year. Governmental activities expenses include depreciation expense of \$683,390 and interest expense of \$178,308. The depreciation expense is allocated to the function/program that primarily used the related capital asset.

Business-type activities revenues increased \$859,283 (51.27%) primarily due to an \$800,000 developer contribution to be used for system improvements. Business-type expenses decreased \$13,929 from 2014.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements; in particular, unreserved fund balance may serve a measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds include the general fund and special revenue fund. The special revenue fund is used to account for the activities of the City's blended component units; the Justin Economic Development Corporation (EDC) and the Justin Community Development Corporation (CDC.) These entities are controlled by the City Council of the City of Justin and their revenues are restricted for economic and community development as described in their by-laws.

The City's governmental fund balance at September 30, 2015 totaled \$2,284,445. The fund balance includes funds restricted for economic development (\$553,305) and community development (\$752,092.) The unassigned fund balance at September 30, 2015 is \$979,048.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues exceeded budgeted revenues by \$605,945 (24%) primarily due to an increase in sales tax and license and permit revenues over their respective budgeted revenues. Actual general fund expenditures exceeded budgeted expenditures by \$459,397 (18%) primarily due to police department (\$138,648) and public works (\$143,394) expenditures exceeding budgeted expenditures. Other financing sources and uses revenues and expenditures included proceeds from capital leases of \$157,241 and transfers in from JEDC and JCDC of \$184,145. Neither of these items was included in budgeted revenues or expenditures.

CAPITAL ASSETS

At September 30, 2015 the City's governmental activities had invested \$8,066,403 in capital assets including land, building, vehicles, equipment and infrastructure. Depreciation is included with the governmental capital assets as required by GASB Statement #34. The City's business-type activities had invested \$7,502,163 in capital assets including land, building, vehicles, equipment and infrastructure.

Capital asset purchases during the 2015 fiscal year include IT improvements of \$29,190, park improvements of \$57,278, building improvements of \$6,245, police vehicle and equipment purchases of \$161,841, municipal maintenance equipment purchases of \$73,146, community center/council chambers improvements of \$49,550, drainage improvement of \$20,750 and water and sewer improvements and equipment purchases of \$706,299. More detailed information about the City's capital assets is presented in Note IV to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$9,310,000. The City did not issue any new bonds during the fiscal year and all bond payments were made as scheduled during the fiscal year. More detailed information about the City's long-term liabilities is presented in Note V to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Fiscal year 2016 general fund budgeted revenues are \$2,646,350 and budgeted expenditures are \$2,645,331 leaving a budgeted surplus of \$1,019. Water and sewer fund 2016 budgeted revenues total \$1,853,850 and budgeted expenses total \$1,830,158 leaving a budgeted surplus of \$23,692.

Total budgeted capital outlays are \$157,359 for the general fund and \$60,514 for the water and sewer fund. Budgeted capital outlay includes police vehicles and equipment (\$72,000), park improvements and equipment (\$32,000), municipal maintenance equipment (\$50,359), office computer equipment (\$3,000) and water and sewer equipment (\$60,514.)

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City of Justin. If you have questions about this report or need any additional information, contact the City Secretary at 415 N. College Street, Justin, TX 76247 or at 940-648-2541.

BASIC FINANCIAL STATEMENTS

DRAFT

CITY OF JUSTIN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and equivalents	\$ 2,066,480	\$ 1,004,695	\$ 3,071,175
Certificates of deposit	2,494	-	2,494
Receivables, net of allowance of \$21,451 in business-type activities	160,917	157,563	318,480
Restricted cash and equivalents	114,484	124,891	239,375
Restricted certificates of deposit	-	90,000	90,000
Capital assets (net of accumulated depreciation):			
Land	1,954,896	1,038,026	2,992,922
Infrastructure	3,978,620	7,707,413	11,686,033
Buildings and improvements	467,241	-	467,241
Equipment and vehicles	993,609	41,056	1,034,665
Total Assets	<u>9,738,741</u>	<u>10,163,644</u>	<u>19,902,385</u>
DEFERRED OUTFLOWS:			
Deferred retirement contributions	20,106	5,556	25,662
Deferred investment experience	62,475	17,263	79,738
Deferred assumption/input changes	18,361	5,074	23,435
Total Deferred Outflows	<u>100,942</u>	<u>27,893</u>	<u>128,835</u>
 Total Assets and Deferred Outflows	 <u>9,839,683</u>	 <u>10,191,537</u>	 <u>20,031,220</u>
LIABILITIES:			
Accounts payable and other current liabilities	77,972	376,694	454,666
Accrued interest payable	19,616	28,059	47,675
Customer deposits	-	129,500	129,500
Unearned revenues	15,648	-	15,648
Noncurrent liabilities-			
Due within one year	311,448	324,681	636,129
Due in more than one year	3,663,026	5,016,204	8,679,230
Net pension liability (asset)	116,102	32,082	148,184
Total Liabilities	<u>4,203,812</u>	<u>5,907,220</u>	<u>10,111,032</u>
DEFERRED INFLOWS:			
Deferred Actual vs. Assumption	<u>11,897</u>	<u>3,288</u>	<u>15,185</u>
NET POSITION:			
Net investment in capital assets	3,563,821	3,472,186	7,036,007
Restricted For:			
Community development	752,092	-	752,092
Economic development	553,305	-	553,305
Unrestricted	754,756	808,843	1,563,599
Total Net Position	<u>\$ 5,623,974</u>	<u>\$ 4,281,029</u>	<u>\$ 9,905,003</u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 627,598	\$ 60	\$ -	\$ -	\$ (627,538)	\$ -	\$ (627,538)
Police department	811,221	118,690	2,229	-	(690,302)	-	(690,302)
Fire services	346,620	-	-	-	(346,620)	-	(346,620)
Municipal court	139,568	93,038	-	-	(46,530)	-	(46,530)
Public works	958,859	-	-	-	(958,859)	-	(958,859)
Parks and recreation	353,440	22,305	18,888	-	(312,247)	-	(312,247)
Library	49,573	4,412	17,377	-	(27,784)	-	(27,784)
Inspection	317,449	204,769	-	-	(112,680)	-	(112,680)
Interest and Amortization	(39,418)	-	-	-	39,418	-	39,418
Total Governmental Activities	<u>3,564,910</u>	<u>443,274</u>	<u>38,494</u>	<u>-</u>	<u>(3,083,142)</u>	<u>-</u>	<u>(3,083,142)</u>
Business-type Activities:							
Water and Sewer	1,868,434	1,881,457	-	1,053	-	14,076	14,076
Total Business-type Activities	<u>1,868,434</u>	<u>1,881,457</u>	<u>-</u>	<u>1,053</u>	<u>-</u>	<u>14,076</u>	<u>14,076</u>
Total Primary Government	<u>\$ 5,433,344</u>	<u>\$ 2,324,731</u>	<u>\$ 38,494</u>	<u>\$ 1,053</u>	<u>(3,083,142)</u>	<u>14,076</u>	<u>(3,069,066)</u>
Taxes:							
Property					1,700,808	-	1,700,808
Sales					598,514	-	598,514
Franchise					201,475	-	201,475
Investment earnings					3,015	6,230	9,245
Miscellaneous revenues					106,506	-	106,506
Gain on sale of assets					10,576	-	10,576
Total general revenues					<u>2,620,894</u>	<u>6,230</u>	<u>2,627,124</u>
Change in net position					<u>(462,248)</u>	<u>20,306</u>	<u>(441,942)</u>
Net position - Beginning					6,086,222	4,260,723	10,346,945
Net position - Ending					<u>\$ 5,623,974</u>	<u>\$ 4,281,029</u>	<u>\$ 9,905,003</u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Justin EDC	Justin CDC	Total Governmental Funds
ASSETS:				
Assets:				
Cash and equivalents	\$ 761,083	\$ 553,305	\$ 752,092	\$ 2,066,480
Certificates of deposit	2,494	-	-	2,494
Receivables, net	143,123	-	-	143,123
Due from other funds	17,794	-	-	17,794
Restricted cash and equivalents	114,484	-	-	114,484
Total Assets	<u>\$ 1,038,978</u>	<u>\$ 553,305</u>	<u>\$ 752,092</u>	<u>\$ 2,344,375</u>
LIABILITIES:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 77,972	\$ -	-	\$ 77,972
Due to other funds	-	-	-	-
Unearned revenue	15,648	-	-	15,648
Total Liabilities	<u>93,620</u>	<u>-</u>	<u>-</u>	<u>93,620</u>
DEFERRED INFLOWS:				
Deferred property taxes	22,524	-	-	22,524
Total liabilities and deferred inflows	<u>\$ 116,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,144</u>
FUND BALANCE:				
Restricted Fund Balances:				
Community Development	-	-	752,092	752,092
Economic Development	-	553,305	-	553,305
Unassigned	922,834	-	-	922,834
Total Fund Balance	<u>922,834</u>	<u>553,305</u>	<u>752,092</u>	<u>2,228,231</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,038,978</u>	<u>\$ 553,305</u>	<u>\$ 752,092</u>	<u>\$ 2,344,375</u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total fund balances - governmental funds balance sheet		\$ 2,228,231
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		7,394,366
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		22,524
The statement of net position includes the City's proportionate share of the TMRS net pension liability as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of resources.		
Net pension liability	(116,102)	
Deferred retirement contributions	20,106	
Deferred investment experience	62,475	
Deferred assumption/input changes	18,361	
Deferred actual vs. assumption	(11,897)	(27,057)
Long-term liabilities, including capital leases and the related interest payable, and compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements		<u>(3,994,090)</u>
Net position of governmental activities		<u><u>\$ 5,623,974</u></u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Justin EDC	Justin CDC	Total Governmental Funds
REVENUE				
Taxes:				
Property	\$ 1,713,300	\$ -	\$ -	\$ 1,713,300
Sales and beverage	598,514	-	-	598,514
Franchise and local	201,475	-	-	201,475
License and permits	206,119	-	-	206,119
Fines and forfeitures	99,582	-	-	99,582
Charges for services	137,573	-	-	137,573
Intergovernmental	12,551	-	-	12,551
Contributions and donations	25,943	-	-	25,943
Investment income	3,015	-	-	3,015
Other revenue	1,506	-	-	1,506
Total revenues	<u>2,999,578</u>	<u>-</u>	<u>-</u>	<u>2,999,578</u>
EXPENDITURES				
Current:				
General government	600,727	-	-	600,727
Police department	755,253	-	-	755,253
Fire services	346,620	-	-	346,620
Municipal court	136,720	-	-	136,720
Public works	403,632	-	-	403,632
Parks and recreation	307,817	-	-	307,817
Library	40,288	-	-	40,288
Inspection	315,758	-	-	315,758
Debt Service:				
Principal	187,511	-	-	187,511
Interest and fiscal charges	77,042	-	-	77,042
Total Expenditures	<u>3,171,368</u>	<u>-</u>	<u>-</u>	<u>3,171,368</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(171,790)</u>	<u>-</u>	<u>-</u>	<u>(171,790)</u>
Other Financing Sources (Uses):				
Transfers in	105,000	-	-	105,000
Transfers out	-	-	-	-
Proceeds from capital leases	-	-	-	-
Proceeds from sale of assets	10,576	-	-	10,576
Total Other Financing Sources (Uses)	<u>115,576</u>	<u>-</u>	<u>-</u>	<u>115,576</u>
Net Change in Fund Balances	<u>(56,214)</u>	<u>-</u>	<u>-</u>	<u>(56,214)</u>
Fund Balances - Beginning	979,048	553,305	752,092	2,284,445
Fund Balances - Ending	<u>\$ 922,834</u>	<u>\$ 553,305</u>	<u>\$ 752,092</u>	<u>\$ 2,228,231</u>

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds \$ (56,214)

Amounts reported for governmental activities in the Statement of Activities are different because:

Depreciation expense on capital assets is reported in the statement of activities and does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (711,852)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives. 39,815

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. (12,492)

Net pension assets as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount. (12,529)

Current year changes in accrued interest payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds 1,460

Current year changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (12,947)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 302,511

Change in net position of governmental activities \$ (462,248)

CITY OF JUSTIN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2016

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
ASSETS:	
Current Assets:	
Cash and equivalents	\$ 1,004,695
Receivables, net of allowance of \$22,817	157,563
Restricted cash and equivalents	124,891
Restricted certificates of deposit	90,000
Total Current Assets	1,377,149
Noncurrent Assets:	
Capital Assets:	
Land	1,038,026
Infrastructure	11,590,121
Equipment and vehicles	338,185
Less Accumulated Depreciation	(4,179,837)
Total Noncurrent Assets	8,786,495
Total Assets	10,163,644
DEFERRED OUTFLOWS:	
Deferred retirement contributions	5,556
Deferred investment experience	17,263
Deferred input/assumption changes	5,074
Total Deferred Outflows	27,893
Total Assets and Deferred Inflows	10,191,537
LIABILITIES:	
Current Liabilities:	
Accounts payable	40,154
Accrued expenses	336,540
Accrued interest	28,059
Customer deposits	129,500
Current portion of long-term liabilities	324,681
Total Current Liabilities	858,934
Noncurrent Liabilities:	
Net pension liability	32,082
Bonds payable	4,722,950
Capital lease	279,859
Compensated absences	13,395
Total Noncurrent Liabilities	5,048,286
Total Liabilities	5,907,220
DEFERRED INFLOWS:	
Deferred Actual vs. Assumption	\$ 3,288
NET POSITION:	
Net investment in capital assets	3,472,186
Unrestricted	808,843
Total net position	\$ 4,281,029

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Fund
	Water and Sewer Fund
OPERATING REVENUES:	
Charges for services	\$ 1,881,457
Total Operating Revenues	1,881,457
OPERATING EXPENSES:	
Cost of water	402,057
Cost of labor	464,609
Repair and maintenance	107,881
Utilities	60,439
Vehicle expense	7,722
Insurance	6,640
Contractual services	171,429
Depreciation	311,571
Other operating expense	156,708
Total Operating Expenses	1,689,056
Operating Income (loss)	192,401
Non-operating Revenues (Expenses)	
Interest revenue	6,230
Miscellaneous revenue	1,053
Gain on sale of assets	-
Interest and amortization expense	(179,378)
Total Non-operating Revenues (Expenses)	(172,095)
Change in Net Position	20,306
Net position - Beginning	4,260,723
Net Position - Ending	\$ 4,281,029

The accompanying notes are an integral part of this statement.

CITY OF JUSTIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,957,333
Cash paid to employees	(331,337)
Cash paid to suppliers	(1,189,569)
Net Cash Provided By Operating Activities	436,427
Cash Flows from Capital and Related Financing Activities:	
Principal repayment on debt	(299,950)
Repayment of capital lease obligations	(26,585)
Interest and fees paid on debt issuance	(181,135)
Purchase of capital assets	(1,595,903)
Proceeds received for capital improvement	1,053
Proceeds on sale of capital assets	-
Net Cash Used in Capital & Related Financing Activities	(2,102,520)
Cash Flows from Investing Activities:	
Interest on investments	6,230
Net Cash Provided By Investing Activities	6,230
Net Increase (Decrease) in Cash and Cash Equivalents	(1,659,863)
Cash and Cash Equivalents at Beginning of Year	2,789,449
Cash and Cash Equivalents at End of Year	\$ 1,129,586
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 192,401
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and amortization	311,571
Water sales given in-kind to decrease long-term debt	(4,203)
Change in Assets and Liabilities:	
Decrease in receivables	74,574
Increase in deferred outflows	(18,785)
Increase in net pension asset	33,121
Increase in accounts payable	(148,183)
Increase in compensated absences	2,121
Increase in customer deposits	5,505
Increase in deferred inflows	(11,695)
Total Adjustments	244,026
Net Cash Provided By Operating Activities	\$ 436,427

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

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CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

I. Summary of Significant Accounting Policies

The City of Justin, Texas (the City) was incorporated in 1947 and operates under a Council-City Manager form of government. The City provides: police; code enforcement; public works; street repair and maintenance; parks; general administrative services; water; wastewater; and sanitation. The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. General accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The more significant accounting policies of the City are described below:

A. The Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of the fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

The following entities were found to be component units of the City and are included in the accompanying financial statements:

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

I. Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Justin Economic Development Corporation - The Justin Economic Development Corporation (JEDC) is governed by a board of five directors, all of whom are appointed by the City Council of the City of Justin and any of whom can be removed from office by the City Council at its will. The JEDC was incorporated in the state of Texas as a non-profit industrial development corporation under Section 4A of the Development Corporation Act of 1979. The Corporation was organized for the purpose of the promotion and development of new and expanded business enterprises and to provide and encourage employment in the furtherance of the public welfare.

Justin Community Development Corporation - The Justin Community Development Corporation (JCDC) is governed by a board of seven directors, all of whom are appointed by the City Council of the City of Justin and any of whom can be removed from office by the City's Council at its' will. The JCDC was incorporated in the state of Texas as a non-profit industrial development corporation under Section 4B of the Development Corporation Act of 1979. The purpose of the JCDC is to promote economic and community development within the City of Justin.

Separate financial statement of these component units have not been prepared.

B. Basis of Presentation

Government-wide Statements:

The statement of net position and the statement of activities include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements:

The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There were no other funds to be aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major Governmental funds:

The ***General Fund*** is the City's primary operating fund. This fund is used to account for all financial resources not reported in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The ***Justin EDC fund*** collects sales tax for the purpose of the promotion and development of new and expanded business enterprises and to provide and encourage employment in the furtherance of the public welfare. All EDC activity is accounted for in this fund.

The ***Justin CDC fund*** collects sales tax for the purpose of promoting economic and community development within the City of Justin. All CDC activity is accounting for in this fund.

The City reports the following major Enterprise fund:

The ***Utility Fund*** reports for revenues and expenses associated with water, sewer, garbage and EMS services for the citizens of the City. Activities of the fund include administration, operations, and maintenance of the water, sewer and sanitation system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for enterprise debt. All costs are financed through charges to utility and EMS customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes, interest revenue, charges for services and sales tax revenues are susceptible to accrual. Franchise taxes, fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for general fund. The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require the approval of the city council. The legal level of budget control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. While all appropriations lapse at year end, surpluses may be re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

E. Cash and Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

I. Summary of Significant Accounting Policies (continued)

F. Capital Assets

Capital assets purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other capital assets.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Infrastructure	10 – 25 years
Buildings and improvements	5 – 40 years
Equipment and vehicles	2 – 40 years

G. Accrued Compensated Absences

The City Council has adopted a policy whereby employees are paid lump sum payments for unused vacation if they leave City employment. Upon termination, up to one year of accumulated vacation at full pay will be paid if the employee meets the prescribed conditions. Employees are not compensated for unused sick leave.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. An example is a deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one sources: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

I. Summary of Significant Accounting Policies (continued)

I. 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.

J. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes 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.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

I. Summary of Significant Accounting Policies (continued)

J. Fund Balance and Net Position (continued)

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be extended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance. Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted position will be fully utilized first followed by unrestricted as necessary.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Deposits and Short-Term Investments

Cash and investments as of September 30, 2016 consist of the following:

	<u>Cash Deposits</u>	<u>TexStar</u>	<u>Certificates of Deposit</u>
Governmental activities:			
General fund	482,318	393,249	2,494
Economic development corporation	-	-	-
Community development corporation	-	-	-
Business-type activity:			
Water and sewer fund	<u>(158,560)</u>	1,288,146	90,000
Total	<u>\$ 323,758</u>	<u>\$ 1,681,395</u>	<u>\$ 92,494</u>

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

II. Deposits and Short-Term Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2016, the City had investments in TexStar totaling \$1,681,395 which had a weighted average maturity of 27 days and in certificates of deposit totaling \$92,494 which had a weighted average maturity of approximately 2 years.

As of September 30, 2016, the City was not invested in any securities which are highly sensitive to interest rate fluctuation.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, is AAA. The actual rating as of September 30, 2016 for TexStar was AAAM. The certificates of deposit are unrated.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2016, other than external investment pools and certificates of deposit, the City did not have 5% or more of its investments with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transactions, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

II. Deposits and Short-Term Investments (continued)

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times. At September 30, 2016, the carrying amount of the City's cash on hand and deposits were \$1,586,562 and the bank balance was \$1,780,441. Of this amount, \$834,041 is carried in the City's name while \$416,815 is carried by the Justin CDC and \$529,585 by the Justin EDC. \$250,000 of the City's bank balance was covered by depository insurance under the Federal Depository Insurance Corporation (FDIC insured), with the remaining \$584,041 secured with securities held by pledging financial institutions. The Justin CDC bank balance is maintained at two different financial institutions, and was therefore fully FDIC insured. \$500,000 of the Justin EDC's bank balance was FDIC insured leaving the remaining \$29,585 not collateralized.

Investment in State Investment Pools

The City is a voluntary participant in the TexStar external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexStar. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexStar and other persons who do not have a business relationship with TexStar. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexStar uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares

III. Property Taxes

Taxes assessed on valuations as of January 1 each year are levied during the subsequent fiscal year beginning October 1. Property taxes attach as an enforceable lien on property at the time levied. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and when they are expected to be collected during a 60 day period after the close of the fiscal year. The City has its property taxes collected by the Denton County Tax Assessor/Collector. Property taxes that are deemed uncollectible are presented as a reserve against revenues and property taxes receivable.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

IV. Capital Assets

Capital assets activity for the year ended September 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,954,896	\$ -	\$ -	\$ 1,954,896
Total assets not being depreciated	<u>1,954,896</u>	<u>-</u>	<u>-</u>	<u>1,954,896</u>
Capital assets, being depreciated:				
Infrastructure	9,309,970		-	9,309,970
Buildings and Improvements	934,846	7,608	-	942,454
Equipment and Vehicles	1,882,480	32,207	37,752	1,876,935
Total capital assets being depreciated	<u>12,127,296</u>	<u>39,815</u>	<u>37,752</u>	<u>12,129,359</u>
Accumulated depreciation:				
Infrastructure	4,763,780	567,570	-	5,331,350
Buildings and Improvements	450,231	24,982	-	475,213
Equipment and Vehicles	801,778	119,300	37,752	883,326
Total accumulated depreciation	<u>6,015,789</u>	<u>711,852</u>	<u>37,752</u>	<u>6,689,889</u>
Total capital assets being depreciated, net	<u>6,111,507</u>	<u>(672,037)</u>	<u>-</u>	<u>5,439,470</u>
Governmental activities capital assets, net	<u>\$ 8,066,403</u>	<u>\$ (672,037)</u>	<u>\$ -</u>	<u>\$ 7,394,366</u>

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

IV. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 249,184	\$ -	\$ -	\$ 249,184
Construction in process	379,123	1,587,721	1,178,002	788,842
Total assets not being depreciated	<u>628,307</u>	<u>1,587,721</u>	<u>1,178,002</u>	<u>1,038,026</u>
Capital assets, being depreciated:				
Infrastructure	10,412,119	-	(1,178,002)	11,590,121
Equipment and Vehicles	365,896	8,182	35,893	338,185
Total capital assets being depreciated	<u>10,778,015</u>	<u>8,182</u>	<u>(1,142,109)</u>	<u>11,928,306</u>
Accumulated depreciation:				
Infrastructure	3,593,394	289,314	-	3,882,708
Equipment and Vehicles	310,765	22,257	35,893	297,129
Total accumulated depreciation	<u>3,904,159</u>	<u>311,571</u>	<u>35,893</u>	<u>4,179,837</u>
Total capital assets being depreciated, net	<u>6,873,856</u>	<u>(303,389)</u>	<u>(1,178,002)</u>	<u>7,748,469</u>
Business-type activities capital assets, net	<u>\$ 7,502,163</u>	<u>\$ 1,284,332</u>	<u>\$ -</u>	<u>\$ 8,786,495</u>

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

Governmental Activities:	
General Government	\$ 19,057
Animal Control	1,691
Library	9,000
Municipal Court	1,413
Parks	42,770
Police	45,318
Public Works	592,603
Total depreciation expense - governmental activities	<u>\$ 711,852</u>
Business-type Activities:	
Water	\$ 120,345
Sewer	191,226
Total depreciation expense - business-type activities	<u>\$ 311,571</u>

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

V. Long-term Debt

At September 30, 2016, the City's bonds payable consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
2006 Combination Tax and Revenue Certificates of Obligation due in annual installments through 2027, bearing interest at a rate ranging between 3.5 - 4.38%	\$ 1,411,050	\$ 633,950
2008 Certificates of Obligation due in annual installments through 2028, bearing interest at a rate ranging between 4.49 - 6.5%	810,000	-
2009 Certificates of Obligation due in annual installments through 2030, bearing interest at a rate ranging between 2 - 4.5%	1,245,000	
2009 Revenue Certificates of Obligation due in annual installments through 2029, bearing interest at a rate ranging between 2 - 4.6%	-	2,240,000
2014 Revenue Certificates of Obligation due in annual installments through 2029, bearing interest at a rate of 2.92%	-	1,550,000
2014 General Obligation Refunding Bonds due in annual installments through 2025, bearing interest at a rate of 2.2%	264,500	610,500
	<u>\$ 3,730,550</u>	<u>\$ 5,034,450</u>

The following is a summary of all long-term debt transactions of the City for the year ended September 30, 2016:

<u>Description</u>	<u>Beginning Balance 9/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 9/30/2016</u>	<u>Due within one year</u>
Governmental activities:					
Capital leases	\$ 142,384	\$ -	\$ 42,389	\$ 99,995	\$ 42,876
Bonds payable	3,975,600	-	245,050	3,730,550	253,500
Compensated absences	55,622	12,947	-	68,569	-
Due to state	90,432	-	15,072	75,360	15,072
Governmental activities long-term liabilities	<u>\$ 4,264,038</u>	<u>\$ 12,947</u>	<u>\$ 302,511</u>	<u>\$ 3,974,474</u>	<u>\$ 311,448</u>
Business-type activities					
Capital leases	\$ 306,444	\$ -	\$ 26,585	\$ 279,859	\$ 26,975
Bonds payable	5,334,400	-	299,950	5,034,450	311,500
Compensated absences	11,274	2,121	-	13,395	-
Developer agreements payable	17,384	-	4,203	13,181	13,181
Business-type activities long-term liabilities	<u>\$ 5,669,502</u>	<u>\$ 2,121</u>	<u>\$ 330,738</u>	<u>\$ 5,340,885</u>	<u>\$ 351,656</u>

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

V. Long-term Debt (continued)

The annual requirements to amortize all bonds payable outstanding as of September 30, 2015 are as follows:

Certificates of Obligation Due Fiscal Year Ending September 30	Business-Type Activities		Governmental Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2017	241,500	166,889	223,500	146,026	777,915
2018	248,050	158,494	231,950	137,273	775,767
2019	261,150	149,160	243,850	142,024	796,184
2020	267,700	139,352	252,300	131,032	790,384
2021	279,250	129,280	265,750	119,482	793,762
2022-2026	1,736,550	473,961	1,498,450	402,973	4,111,934
2027-2031	1,389,750	104,510	750,250	72,291	2,316,801
Total	<u>\$ 4,423,950</u>	<u>\$ 1,321,646</u>	<u>\$ 3,466,050</u>	<u>\$ 1,151,101</u>	<u>\$ 10,362,747</u>
General Obligation Refunding Bonds Due Fiscal Year Ending September 30	Business-Type Activities		Governmental Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2017	70,000	13,310	30,000	5,940	119,250
2018	75,000	11,770	30,000	5,280	122,050
2019	70,000	10,120	30,000	4,620	114,740
2020	75,000	8,580	35,000	3,960	122,540
2021	75,000	6,930	35,000	3,190	120,120
2022-2026	245,500	11,440	104,500	5,390	366,830
	<u>\$ 610,500</u>	<u>\$ 62,150</u>	<u>\$ 264,500</u>	<u>\$ 28,380</u>	<u>\$ 965,530</u>

The City was notified by the State Comptroller that the City received an overpayment of sales and use tax in the amount of \$105,523. The City began paying the sales tax in equal monthly installments, beginning October 2014. The State Comptroller withholds the monthly payment from the City's received sales and use tax revenue. The annual requirements to amortize due to state outstanding as of September 30, 2016 are \$15,072 each year for the next 5 years with the final payment in 2021.

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

VI. Capital Leases

The City has entered into capital lease agreements. Of the leased property under capital leases, \$306,444 is classified as infrastructure with the remaining classified as equipment for a total capitalized cost of \$472,275 and amortized value of approximately \$406,256 at September 30, 2016. Amortization expense has been included in depreciation expense for the year ended September 30, 2016.

The following is a schedule of future minimum payments under the capital leases together with the present value of the minimum lease payments as of September 30, 2016:

Year Ending September 30		
2017		\$ 86,691
2018		96,527
2019		36,867
2020		36,867
2021		36,867
Thereafter		147,469
Total payments		441,288
Less amount representing interest		61,434
Present value of net minimum lease payments		\$ 379,854

VII. Retirement Plan

Plan Description

The City of Justin participates as one of 866 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

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

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.

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

VII. Retirement Plan (continued)

Benefits Provided (continued)

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 payment 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.

Plan provisions for the City were as follows:

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1 to 1	1 to 1
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees of beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	21
Active employees	26
	<u>53</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 Justin were required to contribute 5% of the annual gross earnings during the fiscal year. The contribution rates for the City of Justin were 2.44% and 2.29% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$36,084, and were equal to the required contributions.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

VII. Retirement Plan (continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actual valuation was determined using the following actuarial assumptions:

Inflation	3.0% 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 Table, 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 male 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, 2015 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. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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). At its meeting on

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

VII. Retirement Plan (continued)

Net Pension Liability (continued)

July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 1,277,899	\$ 1,282,060	\$ (4,161)
Changes for the year:			
Service cost	95,639	-	95,639
Interest	91,384	-	91,384
Change of benefit terms	-	-	-
Difference between expected and actual experience	37,601	-	37,601
Changes of assumptions	29,491	-	29,491
Contributions - employer	-	33,161	(33,161)
Contributions - employee	-	67,926	(67,926)
Net investment income	-	1,892	(1,892)
Benefit payment, including refunds of employee contributions	(40,477)	(40,477)	-
Administrative expense	-	(1,152)	1,152
Other changes	-	(57)	57
Net changes	\$ 213,638	\$ 61,293	\$ 152,345
Balance at 12/31/2015	\$ 1,491,537	\$ 1,343,353	\$ 148,184

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

VII. Retirement Plan (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 (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability	\$ 365,049	\$ 148,184	\$ (30,779)

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.tmrs.com.

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

For the year ended September 30, 2016, the City recognized pension expense of \$50,124.

At September 30, 2016, 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	\$ -	\$ 15,185
Changes in actuarial assumptions	23,435	-
Difference between projected and actual investment earnings	79,738	-
Contributions subsequent to the measurement date	25,662	-
Total	\$ 128,835	\$ 15,185

\$25,662 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$ 19,562
2016	19,562
2017	19,562
2018	29,302
2019	-
Thereafter	-

**CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

VIII. Commitments and Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectability of any related receivable may be impaired. In the opinion of the City, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

In February 2013 a jury rendered a verdict of \$163,473 against the City in relation to litigation related to eminent domain. The City has appealed the verdict. During the current fiscal year, this litigation matter was settled, and all remain accrued liability was paid.

IX. Interfund Activity

The Justin CDC and EDC Funds transferred \$88,395 and \$70,750, respectively to the General Fund during the year for the purpose of providing funding for park projects, drive improvements and the City comprehensive plan. The EDC Fund also transferred \$25,000 for legal fees. The Justin CDC Fund transferred \$80,796 to the Justin EDC Fund for reimbursement of administrative costs.

The City has the following interfund balances as of September 30, 2016:

DUE TO	DUE FROM		
	General Fund	EDC	CDC
General Fund	\$ -	\$ -	\$ -
EDC	\$ -	\$ -	\$ -
CDC	\$ -	\$ -	\$ -

The interfund balances are related to funds transferred from for operations during the year. All balances are expected to be repaid or collected in the normal course of business, within one year of the fiscal year-end.

X. 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 insures its buildings and contents, law enforcement liability, public officials' liability, general liability and auto liability under a renewable one year policy with the Texas Municipal League. The City insures its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool which is a self-insurance policy mechanism for political subdivisions in Texas. Rates are set by the State Insurance Board. Each participant's contribution to the pool is adjusted based on its workers' compensation history. The City is responsible only to the extent of premiums paid and contributions made to Texas Municipal League and the Intergovernmental Risk Pool. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

CITY OF JUSTIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

XI. New Accounting Pronouncements

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015 and will be effective for the City in fiscal year 2018. This Statement replaces the requirement of Statements No. 45, *Accounting and Financial Reporting by Employments for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans for OPEB*. This Statement establishes new accounting and financial reporting requirements for OPEB plans. The City has not yet determined the impact of this statement.

The GASB issues Statement No. 77, *Tax Abatement Disclosures* in August 2015 and will be effective for the city in fiscal year 2017. This Statement requires governments that enter in tax abatement agreements to disclose 1) brief descriptive information about the abatement, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; 2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The City has not yet determined the impact of this Statement.

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JUSTIN, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUE				
Taxes:				
Property	\$ 1,684,926	\$ 1,684,926	\$ 1,713,300	\$ 28,374
Sales and beverage	536,430	536,430	598,514	62,084
Franchise and local	208,380	208,380	201,475	(6,905)
License and permits	156,440	156,440	206,119	49,679
Fines and forfeitures	101,898	101,898	99,582	(2,316)
Charges for services	99,211	99,211	137,573	38,362
Intergovernmental	34,034	34,034	12,551	(21,483)
Contributions and donations	24,078	24,078	25,943	1,865
Investment income	211	211	3,015	2,804
Other revenue	14,600	14,600	1,506	(13,094)
Total revenues	<u>2,860,208</u>	<u>2,860,208</u>	<u>2,999,578</u>	<u>139,370</u>
EXPENDITURES				
Current:				
General government	562,835	562,835	600,727	(37,892)
Police department	782,661	782,661	755,253	27,408
Fire services	346,620	346,620	346,620	-
Municipal court	123,049	123,049	136,720	(13,671)
Public works	361,307	361,307	403,632	(42,325)
Parks and recreation	270,333	270,333	307,817	(37,484)
Library	38,152	38,152	40,288	(2,136)
Inspection	195,833	195,833	315,758	(119,925)
Debt Service:				
Principal	195,943	195,943	187,511	8,432
Interest and fiscal charges	1,300	1,300	77,042	(75,742)
Total Expenditures	<u>2,878,033</u>	<u>2,878,033</u>	<u>3,171,368</u>	<u>(293,335)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,825)</u>	<u>(17,825)</u>	<u>(171,790)</u>	<u>(153,965)</u>
Other Financing Sources (Uses):				
Transfers in	57,500	57,500	105,000	47,500
Proceeds from sale of capital assets	-	-	10,576	10,576
Total Other Financing Sources (Uses)	<u>57,500</u>	<u>57,500</u>	<u>115,576</u>	<u>58,076</u>
Net Change in Fund Balances	<u>39,675</u>	<u>39,675</u>	<u>(56,214)</u>	<u>(95,889)</u>
Fund Balances - Beginning	979,048	979,048	979,048	-
Fund Balances - Ending	<u>\$ 1,018,723</u>	<u>\$ 1,018,723</u>	<u>\$ 922,834</u>	<u>\$ (95,889)</u>

CITY OF JUSTIN
SCHEDULE OF CHANGE IN NET PENSION LIABILITY
AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

Total Pension Liability	<u>2015</u>	<u>2014</u>
Service Cost	\$ 95,639	\$ 70,781
Interest (on the Total Pension Liability)	91,384	89,613
Changes of benefit terms	-	-
Difference between expected and actual experience	37,601	(74,939)
Change of assumptions	29,491	-
Benefit payments, including refunds of employee contributions	(40,477)	(104,691)
Net Change in Total Pension Liability	<u>213,638</u>	<u>(19,236)</u>
Total Pension Liability - Beginning	<u>1,277,899</u>	<u>1,297,135</u>
Total Pension Liability - Ending (a)	<u><u>\$ 1,491,537</u></u>	<u><u>\$ 1,277,899</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 33,161	\$ 27,894
Contributions - Employee	67,926	57,625
Net Investment Income	1,892	70,450
Benefit payments, including refunds of employee contributions	(40,477)	(104,691)
Administrative Expense	(1,152)	(736)
Other	(57)	(60)
Net Change in Plan Fiduciary Net Position	<u>61,293</u>	<u>50,482</u>
Plan Fiduciary Net Position - Beginning	<u>1,282,060</u>	<u>1,231,578</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 1,343,353</u></u>	<u><u>\$ 1,282,060</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 148,184	\$ (4,161)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.07%	100.33%
Covered Employee Payroll	\$ 1,358,510	\$ 1,152,504
Net Pension Liability as a Percentage of Covered Employee Payroll	10.91%	-0.36%

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF JUSTIN
SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years (will ultimately be displayed)

	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 36,084	\$ 32,879
Contributions in relation to the actuarially determined contribution	\$ 36,084	\$ 32,879
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ -	\$ 1,350,516
Contributions as a percentage of covered employee payroll	#DIV/0!	2.43%

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”

CITY OF JUSTIN, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later. GASB 68, Paragraph 81.2.b requires that the data in the Schedule of Contributions be presented as of the City's current fiscal year as opposed to the valuation/measurement date as provided in other schedules of these financial statements.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information

There were no benefit changes during the year



To City Council and Management
City of Justin, Texas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Justin, Texas (the City) as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

There is currently no automated receipts system to allow for a control over the completeness of cash receipts. It is recommended that the City use either sequentially numbered receipts (and account for each), or a computer-generated receipt system in order to account for all receipts given to customers to prevent theft. Since year-end, software systems have begun being evaluated in order to correct this significant deficiency.

Manual adjustments to both the general ledger and subledger system for courts are not reviewed by anyone on an ongoing basis. It is recommended that the City Administrator or City Manager review and approve any manual adjustments made to either the general ledger or the court subledger system. Since year-end, a third party performed an audit of the court system. While there were several recommendations, there were no indications of fraud or error impacting the financial statements noted.

The following deficiencies in internal control were not considered material weaknesses or significant deficiencies, but we believed should be brought to the attention of the City Council:

When payroll changes are made in Quickbooks, there is no review to determine if the changes were made appropriately in the approved amounts. It is recommended that the City Manager review payroll expenses on an employee level on a regular basis, at a minimum, monthly, for reasonableness.

The general ledger for both the general fund and the enterprise fund is maintained with one set of accounts in Quickbooks. While revenues and expenditures are tracked separately by classes, it is recommended that separate "funds" be established for each to better control and monitor the activity in each. Since year-end, software systems have begun being evaluated in order to correct this control deficiency. In relation to this matter, it is recommended that the accounting for the Justin Economic Development Corporation and Justin Community Development Corporation be centralized at the City. This allows for more efficient reporting and up-to-date information being centralized for the entire City..

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Boucher, Morgan & Young

Boucher, Morgan and Young, a P.C.

Stephenville, Texas

June 20, 2016



June 20, 2016

To the City Council
City of Justin, Texas

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Justin, Texas (the City) for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 28, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note XI to the financial statements, the City changed accounting policies related to Pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions* in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements was:

Management's estimate of the allowance for uncollectible taxes and account receivable is based on historical collection experience. We evaluated the key factors and assumptions used to develop the allowance for uncollectible taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund, Schedule of Change in Net Pension Liability and Related Ratios, Schedule of Contributions, and Notes to Required Supplementary Information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Boucher, Morgan & Young". The signature is written in black ink and is positioned below the "Very truly yours," text.

Boucher, Morgan and Young, a P.C.

InterimFinancialInformation N/A

Outstanding Debt

Yes, General obligation debt: Y

Yes, Revenue debt: N

Yes, Authorized but unissued debt: N

No: N

Schedule of General Obligation Debt
As of 9/30/2016

ISSUE: HOLDER:	2006 CO Publicly Held		2008 CO Houston Community Bank		2009 CO Publicly Held		2009A CO Publicly Held		2014 CO Regions Bank		2014 GO Ref TIB		Grand Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 150,000	\$ 85,469	\$ 50,000	\$ 36,369	\$ 135,000	\$ 95,134	\$ 70,000	\$ 50,684	\$ 60,000	\$ 45,260	\$ 100,000	\$ 19,250	\$ 897,165
2018	155,000	79,281	55,000	34,124	140,000	90,409	70,000	48,444	60,000	43,508	105,000	17,050	897,816
2019	165,000	72,888	55,000	31,655	145,000	84,809	75,000	45,906	65,000	41,756	100,000	14,740	896,753
2020	170,000	66,081	60,000	29,185	150,000	79,009	75,000	43,188	65,000	39,858	110,000	12,540	899,861
2021	175,000	59,069	65,000	26,491	155,000	73,009	80,000	40,375	70,000	37,960	110,000	10,120	902,024
2022	185,000	51,850	65,000	23,573	165,000	66,809	80,000	37,375	65,000	35,916	115,000	7,700	898,222
2023	190,000	44,219	70,000	20,654	170,000	60,003	85,000	34,175	70,000	34,018	115,000	5,170	898,238
2024	200,000	36,381	70,000	17,511	175,000	52,990	90,000	30,775	115,000	31,974	60,000	2,640	882,271
2025	210,000	28,131	75,000	14,368	185,000	45,378	95,000	27,175	120,000	28,616	60,000	1,320	889,988
2026	220,000	19,469	80,000	11,001	190,000	37,330	95,000	23,138	170,000	25,112			871,049
2027	225,000	9,844	80,000	7,409	200,000	28,780	100,000	19,100	175,000	20,148			865,280
2028			85,000	3,817	210,000	19,780	105,000	14,850	255,000	15,038			708,485
2029					220,000	10,120	110,000	10,125	260,000	7,592			617,837
2030							115,000	5,175					120,175
2031													-
2032													-
2033													-
2034													-
2035													-
Totals:	\$2,045,000	\$552,681	\$ 810,000	\$ 256,155	\$2,240,000	\$ 743,558	\$1,245,000	\$ 430,484	\$1,550,000	\$ 406,756	\$ 875,000	\$90,530	\$ 11,245,163

Applicant's Ten Largest Employers

Longmeadow Healthcare Center: 95
Texas Environmental Management: 68
Justin Elementary: 55
Lonesome Spur/Mule Barn: 50
Super Save: 45
Sonic Drive-In: 34
First Baptist Church: 30
Justin Discount Boots: 30
Pizza Hut: 29
Progressive Waste: 28

Ten Largest Employers Comments: No comment.

Bond Ratings

Bond Ratings

Type	Standard & Poors	Date Received	Fitch	Date Received	Moody's	Date Received
G.O.	A	11-01-2009				
Revenue						

Bond Rating N/A: Y

Receive Water or Sewer

Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?: N

Project Description

Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.): Conservation Project - Replace Leaking Pipes

Provide a detailed description of the proposed project. The description should include a discussion of the current service area, existing system facilities; and an adequate description of all proposed project elements (include a bulleted list of new project elements/components): The project would consist of replacing excessively leaking pipes within the City's Old Town area. The water lines would be replaced with a minimum 6" water main, which is the City's current minimum pipe size for

residential areas and an 8" water main, the minimum pipe size for commercial areas.

The Old Town portion of Justin is located in the center of town, and the City's primary water source, surface water from Upper Trinity Regional Water District, is delivered directly to an elevated tank in Old Town. As this elevated tank supplies the other parts of the City, it is a critical portion of the Justin's water infrastructure. This critical part of the system is significantly hindered from working properly due to the leaking water mains surrounding the elevated tank. Additionally, many times when leaks occur

in Old Town the elevated tank has to be valved off in order to work on the water mains as sufficient valves are not present either. This project is proposed to replace these mains with modern and appropriate water pipe to help the City of Justin conserve water and operate a more efficient water system.

We estimate the total cost of these improvements at approximately \$12,500,000.00

Water Made Available

New Supply: 0 (acre-feet/year)/\$0 (capital cost)

New Conservation Savings: 35 (acre-feet/year)/\$12,000,000 (capital cost)

New Reuse Supply: 0 (acre-feet/year)/\$0 (capital cost)

Maintenance of Current Supply: 0 (acre-feet/year)/\$0 (capital cost)

SWIFT

SWIFT Funding Type

Deferred: \$12000000.00

Is this request for multi-year funding or phased commitments?: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.: Y

Anticipated Closing Dates

<u>Amount</u>	<u>Date</u>
\$ 2,400,000	11/15/2017
\$ 2,400,000	11/13/2019
\$ 2,400,000	11/17/2021
\$ 2,400,000	11/15/2023
<u>\$ 2,400,000</u>	11/19/2025
<u><u>\$ 12,000,000</u></u>	

CERTIFICATE ORDINANCE

\$2,400,000
CITY OF JUSTIN, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2017

Adopted: _____, 2017

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AN ORDINANCE authorizing the issuance of "CITY OF JUSTIN, TEXAS, COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017"; providing for the payment of said certificates of obligation by the levy of an ad valorem tax upon all taxable property within the City and a pledge of the net revenues derived from the operation of the City's combined Waterworks and Sewer System; providing the terms and conditions of such certificates and resolving other matters incident and relating to the issuance, payment, security, sale and delivery of said Certificates, including the approval and execution of a Paying Agent/Registrar Agreement and an Escrow Agreement; and providing an effective date.

WHEREAS, pursuant to an application filed with the Texas Water Development Board (the "Board"), the City has received a loan commitment from the Board for financial assistance in the amount of \$2,400,000 to finance the costs of constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water system properties and facilities, and such financial assistance is to be evidenced by the Board's purchase of certificates of obligation payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City and a pledge of the Net Revenues (as defined in Section 10 hereof) of the City's combined Waterworks and Sewer System; and

WHEREAS, notice of intention to issue such certificates of obligation (stating the time and place the Council proposed to authorize the issuance of such certificates, the maximum amount proposed to be issued, the purpose thereof and the manner in which the Council proposed to provide for the payment of such certificates) has been published in _____, a newspaper hereby found to be of general circulation in the City of Justin, Texas, on _____ and _____, the date of the first publication being at least thirty-one (31) days prior to the tentative date stated in said notice for the passage of the ordinance authorizing the certificates; and

WHEREAS, no petition protesting the issuance of the certificates of obligation described in the aforesaid notice and bearing valid petition signatures of 5% or more of the qualified electors of the City, has been presented to or filed with the City Secretary on or prior to the date of the passage of this ordinance; and

WHEREAS, pursuant to authority conferred by the Constitution and laws of the State of Texas, particularly Texas Local Government Code, Subchapter C of Chapter 271, as amended, the City Council hereby finds and determines the certificates of obligation described in such notice should be authorized for issuance and delivery to the Board at this time in the amount and manner hereinafter provided; now, therefore,

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

SECTION 1: Authorization, Designation, Principal Amount, Purpose. Certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of \$2,400,000, to be designated and bear the title "CITY OF JUSTIN, TEXAS, COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017" (hereinafter referred to as the "Certificates"), for the purpose of paying contractual

obligations to be incurred for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water system properties and facilities and (ii) professional services rendered in relation to such projects and the financing thereof, pursuant to authority conferred by and in conformity with the Constitution and laws of the State of Texas, including Texas Local Government Code, Subchapter C of Chapter 271, as amended.

SECTION 2: Fully Registered Obligations - Authorized Denominations - Stated Maturities - Date. The Certificates shall be issued as fully registered obligations, shall be dated May 1, 2017 (the "Certificate Date") and shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity) and the Certificates shall become due and payable on February 15 in each of the years and in principal amounts (the "Stated Maturities") in accordance with the following schedule:

<u>Year of Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate(s)</u>
2018	\$ 110,000	
2019	110,000	
2020	110,000	
2021	110,000	
2022	110,000	
2023	110,000	
2024	115,000	
2025	115,000	
2026	115,000	
2027	115,000	
2028	120,000	
2029	120,000	
2030	120,000	
2031	125,000	
2032	125,000	
2033	130,000	
2034	130,000	
2035	135,000	
2036	135,000	
2037	140,000	

The Certificates shall bear interest on the unpaid principal amount from the date of delivery to the initial purchaser (which date shall be the registration date appearing on the "Registration Certificate of Paying Agent/Registrar" typed or printed on the global Certificates deposited with The Depository Trust Company ("DTC") and noted in the records of the Paying/Agent Registrar) at the rate(s) per annum shown above in this Section (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Certificates shall be payable on February 15, 2018, and each February 15 and August 15 thereafter until maturity or prior redemption.

SECTION 3: Terms of Payment - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Certificates, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the registered owners or holders of the Certificates (hereinafter called the "Holders") appearing on the registration and transfer books maintained by the Paying Agent/Registrar and the payment thereof shall be in any coin or currency of the

United States of America which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

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

Principal of and premium, if any, on the Certificates shall be payable at the Stated Maturities thereof, only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its designated offices in St. Paul, Minnesota (the "Designated Payment/Transfer Office"). Interest on the Certificates shall be paid to the Holders whose name appears in the Security Register at the close of business on the Record Date (the last business day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. Provided, however, while the Board is the registered owner of the Certificates, payments on the Certificates shall be made by wire transfer without expense to the Holder. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4: Redemption.

(a) Optional Redemption. The Certificates having Stated Maturities on and after February 15, 2028, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part (in inverse order of Stated Maturities, if less than all) in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on August 15, 2027, or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

(b) Exercise of Redemption Option. At least forty-five (45) days prior to a date set for the redemption of Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem Certificates, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise the right to redeem Certificates shall be entered in the minutes of the governing body of the City.

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

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

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, provided moneys sufficient for the payment of such Certificate (or the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Certificate is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor.

(e) Conditional Notice of Redemption. With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by this Ordinance have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to

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

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

Upon surrender of any Certificate at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates, executed on behalf of, and furnished by, the City, of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holders, Certificates may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Certificates surrendered for exchange. upon surrender of the Certificates to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Certificates so surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Certificates, executed on behalf of, and furnished by the City, to the Holder requesting the exchange.

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

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

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

pursuant to Section 24 hereof and such new replacement Certificate shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Certificate.

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

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

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

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

The City agrees it will not discontinue its use of the DTC Book-Entry-Only System with respect to the Certificates without prior notice to and consent from the Board while the Board is the Holder of any of the Certificates.

SECTION 7: Execution - Registration. The Certificates shall be executed on behalf of the City by the Mayor or Mayor Pro Tem under its seal reproduced or impressed thereon and countersigned by the City Secretary. The signature of said officers on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of said individuals who are or were the proper officers of the City on the date of the adoption of this Ordinance shall be deemed to be duly executed on behalf of the City, notwithstanding that such individuals or any of them shall cease to hold such offices prior to the delivery of the Certificates to the initial purchaser, and with respect to Certificates delivered in subsequent exchanges and transfers, all as authorized and provided in Texas Government Code, Chapter 1201, as amended.

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

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

SECTION 9: Forms.

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

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

(b) Form of Definitive Certificates.

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF JUSTIN, TEXAS,
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATE OF OBLIGATION,
SERIES 2017

Certificate Date:
May 1, 2017

Interest Rate:
_____ %

Stated Maturity:
February 15, 20__

CUSIP NO:

Registered Owner:

Principal Amount:

The City of Justin (hereinafter referred to as the "City"), a body corporate and municipal corporation in the County of Denton, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above the Principal Amount stated (or so much thereof as shall not have been redeemed prior to maturity) and to pay interest on the unpaid principal amount hereof from the date of the delivery of the Certificate to the initial purchaser at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 in each year, commencing February 15, 2018, until maturity or prior redemption. Principal of this Certificate is payable at its Stated Maturity or upon its prior redemption to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor;. Interest is payable to the registered owner of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of \$2,400,000 (herein referred to as the "Certificates") for the purpose of paying contractual obligations to be incurred for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water system properties and facilities and (ii) professional services rendered in relation to such projects and the financing thereof, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Texas Local Government Code, Subchapter C of Chapter 271, as amended, and pursuant to an Ordinance adopted by the City Council of the City (herein referred to as the "Ordinance").

The Certificates maturing on and after February 15, 2028, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part (in inverse order of Stated Maturities, if less than all) in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on August 15, 2027, or on any date thereafter, at the redemption price of par, together with accrued interest to the date of redemption.

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

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

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

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

Reference is hereby made to the Ordinance, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the Certificates; the properties constituting the System; the Net Revenues pledged to the payment of the principal of and interest on the Certificates; the nature and extent and manner of enforcement of the pledge; the terms and conditions relating to the transfer or exchange of this Certificate; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the tax levy and the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Certificate, and this Certificate deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used herein have the meanings assigned in the Ordinance.

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

The City and the Paying Agent/Registrar, and any agent of either, may treat the registered owner hereof whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner entitled to payment of principal hereof at its Stated Maturity or upon its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security

Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

CITY OF JUSTIN, TEXAS

Mayor

COUNTERSIGNED:

City Secretary

(SEAL)

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

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

(d) Form of Certificate of Paying Agent/Registrar.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

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

BOKF, NA, Dallas, Texas,
as Paying Agent/Registrar

Registration Date:

By _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number:) the within Certificate and all
rights thereunder, and hereby irrevocably constitutes and appoints

attorney to transfer the within Certificate on the books kept for registration thereof, with full
power of substitution in the premises.

DATED:

Signature guaranteed:

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

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

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

REGISTERED
NO. T-1

REGISTERED
\$2,400,000

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF JUSTIN, TEXAS,
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATE OF OBLIGATION,
SERIES 2017

Certificate Date: May 1, 2017

Registered Owner: TEXAS WATER DEVELOPMENT BOARD

Principal Amount: TWO MILLION FOUR HUNDRED THOUSAND DOLLARS

The City of Justin (hereinafter referred to as the "City"), a body corporate and municipal
corporation in the County of Denton, State of Texas, for value received, acknowledges itself
indebted to and hereby promises to pay to the Registered Owner named above, or the
registered assigns thereof, the Principal Amount hereinabove stated on February 15 in each of
the years and in principal installments in accordance with the following schedule:

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

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

(or so much thereof as shall not have been redeemed prior to maturity) and to pay interest on the unpaid principal amount hereof from the date of the delivery to the initial purchaser at the per annum rate(s) of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year, commencing February 15, 2018, until maturity or prior redemption. Principal of this Certificate is payable at its Stated Maturity or on a redemption date to the registered owner hereof by BOKF, NA, Dallas Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in St. Paul, Minnesota (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Certificate whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date hereof and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/ Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

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

(a) The term "Additional Certificates" shall mean tax and revenue obligations hereafter issued under and pursuant to the provisions of Texas Local Government Code, Subchapter C of Chapter 271, or other law and payable from ad valorem taxes and additionally payable from and secured by a lien on and pledge of the Net Revenues of the System on a parity with and of equal rank and dignity with the lien and pledge securing the payment of the Certificates.

(b) The term "Certificates" shall mean the \$2,400,000 "City of Justin, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017" authorized by this Ordinance.

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

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

(e) The term "Fiscal Year" shall mean the twelve month operational period of the System ending on September 30th of each year; provided, however, the City Council may change the Fiscal Year to another period of not less than twelve calendar months if such change is found and determined to be necessary for accounting purposes or is required by applicable law.

(f) The term "Government Securities" shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other authorized securities or obligations under applicable law that may be used to defease obligations such as the Certificates.

(g) The term "Net Revenues" shall mean the gross revenues derived from the operation of the System less reasonable expenses of maintenance and operation of the System as defined by Texas Government Code, Chapter 1502, as amended.

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

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

(2) those Certificates for which payment has been duly provided by the City in accordance with the provisions of Section 25 hereof; and

(3) those Certificates that have been mutilated, destroyed, lost, or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided in Section 24 hereof.

(i) The term "Prior Lien Obligations" shall mean all bonds or other revenue obligations now outstanding and hereafter issued that are payable solely from and secured only by a lien on and pledge of the Net Revenues of the System, which is prior in right and claim to the lien on and pledge of the Net Revenues securing the payment of the Certificates.

(j) The term "System" shall mean the City's combined waterworks and sewer system, including all present and future additions, extensions, replacements, and improvements thereto..

SECTION 11: Certificate Fund. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption and retirement of the Certificates, there shall be and is hereby created a special account or fund on the books and records of the City known as the "SPECIAL SERIES 2017 TAX AND REVENUE CERTIFICATE OF OBLIGATION FUND" (the "Certificate Fund"), and all moneys deposited to the credit of such Fund shall be kept and maintained in a special banking account at a depository of the City. The Mayor, Mayor Pro Tem, and City Secretary of the City, individually or jointly, are hereby authorized and directed to make withdrawals from said Fund sufficient to pay the principal of and interest on the Certificates as the same become due and payable, and, shall cause to be transferred to the Paying Agent/Registrar from moneys on deposit in the Certificate Fund an amount sufficient to pay the amount of principal and/or interest falling due on the Certificates, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the last business day next preceding each interest and principal payment date for the Certificates.

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

SECTION 12: Tax Levy.

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

(b) Notwithstanding the provisions of paragraph (a) above of this Section 12:

(1) if Net Revenues of the System hereinafter pledged to the payment of the Certificates or any other legally available funds are actually on deposit in the Certificate Fund in advance of the time ad valorem taxes are scheduled to be levied for any year, then the amount of taxes otherwise required to be levied for such year pursuant to (a) above may be reduced to the extent and by the amount of the funds then on deposit in the Certificate Fund; or

(2) if the City's annual budget provides for the Net Revenues of the System to pay the Debt Service Requirements of the Certificates to become due and payable during the budget year thereby reducing the amount of ad valorem taxes to be levied in such year for the Certificates, then:

(i) The City shall transfer and deposit in the Certificate Fund each month an amount of not less than 1/12th of the annual Debt Service Requirements on the Certificates until the amount accumulated and maintained in the Certificate Fund equals the amount required for the full payment of the Debt Service Requirements on the Certificates then Outstanding; and provided further, save and except for required payments to the special funds maintained for the payment of the Prior Lien Obligations and Additional Obligations, if issued, the City shall not transfer any Net Revenues from the System Fund to any fund of the City other than the Certificate Fund until such time as an amount equal to the annual Debt Service Requirements for the Certificates for the then current fiscal year has been deposited in the Certificate Fund;

(ii) Each year while the Certificates are Outstanding, and prior to the time of the annual ad valorem tax rate is established and levied by the City, the City shall establish, adopt and maintain an annual budget that provides for either the monthly deposit of sufficient Net Revenues of the System and/or ad valorem tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Certificate Fund for the payment of the Certificates; and

(iii) The City shall at all times maintain and collect sufficient rates and charges for water and sewer services in conjunction with any other legally available funds that, after payment of the costs of operating and maintaining the System that produce Net Revenues in an amount not less than 1.10 times the debt service payments for all outstanding water or sewer system revenue bonds of the City and other obligations of the City which are secured in whole or in part by a pledge of the revenues of the System for which the City is budgeting the repayment of such obligations from the revenues of the System, or the City shall provide documentation which evidences the levy of an ad valorem tax rate dedicated to the payment of the Certificates, in conjunction with any other legally available funds other than revenues of the System, sufficient for the repayment of System debt service requirements.

SECTION 13: Pledge of Surplus Net Revenues. The City hereby covenants and agrees that, subject only to a prior lien on and pledge of the Net Revenues of the System for the payment and security of Prior Lien Obligations, the Net Revenues of the System, with the exception of those in excess of the amounts required to be deposited to the Certificate Fund as hereafter provided, are hereby irrevocably pledged, equally and ratably, to the payment of the principal of and interest on the Certificates and Additional Certificates, if issued, as herein

provided, and the pledge of the Net Revenues of the System herein made for the payment of the Certificates shall constitute a lien on the Net Revenues of the System in accordance with the terms and provisions hereof and be valid and binding without further action by the City and without any filing or recording except for the filing of this Ordinance in the records of the City.

Section 1208, Government Code, as amended, applies to the issuance of the Certificates and the pledge of the Net Revenues of the System granted by the City under this Section 12, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Certificates are Outstanding such that the pledge of the Net Revenues of the System granted by the City under this Section 12 is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, as amended, then in order to preserve to the registered owners of the Certificates the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 14: System Fund. The City hereby covenants and agrees that while the Certificates remain Outstanding all revenues derived from the operation of the System shall be kept separate and apart from all other funds of the City, and all such revenues shall be deposited as collected into a "City of Justin Waterworks and Sewer System Fund" (hereby created and hereinafter called the "System Fund"). All moneys deposited to the credit of the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown, to wit:

First: To the payment of the reasonable and proper maintenance and operating expenses as defined herein or required by statute to be a first charge on and claim against the gross revenues of the System.

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

Third: To the payment, equally and ratably, of the amounts required to be deposited in the special funds and accounts created and established for the payment of the Certificates (the Certificate Fund) and Additional Certificates.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be used for the redemption of Prior Lien Obligations or may be transferred to the general fund of the City and used for general or special purposes.

SECTION 15: Deposits to Certificate Fund. The City hereby covenants and agrees to cause to be deposited to the credit of the Certificate Fund prior to each principal and interest payment date for the Certificates from the pledged Net Revenues of the System in the System Fund, after the deduction of all payments required to be made to the special Funds or accounts created for the payment and security of the Prior Lien Obligations, an amount equal to one hundred per centum (100%) of the amount required to fully pay the interest and principal payments then due and payable on the Certificates, such deposits to pay accrued interest and maturing principal on the Certificates to be made in substantially equal monthly installments on

or before the 20th day of each month beginning on or before the 20th day of the month following the date of delivery of the Certificates to the initial purchaser.

The monthly deposits to the Certificate Fund, as hereinabove provided, shall be made until such time as such Fund contains an amount equal to pay the principal of and interest on the Certificates to maturity. Ad valorem taxes levied, collected and deposited in the Certificate Fund for and on behalf of the Certificates may be taken into consideration and reduce the amount of the monthly deposits otherwise required to be deposited in the Certificate Fund from the Net Revenues of the System. In addition, any proceeds of sale of the Certificates in excess of the amount required to pay the contractual obligations to be incurred (including change orders to a construction contract) shall be deposited in the Certificate Fund, which amount shall reduce the sums otherwise required to be deposited in said Fund from ad valorem taxes and the Net Revenues of the System.

SECTION 16: Security of Funds. All moneys on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds in accordance with the provisions of the Public Funds Collateral Act, Chapter 2257, Government Code, as amended, and moneys on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

SECTION 17: Maintenance of System - Insurance. While the Certificates remain Outstanding, the City covenants and agrees to maintain and operate the System with all possible efficiency and to maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type business; and that it will faithfully and punctually perform all duties and comply with all license and regulatory requirements imposed by state and federal laws with respect to the operation and maintenance of the System.

SECTION 18: Rates and Charges. The City hereby covenants and agrees with the Holders that rates and charges for water and sewer services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies, that are reasonably expected to provide Gross Revenues each Fiscal Year to:

- (a) pay all operating, maintenance, depreciation, replacement, betterment and other costs incurred in the maintenance and operation of the System;
- (b) pay all indebtedness payable from and secured by a lien on and/or pledge of all or any portion of the Net Revenues of the System to the extent required, and the funding of all special funds or accounts created and established for the payment and security thereof, including, but not limited to, the Prior Lien Obligations and the Certificates; and
- (c) To pay other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

SECTION 19: Records and Accounts Annual Audit. The City further covenants and agrees that so long as any of the Certificates remain Outstanding, it will keep and maintain

accurate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto. The Holders of the Certificates or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, upon written request, to any Holder of 20% or more in principal amount of the Certificates.

SECTION 20: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the owner or owners of any of the Certificates shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

SECTION 21: Special Covenants. The City hereby further covenants as follows:

(a) It has the lawful power to pledge the Net Revenues of the System to the payment of the Certificates in the manner herein contemplated and has lawfully exercised such power under the Constitution and laws of the State of Texas, including said power existing under Texas Government Code, Sections 1502.056 and 1502.058 and Texas Local Government Code, Sections 271.041, et seq.

(b) Other than for the payment of the Certificates and the outstanding City of Justin, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2006, City of Justin, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2008, City of Justin, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2009, City of Justin, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2009A, and City of Justin, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

(c) As long as any Certificates or any interest thereon remain Outstanding, the City will not sell or encumber the System or any substantial part thereof; provided, however, this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System.

(d) To the extent that it legally may, the City further covenants and agrees that, while any of the Certificates are Outstanding, no franchise shall be granted for the installation or operation of any competing waterworks and sanitary sewer systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited.

(e) No free services shall be rendered by the System to any customers, including the City and its various departments, and that water and sewer services used by the City and its various departments shall be paid for at the same rates charged other customers.

SECTION 22: Issuance of Prior Lien Obligations/Additional Obligations. The City hereby expressly reserves the right to hereafter issue Prior Lien Obligations, without limitation as to principal amount but subject to any terms, conditions or restrictions applicable thereto under law or otherwise, payable, in whole or in part, from the Net Revenues (without impairment of the obligation of contract with the Holders of the Certificates) upon such terms and conditions as the City Council may determine. Additionally, the City reserves the right to issue obligations payable, in whole or in part, from the Net Revenues of the System and, to the extent provided, secured by a lien on and pledge of the Net Revenues of equal rank and dignity with the lien and pledge securing the payment of the Certificates.

SECTION 23: Application of Prior Lien Obligations Covenants and Agreements. It is the intention of this governing body and accordingly hereby recognized and stipulated that the provisions, agreements and covenants contained herein bearing upon the management and operations of the System, and the administering and application of revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements and covenants contained in the ordinances authorizing the issuance of the Prior Lien Obligations, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinances authorizing the issuance of the Prior Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance but in all respects subject to the priority of rights and benefits, if any, conferred thereby to the holders of the Prior Lien Obligations.

SECTION 24: Mutilated - Destroyed - Lost and Stolen Certificates. In case any Certificate shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Certificate of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Certificate, or in lieu of and in substitution for such destroyed, lost or stolen Certificate, only upon the approval of the City and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Certificate, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the City and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Certificate shall be borne by the Holder of the Certificate mutilated, or destroyed, lost or stolen.

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

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

SECTION 25: Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied and the lien on and pledge of the Net Revenues of the System under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate and be discharged and satisfied.

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

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

SECTION 26: Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Holders of the Certificates from time to time, be binding on the City, and shall not be amended or repealed by the City while any Certificates remain Outstanding except as permitted in this Section and in Section 38 hereof. The City, may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders of the Certificates, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Certificates, no such amendment,

addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by Holders for consent to any such amendment, addition, or rescission.

SECTION 27: Covenants to Maintain Tax-Exempt Status.

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

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

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

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

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

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

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

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

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

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

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which, if made or omitted, respectively, would cause interest on (1) any Certificate issued hereunder or (2) any series of bonds or obligations issued or incurred by the Board or the Texas Water Resources Finance Authority to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a

written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Certificate, the City shall comply with each of the specific covenants in this Section.

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

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

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

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

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

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

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

(h) Rebate. The City warrants and represents that it satisfies the requirements of paragraph (2) and (3) of section 148(f) of the Code with respect to the Certificates without making the payments for the United States described in such section. Specifically, the City warrants and represents that:

(1) the City is a governmental unit with general taxing powers;

(2) at least 95% of the net proceeds of the Certificates will be used for the local governmental activities of the City; and

(3) the aggregate face amount of all tax exempt obligations issued or expected to be issued by the City (and all subordinate entities thereof) in the calendar year in which the Certificates are issued is not reasonably expected to exceed \$5,000,000.

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

(j) Qualified Tax Exempt Obligations. In accordance with the provisions of paragraph (3) of subsection (b) of Section 265 of the Code, the City hereby designates the Certificates to be "qualified tax exempt obligations" in that the Certificates are not "private activity bonds" as defined in the Code and the reasonably anticipated amount of "qualified tax exempt obligations" to be issued by the City (including all subordinate entities of the City) for the calendar year 2017 will not exceed \$10,000,000.

(k) Nonpurpose Investments. No portion of the proceeds of the Certificates will be used, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments which produce a yield materially higher than the yield on the Board's bonds that were issued to provide financing for the Certificates (the "Source Series Bonds"), other than Nonpurpose Investments acquired with:

(1) proceeds of the Board's Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the Board) until such proceeds are needed for the facilities to be financed;

(2) amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the IRS Regulations; and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Certificates, 125% of average annual debt service on the Certificates, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Certificates.

SECTION 28: Confirmation of Sale. The sale of the Certificates to the Texas Water Development Board (the "Purchasers" or the "Board") at the price of par, less a loan origination fee of _____%, pursuant to a loan commitment received from the Purchasers, is hereby confirmed and determined to be in the best interest of the City. Delivery of said Certificates shall be made to said Purchasers as soon as may be after the adoption of this Ordinance, upon payment therefor in accordance with the terms of sale.

SECTION 29: Rules and Regulations of the Texas Water Development Board. In compliance with the published rules and regulations of the Texas Water Development Board, the City agrees and covenants that upon completion of the Series 2017 Project, the proper officials of the City promptly shall cause to be prepared and submitted to the Board (i) a final accounting of the total costs of the Series 2017 Project and the expenditure of funds therefor and (ii) a copy of the construction plans for the Series 2017 Project as built and completed. In addition to other information required by the Board, said final accounting shall identify (i) all funds utilized or represented to be available in the City's application, from whatever source derived, and (ii) all Series 2017 Project costs contained and approved in the City's application to the Board or approved in subsequent change orders.

If the total cost of the Series 2017 Project is less than the amount of Series 2017 Project funds available, then the City may use such surplus proceeds of the Certificates remaining after completion of the Series 2017 Project for the following purposes as approved by the Executive Administrator (1) to redeem Certificates, in inverse annual order of stated maturities, (2) to deposit into the Certificate Fund for the payment of capitalized interest or principal on the Certificates or (3) to pay eligible project costs as authorized by the Executive Administrator. . In determining the amount of available funds for the Series 2017 Project, the City agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Board, all other funds available for the Series 2017 Project as described in the project engineer's or fiscal representative's sufficiency of funds statement and all interest earned by the City on money in the Construction Fund. Execution and delivery of an Escrow Agreement (the "Escrow Agreement") by and between the City and BOKF, NA, Dallas, Texas (the "Escrow Agent"), substantially in the form attached hereto as **Exhibit B**, by the Mayor and City Secretary is hereby approved. The Construction Fund (created pursuant to Section 31 hereof) shall be held subject to the Escrow Agreement.

The City further agrees and covenants as follows:

(i) The Board may exercise all remedies available to it in law or equity, and any provision of the Certificates that restricts or limits the Board's full exercise of these remedies shall be of no force and effect.

(ii) The proceeds of the Certificates shall be held in a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(iii) No Certificate proceeds will be used for sampling, testing, removing or disposing of contaminated soils and/or media at the project site and, to the extent permitted by law, to indemnify, hold harmless and protect the Board from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport and/or removal and disposition of any contaminated sewage sludge, contaminated sediments

and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the Series 2017 Project.

(iv) The City shall report to the Board the amounts of Series 2017 Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Series 2017 Project, in accordance with 31 Texas Administration Code, Section 363.1312.

(v) The City will not use any portion of the proceeds of the Certificates in a manner that would cause the Certificates to become "private activity bonds" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

(vi) Neither the City nor a related party thereto will acquire any of the Source Series Bonds (as defined in Section 23(k) hereof) in an amount related to the amount of the Certificates to be acquired from the City by the Board.

SECTION 30: Proceeds of Sale. (a) Immediately following the delivery of the Certificates to the initial purchaser, the proceeds of sale (less amounts to pay costs of issuance) shall be deposited in an account to be maintained at BOKF, NA, Dallas, Texas (the "Escrow Agent") and held in escrow pending written authorization to release said moneys. An "Escrow Agreement" by and between the City and the Escrow Agent providing for the deposit, safekeeping and administration of such funds pending their release from escrow is attached hereto as **Exhibit B** and incorporated herein by reference as a part of this Ordinance for all purposes, and such Escrow Agreement is hereby approved as to form and content. The Mayor and Mayor Pro Tem and City Secretary of the City are hereby authorized and directed to execute such Agreement for and on behalf of the City and as the act and deed of the City Council.

Upon the release of funds from such escrow account maintained pursuant to the "Escrow Agreement", the released amount shall be deposited to the credit of the Construction Fund. Pending expenditure for authorized projects and purposes, the amounts deposited to the credit of the Construction Fund may be invested in accordance with laws of the State and investment policies and guidelines of the City for such type funds, and any investment earnings realized may be expended for such authorized projects and purposes or deposited in the Certificate Fund as shall be determined by the City Council. All surplus proceeds of sale of the Certificates, including investment earnings, remaining in the Construction Fund after completion of all authorized projects or purposes and after satisfying the requirements of Section 25 hereof shall be deposited to the credit of the Certificate Fund.

(b) As provided in the Escrow Agreement, the proceeds of sale of the Certificates are held in escrow shall only be invested in investments that are authorized by the Public Funds Investment Act, Chapter 2256, TEX. GOV'T CODE ANN., as amended.

(c) As provided in the Escrow Agreement, the proceeds of sale of the Certificate held in escrow pursuant to the Escrow Agreement and any accrued interest in excess of the amounts insured by the FDIC and remaining uninvested under the terms of the Escrow Agreement shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Chapter 2257, TEX. GOV'T CODE ANN., as amended.

SECTION 31: Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas, including the printing and supply of definitive Certificates, and shall take and have charge and control of the Initial Certificate(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the Purchasers.

SECTION 32: Notices to Holders - Waiver. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder as it appears in the Security Register.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Certificates. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 33: Cancellation. All Certificates surrendered for payment, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Certificates held by the Paying Agent/Registrar shall be returned to the City.

SECTION 34: Bond Counsel's Opinion. The Purchasers' obligation to accept delivery of the Certificates is subject to being furnished a final opinion of Norton Rose Fulbright US LLP, approving the Certificates as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for the Certificates. An executed counterpart of said opinion shall accompany the global certificates deposited with DTC.

SECTION 35: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof and neither the City nor attorneys approving the Certificates as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

SECTION 36: Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, and this Ordinance and all its provisions is intended to be and shall be for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Holders.

SECTION 37: Inconsistent Provisions. Except as provided in Section 19 hereof, all ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

SECTION 38: Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 39: Effect of Headings. The Section headings herein are for convenience of reference only and shall not affect the construction hereof.

SECTION 40: Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 41: Severability. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 42: Continuing Disclosure Undertaking.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

(b) *Annual Reports*. The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year, beginning in or after 2017, financial information and operating data with respect to the City of the general type described in **Exhibit C** hereto, and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so provided shall be prepared in accordance with the accounting principles described in **Exhibit C** hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided.

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

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
7. Modifications to rights of holders of the Certificates, if material;
8. Certificate calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

(d) *Filings with the MSRB.* All financial information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Section

shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

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

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Certificates, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

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

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

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

Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Certificates. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering

of the Certificates from lawfully purchasing or selling Certificates in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided pursuant to subsection (b) hereof an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 43: Further Procedures. The Mayor, Mayor Pro Tem, City Manager, Finance Director and City Secretary of the City and all other officers, employees and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the seal of the City and on behalf of the City all agreements, instruments, or such other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Certificates, and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Certificates, the Mayor, the Mayor Pro Tem, City Manager, Finance Director and/or City Secretary of the City, and its Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance: (i) in order to cure any technical ambiguity, formal defect, or omission in the Ordinance or such other document; or (ii) as requested by the Attorney General or his representative to obtain the approval of the Certificates by the Attorney General and if such officer or counsel determines that such ministerial changes are consistent with the intent and purpose of the Ordinance, which determination shall be final. In the event that any officer of the City whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 44: Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Texas Government Code, Chapter 551, as amended.

SECTION 45: Effective Date. This Ordinance shall take effect and be in full force immediately from and after its adoption on the date hereof in accordance with the provisions of Texas Government Code, Section 1201.028, as amended.

[Remainder of Page Intentionally Left Blank]

PASSED AND ADOPTED, this _____, 2017.

CITY OF JUSTIN, TEXAS

Mayor

ATTEST:

City Secretary

(City Seal)

**Exhibit A
to
Ordinance**

PAYING AGENT/REGISTRAR AGREEMENT

**Exhibit B
to
Ordinance**

ESCROW AGREEMENT

**Exhibit C
to
Ordinance**

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 42 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified below:

1. The financial statements of the City for the most recently concluded fiscal year.

Accounting Principles

The accounting principles referred to in such Section are the generally accepted accounting principles as applicable to governmental units as prescribed by the Government Accounting Standards Board.

PRIVATE PLACEMENT MEMORANDUM DATED _____, 2017

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Obligations (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

\$2,400,000

CITY OF JUSTIN, TEXAS

**COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017
(the "Obligations")**

Dated: May 1, 2017

Due: August 15

Interest Date: Interest on the Obligations will be payable on February 15 and August 15 each year, commencing February 15, 2018 (each an "Interest Payment Date"). The Obligations will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Record Date: The close of business on the last business day of the calendar month immediately preceding the applicable Interest Payment Date, commencing February 15, 2018.

Date Interest Accrues: Each Obligation shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on August 15 and February 15 of each year until the earliest of maturity or prior redemption, commencing on February 15, 2018.

Redemption: The Obligations are subject to redemption prior to maturity as provided herein. See "THE OBLIGATIONS - Redemption Provisions" herein.

Authorized Denominations: The Obligations are being issued as fully registered obligations in denominations of \$5,000, or any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent ("Paying Agent/Registrar/Registrar") for the Obligations is BOKF, NA, Dallas, Texas.

Book-Entry-Only System Upon initial issuance, the ownership of the Obligations will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Obligations will be made. The purchasers of the Obligations will not receive physical delivery of security certificates. Principal of, interest, and premium if any, on the Obligations will be payable at the designated office of the Paying Agent/Registrar in Dallas, Texas as the same become due and payable.

Issuer: CITY OF JUSTIN, TEXAS

Official Action: ORDINANCE dated _____, 2017.

Purpose: See "APPENDIX B - OFFICIAL ACTION."

Security for the Obligations: See "APPENDIX B - OFFICIAL ACTION."

Ratings: See "OTHER INFORMATION - Ratings"

Delivery Date: _____, 2017.

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and CUSIP Numbers

CITY OF JUSTIN, TEXAS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Greg Scott Mayor			
David Wilson Mayor Pro Tem			
Lisa Cate Councilmember			
Jamey Lamm Councilmember			
Eric Priddy Councilmember			
Alan Woodall Councilmember			

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service with City</u>	<u>Length of Government Service</u>
Cori Reaume	City Manager		
Josh Armstrong	Finance Director		
Brittany Andrews	City Secretary		

INDEPENDENT AUDITORS, CONSULTANTS AND ADVISORS

Certified Public AccountantsBoucher, Morgan and Young, a P.C..
 Stephenville, Texas

Bond CounselNorton Rose Fulbright US LLP
 Dallas, Texas

Financial Advisor FirstSouthwest, a Division of Hilltop Securities Inc.
 Fort Worth, Texas

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**Private Placement Memorandum
relating to**

\$2,400,000

**CITY OF JUSTIN, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2017
(the "Obligations")**

INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the "Obligations" pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See "APPENDIX B – "FORM OF OFFICIAL ACTION" attached hereto.

APPENDIX A contains the maturity schedule for the Obligations. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Obligations. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Obligations. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE OBLIGATIONS

General Description

The Obligations are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Obligations are being issued as fully registered certificates in denominations of \$5,000, or any integral multiple thereof. The Obligations will be dated May 1, 2017 and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Interest on the Obligations is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Obligations will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "THE OBLIGATIONS - Book-Entry-Only System" herein.

Purpose

See "APPENDIX B - FORM OF OFFICIAL ACTION."

Authority for Issuance

The Obligations are issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, and the Official Action adopted by the Issuer.

Security for the Obligations

See "APPENDIX B - FORM OF OFFICIAL ACTION."

Redemption Provisions

The Obligations maturing on and after August 15, 2027, are subject to redemption prior to maturity, at the option of the Issuer, in whole or in part (in inverse order of maturity if less than all) in principal amounts of \$5,000 or any integral multiple thereof (and if within a stated maturity by lot by the Paying Agent/Registrar) on February 15, 2027, or on any date thereafter, at par plus accrued interest to the date fixed for redemption.

Notice of Redemption; Selection of Obligations to Be Redeemed

See "APPENDIX B - FORM OF OFFICIAL ACTION."

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption of the Obligations, notice of proposed amendment to the ordinance authorizing the issuance of the Obligations or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the Issuer will reduce the outstanding principal amount of such Obligations held by DTC.

Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

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

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

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Obligations representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

TAX MATTERS

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Obligations substantially in the form as attached in "APPENDIX C - FORM OF OPINION OF BOND COUNSEL."

OTHER INFORMATION

Settlement of Purchase of Obligations

The Issuer intends for the delivery of the Obligations to be facilitated through the book-entry-only system of DTC. See "THE OBLIGATIONS - Book-Entry-Only System". In connection with the delivery of the Obligations, a settlement agent may be used to effect the delivery of the Obligations. If such a settlement agent is used, such settlement agent (i) is being used solely to facilitate book-entry delivery of the Obligations, (ii) will be acting solely as a "Clearing DTC Participant" and not as an "underwriter" (each as defined in Section 2(a)(1) of the U.S. Securities Act of 1933, as amended, (iii) is not acting as a fiduciary or municipal advisor to the Issuer with regard to the Obligations and, accordingly, has no fiduciary duty to the Issuer under Federal or state securities laws, and therefore is not required by federal or state law to act in the best interests of the Issuer, (iv) in providing information to the Issuer, is not providing "advice" with the meaning of Section 15B of the Securities Exchange Act of 1934, as amended, and that the information provided has not been relied on by either the Issuer in the issuance of the Obligations and (v) has not provided any legal, accounting, regulatory or tax advice to the Issuer.

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Obligations have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

Ratings

The existing outstanding general obligation debt of the Issuer is rated "A" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations. **No application has been made to any ratings agency or municipal bond insurance company for qualification of the Obligations for ratings or municipal bond insurance, respectively.**

LITIGATION

General

On the date of delivery of the Obligations to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Obligations.

The Issuer

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or obligation of the Issuer to deliver the Obligations, the security for, or the validity of, the Obligations or the financial condition of the Issuer.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made a continuing disclosure agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board as further described in the Official Action attached hereto as Appendix B.

Compliance with Prior Undertakings

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements entered into in accordance with the Rule.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Obligations.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the Obligations referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Obligations and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete.

APPENDIX A

MATURITY SCHEDULE

CUSIP Prefix⁽¹⁾: 482178

<u>Principal Amount</u>	<u>Maturity 15-Aug</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Principal Amount</u>	<u>Maturity 15-Aug</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 110,000	2018				\$ 120,000	2028			
110,000	2019				120,000	2029			
110,000	2020				120,000	2030			
110,000	2021				125,000	2031			
110,000	2022				125,000	2032			
110,000	2023				130,000	2033			
115,000	2024				130,000	2034			
115,000	2025				135,000	2035			
115,000	2026				135,000	2036			
115,000	2027				140,000	2037			

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Issuer nor the Financial Advisor take any responsibility for the accuracy of CUSIP numbers.

APPENDIX B
FORM OF OFFICIAL ACTION

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

Project Location

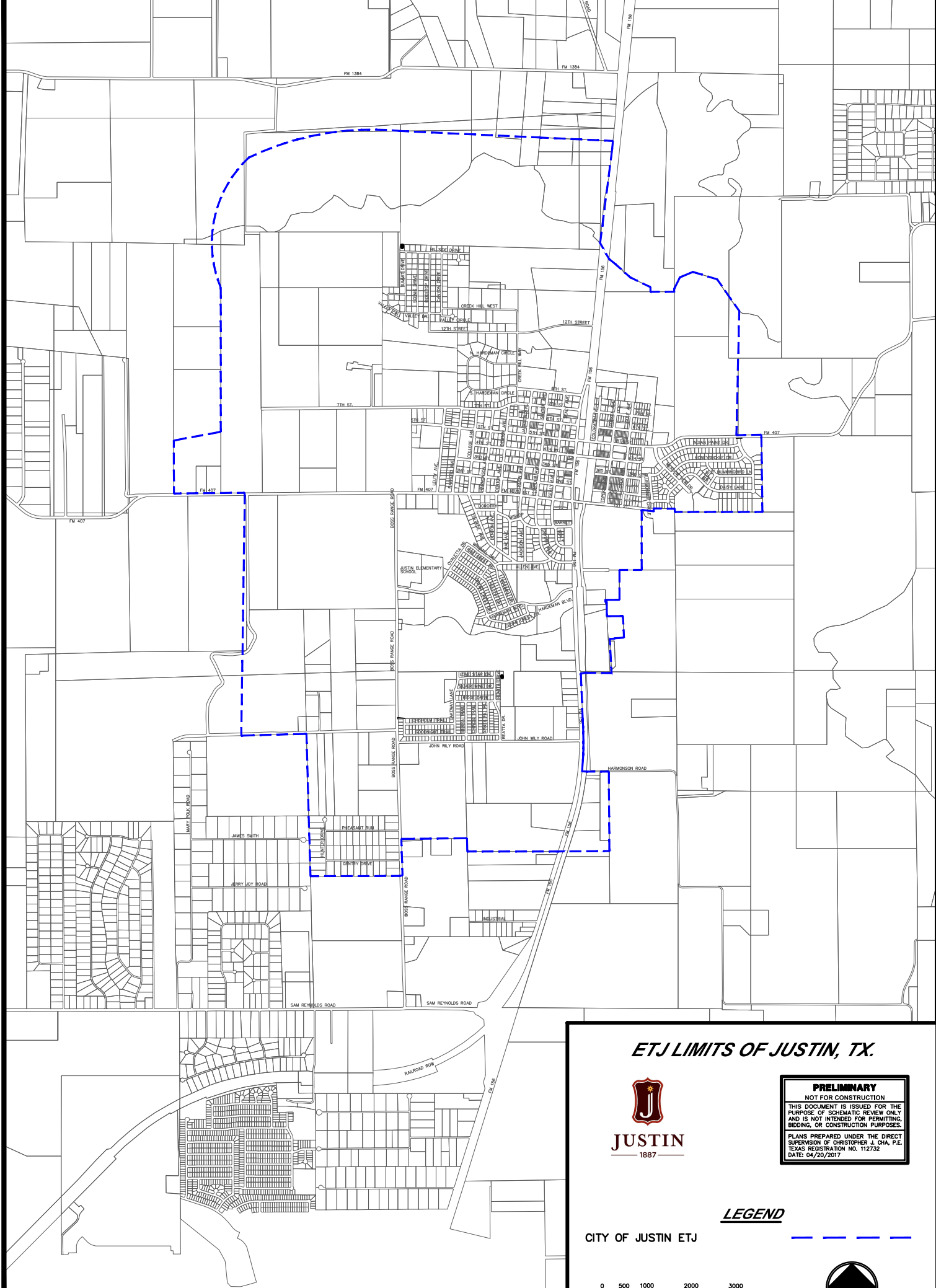
County: Denton

Primary: Y

Can you locate your project to a specific address?: N

Project Latitude: 33.088699

Project Longitude: -97.303615



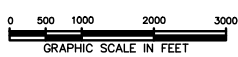
ETJ LIMITS OF JUSTIN, TX.



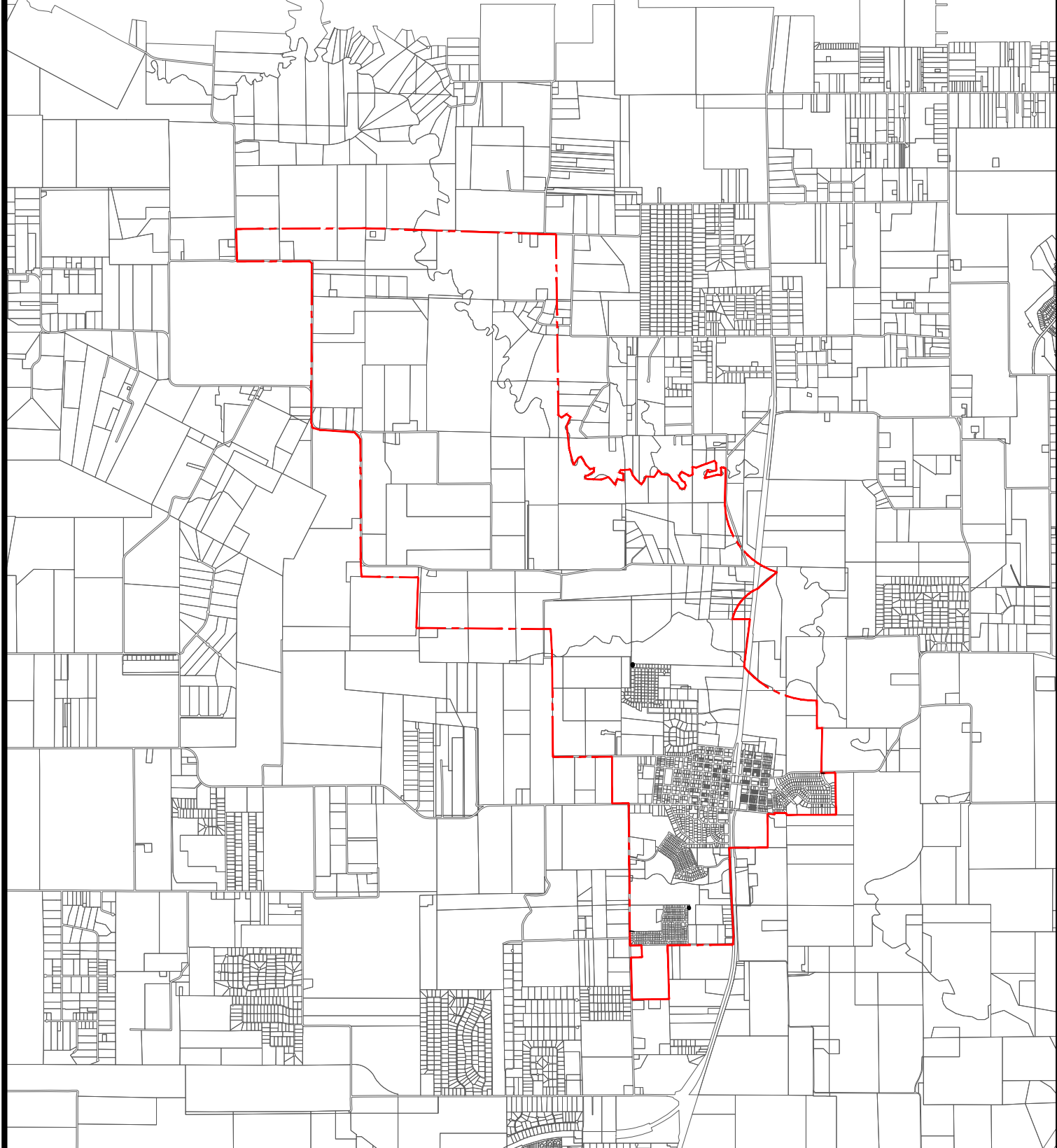
PRELIMINARY
 NOT FOR CONSTRUCTION
 THIS DOCUMENT IS ISSUED FOR THE PURPOSE OF SCHEMATIC REVIEW ONLY AND IS NOT INTENDED FOR PERMITTING, BIDDING, OR CONSTRUCTION PURPOSES.
 PLANS PREPARED UNDER THE DIRECT SUPERVISION OF CHRISTOPHER J. DIA, P.E. TEXAS REGISTRATION NO. 112732 DATE: 04/20/2017

LEGEND

CITY OF JUSTIN ETJ



INFORMATION SHOWN IS FOR GENERAL REFERENCE AND SHOULD NOT BE USED FOR SPECIFIC PROPERTY OWNERSHIP OR DESCRIPTION.



WATER CCN LIMITS OF JUSTIN, TX.

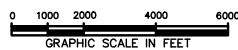


JUSTIN
1887

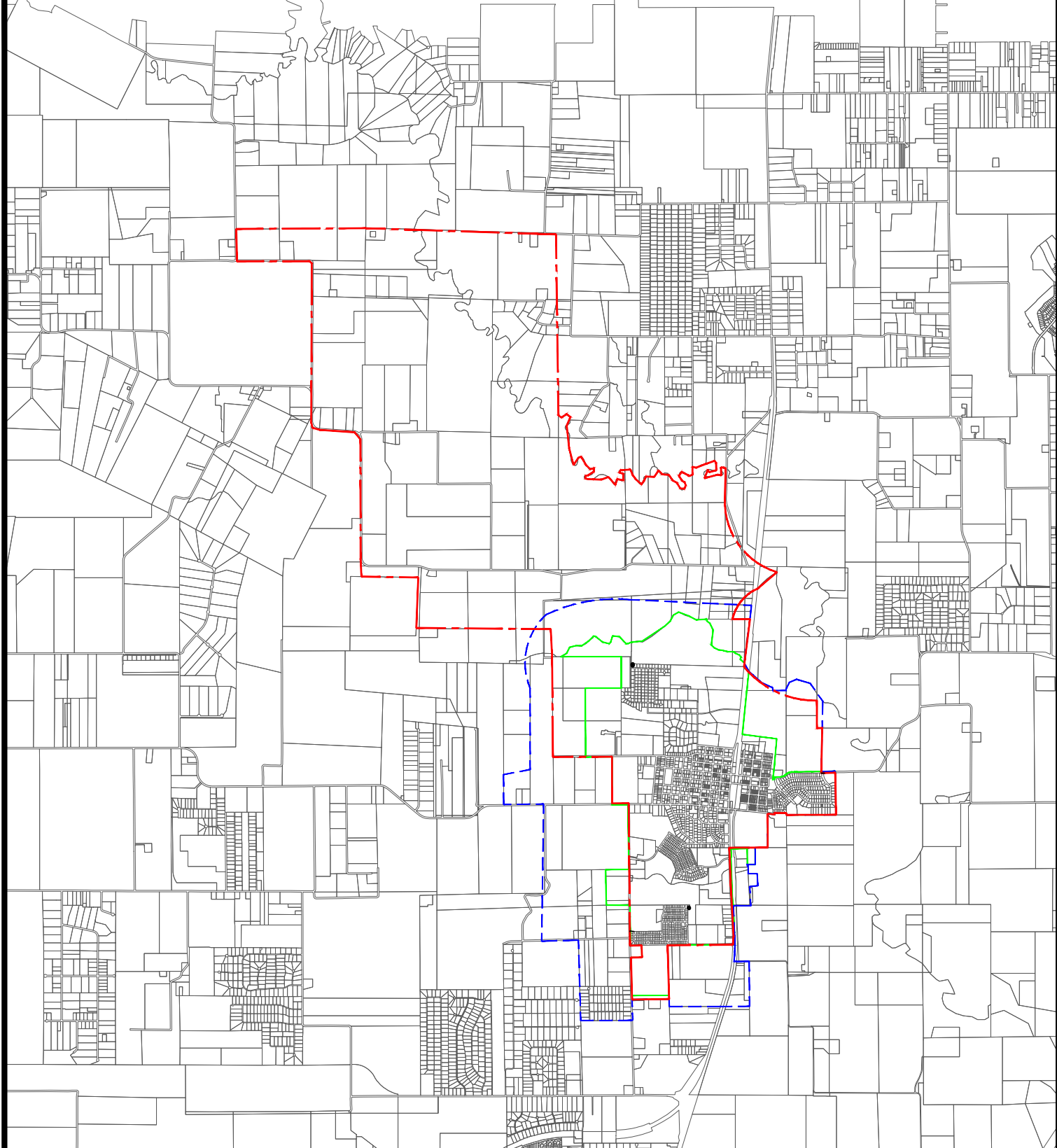
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PLANS PREPARED UNDER THE DIRECT SUPERVISION OF CHRISTOPHER J. DIA, P.E. TEXAS REGISTRATION NO. 112732
DATE: 04/20/2017

LEGEND

CITY OF JUSTIN WATER CCN



INFORMATION SHOWN IS FOR GENERAL REFERENCE AND SHOULD NOT BE USED FOR SPECIFIC PROPERTY OWNERSHIP OR DESCRIPTION.



OVERALL LIMITS OF JUSTIN, TX.

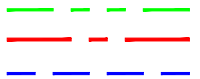


JUSTIN
1887

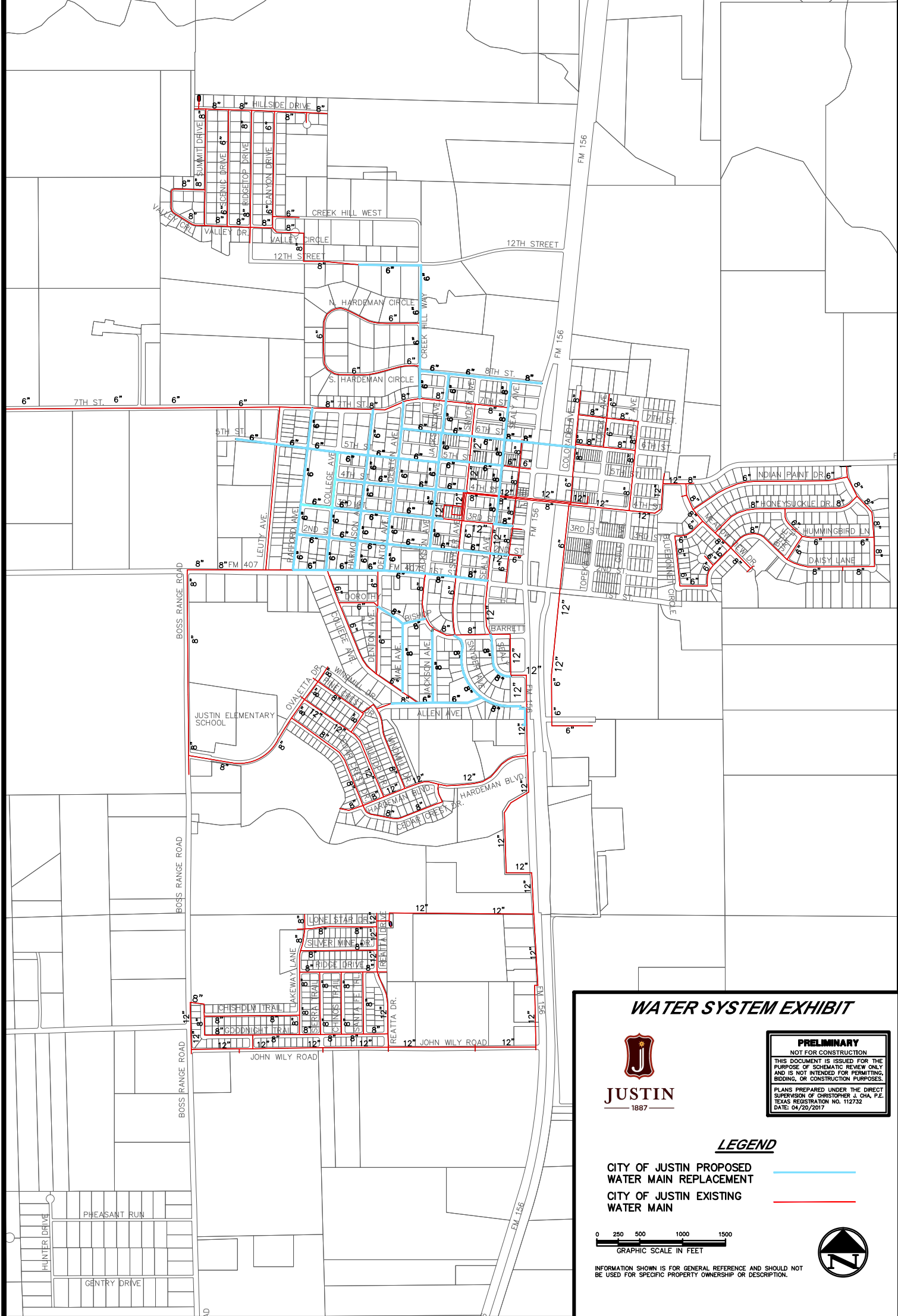
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PURPOSE OF SCHEMATIC REVIEW ONLY
AND IS NOT INTENDED FOR PERMITTING,
BIDDING, OR CONSTRUCTION PURPOSES.
PLANS PREPARED UNDER THE DIRECT
SUPERVISION OF CHRISTOPHER J. OHA, P.E.
TEXAS REGISTRATION NO. 112732
DATE: 04/20/2017

LEGEND

- CITY OF JUSTIN CITY LIMITS
- CITY OF JUSTIN WATER CCN
- CITY OF JUSTIN ETJ



INFORMATION SHOWN IS FOR GENERAL REFERENCE AND SHOULD NOT
BE USED FOR SPECIFIC PROPERTY OWNERSHIP OR DESCRIPTION.



WATER SYSTEM EXHIBIT



JUSTIN
1887

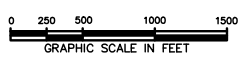
PRELIMINARY
NOT FOR CONSTRUCTION

THIS DOCUMENT IS ISSUED FOR THE PURPOSE OF SCHEMATIC REVIEW ONLY AND IS NOT INTENDED FOR PERMITTING, BIDDING, OR CONSTRUCTION PURPOSES.

PLANS PREPARED UNDER THE DIRECT SUPERVISION OF CHRISTOPHER J. CHA, P.E. TEXAS REGISTRATION NO. 112732 DATE: 04/20/2017

LEGEND

- CITY OF JUSTIN PROPOSED WATER MAIN REPLACEMENT ———
- CITY OF JUSTIN EXISTING WATER MAIN ———



INFORMATION SHOWN IS FOR GENERAL REFERENCE AND SHOULD NOT BE USED FOR SPECIFIC PROPERTY OWNERSHIP OR DESCRIPTION.

Project Schedule

- a) Requested loan closing date: 01-02-2018
- b) Estimated date to submit environmental planning documents.: 06-01-2018
- c) Estimated date to submit engineering planning documents.: 04-28-2017
- d) Estimated date for completion of design.: 03-02-2026
- e) Estimated Construction start date for first contract.: 09-24-2018
- f) Estimated Construction end date for last contract: 08-30-2027

Table 5D.104

2016 Region C Water Plan, Page 5D.104

	2020	2030	2040	2050	2060	2070
Projected Population	3640*	8,325	12,000	12,000	10,000	12,000
Demand	695	1212	1733	1729	1728	1727

*Per City's Estimate

Cost Estimates

PROJECT BUDGET - City of Justin Water S

Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	TWDB Funds Series 4
Construction				
Construction	\$1,910,000	\$1,910,000	\$1,910,000	\$1,910,000
Subtotal Construction	\$1,910,000	\$1,910,000	\$1,910,000	\$1,910,000
Basic Engineering Fees				
Planning +	\$0	\$0	\$0	\$0
Design	\$152,400	\$152,400	\$152,400	\$152,400
Construction Engineering	\$18,000	\$18,000	\$18,000	\$18,000
Basic Engineering Other**				
-	\$0	\$0		
Subtotal Basic Engineering Fees	\$170,400	\$170,400	\$170,400	\$170,400
Special Services				
Application	\$0	\$0	\$0	\$0
Environmental	\$0	\$0	\$0	\$0
Water Conservation Plan	\$0	\$0	\$0	\$0
I/I Studies/Sewer Evaluation	\$0	\$0	\$0	\$0
Surveying	\$36,000	\$36,000	\$36,000	\$36,000
Geotechnical	\$5,600	\$5,600	\$5,600	\$5,600
Testing	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0

O&M Manual	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$36,000	\$36,000	\$36,000	\$36,000
Pilot Testing	\$0	\$0	\$0	\$0
Water Distribution Modeling	\$0	\$0	\$0	\$0
Special Services Other **SUE	\$22,000	\$22,000	\$22,000	\$22,000
Subtotal Special Services	\$99,600	\$99,600	\$99,600	\$99,600
Other				
Administration	\$0	\$0	\$0	\$0
Land/Easements Acquisition	\$0	\$0	\$0	\$0
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0
Other ***	\$0	\$0	\$0	\$0
Subtotal Other Services	\$0	\$0	\$0	\$0
Fiscal Services				
Financial Advisor	\$20,000	\$20,000	\$20,000	\$20,000
Bond Counsel	\$10,000	\$10,000	\$10,000	\$10,000

Issuance Cost	\$40,000	\$40,000	\$40,000	\$40,000
Bond Insurance/Surety	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0
Capitalized Interest	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0
Other ***	\$0	\$0	\$0	\$0
Subtotal Fiscal Services	\$70,000	\$70,000	\$70,000	\$70,000
Contingency	\$150,000	\$150,000	\$150,000	\$150,000
Subtotal Contingency	\$150,000	\$150,000	\$150,000	\$150,000
TOTAL COSTS	\$2,400,000	\$2,400,000	\$2,400,000	\$2,400,000

Other ** description must be entered

+ For Planning applications under the EDAP Program, please break down Planning costs as follows:

Category A
Category B
Category C
Category D
Total Planning Costs

WIFT Water System Improvements

TWDB Funds Series	Total TWDB Cost	Other Funds	Total Cost
5			
\$1,910,000	\$9,550,000	\$0	\$9,550,000
\$1,910,000	\$9,550,000	\$0	\$9,550,000
\$0	\$0	\$0	\$0
\$152,400	\$762,000	\$0	\$762,000
\$18,000	\$90,000	\$0	\$90,000
\$0	\$0	\$0	\$0
\$170,400	\$852,000	\$0	\$852,000
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$36,000	\$180,000	\$0	\$180,000
\$5,600	\$28,000	\$0	\$28,000
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0

\$0	\$0	\$0	\$0		
\$36,000	\$180,000	\$0	\$180,000		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$22,000	\$110,000	\$0	\$110,000		
\$99,600	\$498,000	\$0	\$498,000		
\$0	\$0	\$100,000	\$100,000		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$100,000	\$100,000		
\$20,000	\$100,000	\$0	\$100,000		
\$10,000	\$50,000	\$0	\$50,000		

\$40,000	\$200,000	\$0	\$200,000		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$0	\$0	\$0	\$0		
\$70,000	\$350,000	\$0	\$350,000		
\$150,000	\$750,000	\$0	\$750,000		
\$150,000	\$750,000	\$0	\$750,000		
\$2,400,000	\$12,000,000	\$100,000	\$12,100,000		
			0		
			0		
			0		
			0		
	0	0	0		

Texas Water Development Board Water Project Information							
A. Project Name City of Justin		B. Project No.		C. County Denton		D. Regional Planning Group (A-P) C	
E. Program(s) SWIFT		F. Loan <input checked="" type="checkbox"/> : \$ <u>12,000,000</u> Principal Forgiveness <input type="checkbox"/> : \$ _____ Grant <input type="checkbox"/> : \$ _____		G. Loan Term: 20 years			
H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc) The project would consist of replacing excessively leaking pipes within the City's Old Town area. The water lines would be replaced with a minimum 6" water main, which is the City's current minimum pipe size for residential areas and an 8" water main, the minimum pipe size for commercial areas. The Old Town portion of Justin is located in the center of town, and the City's primary water source is surface water from Upper Trinity Regional Water District, is delivered directly. Attach map of service area affected by Project or other documentation.							
I. Is an Inter Basin Transfer potentially involved? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>			J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
K. Service Area Projected Population for at least a 20 year period: (if different from Planning Area, discuss in separate attachment)	Current Population		Projected Population				
	Year:	20	2020	2025	2030	2035	2040
	Population:	3640	4650	6488	8325	10163	12000
Project Design Year: (Year for which project will be sized)		2040		Design Population: (Population served by project on the design year)		12,000	
L. Is the proposed project included in a current Regional Water Plan? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: <u>5D.105</u>)							
M. What type of water source is associated directly with the proposed project? Surface Water <input checked="" type="checkbox"/> Groundwater <input checked="" type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? <u>35</u> Acre-Foot/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Upper Trinity Regional Water District		CN600639272		Denton		310,250,000 Gal/Year	
Groundwater Source Aquifer		Well Field location		Source County		Annual Volume and Unit	
Trinity Basin/Other Aquifer		Justin		Denton		157,680,000 Gal/Year	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names		Certificate No.		Source County		Annual Volume and Unit	
Upper Trinity Regional Water District		CN600639272		Denton		310,250,000 Gal/Year	
Groundwater Source Aquifer		Well Field location:		Source County		Annual Volume and Unit	
Trinity Basin/Other Aquifer		Justin		Denton		310,250,000 Gal/Year	
R. Consulting Engineer Name			Telephone No.		E-mail address		
Pacheco Koch			817-412-7155		CCha@p-kce.com		
S. Applicant Contact Name, Title			Telephone No.		E-mail address		
Cori Reaume			940-648-2541		citymanager@cityofjustin.com		

Property Rights

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?: Y

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
-------------------------------	--	--	------------------------------	--------------------------------

STATE OF TEXAS §

COUNTY OF DENTON §

§

SURFACE WATER AFFIDAVIT

Before me, the undersigned notary, on this day personally appeared a person Cori Reaume whose identity is known to me. After I administered an oath to him/her, upon his/her oath he/she said:

1. I am over 18 years of age, of sound mind, and capable of making this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am an authorized representative of the City of Justin, Texas, an entity that has filed an application for financial assistance with the Texas Water Development Board for a project that proposes the development of a new surface water supply source.
3. Does the applicant possess a Certificate of Adjudication and/or Water Rights Permit(s) issued by the Texas Commission on Environmental Quality or a predecessor agency authorizing the appropriation and use of the surface water needed for the Project?

Yes

No

Please attach a copy of the Certificate(s) of Adjudication and Water Rights Permit(s).

Item attached: Yes

No

4. Does the applicant have the contractual right to use the surface water from an entity that enjoys the right to appropriate and use the surface water needed for the project?

Yes

No

Please attach a copy of any draft or executed water supply contract, lease or other legal instrument providing contractual authorization to use the surface water needed for the Project.

Item attached: Yes

No

Please identify the Certificate of Adjudication(s) and Water Rights Permit(s) possessed by the wholesale water provider pursuant to which the contract, lease or other legal instrument has been or will be executed.

Certificate of Adjudications: No. 03-4797

Item attached: Yes No

Water Rights Permit(s): TCEQ Water Use Permit No 5778

Item attached: Yes No

Signed the day of April 26th, 2017

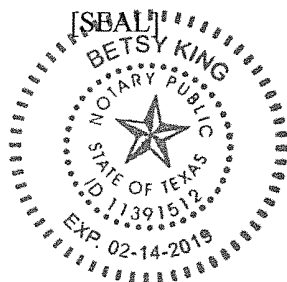
Name: Cori Reaume (Cori Reaume)

Title: City Manager

Sworn to and subscribed before me by Cori Reaume on April 26,
2017

Betsy King

Notary Public in and for the State of Texas



My Commission expires: 2-14-2019

STATE OF TEXAS §
§
COUNTY OF Denton §

GROUND WATER AFFIDAVIT

Before me, the undersigned notary, on this day personally appeared Cori Reaume, a person whose identity is known to me. After I administered an oath to him/her, upon his/her oath he/she said:

- 1. I am over 18 years of age, of sound mind, and capable of making this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
- 2. I am an authorized representative of City of Justin, Texas, an entity that has filed an application for financial assistance with the Texas Water Development Board for a project that proposes the development of a new groundwater supply source.
- 3. Does the applicant own the proposed well site(s)?

Yes No

- (a) Attach a copy of the property deed(s), contracts or other legal instrument documenting the ownership of the project site(s).

Item attached: Yes No

- (b) Were the groundwater water rights conveyed or otherwise transferred by a predecessor in title prior to the applicant's acquisition of the project site(s)?

Yes No

- 4. Does the applicant intend to acquire title to the proposed well site(s)?

Yes No

Attach a copy of a notice of intent to acquire property, a draft purchase agreement, an option to purchase property or other document showing that the applicant is in the process of acquiring the property on which the well Site(s) is to be located.

Item attached: Yes No

5. Does the applicant lease the proposed well site(s)?

Yes No

Attach a copy of the executed lease agreement(s) or other contractual arrangement documenting that the applicant has the right to drill for and produce groundwater at the project site(s).

Item attached: Yes No

6. Does the applicant intend to lease the proposed well site(s)?

Yes No

Attach a copy of the draft lease agreement(s) or other contractual arrangement documenting that the applicant is in the process of acquiring the contractual right to drill for and produce groundwater at the project site(s).

Item attached: Yes No

7. Is the project located within the boundaries of a groundwater conservation district?

Yes No

- (a) Attach all groundwater district permits issued by the district authorizing groundwater production from the proposed groundwater well(s).

Item attached: Yes No

- (b) Attach copies of all applications filed with a groundwater conservation district for any permit(s) required for the proposed groundwater well(s).

Item attached: Yes No

Signed the 27 day of April, 2017.

Cori Reaume (Cori Reaume)
Name

City Manager
Title

Sworn to and subscribed before me by Cori Reaume

on April 27, 2017.



Betsy King
Notary Public in and for the State of Texas

Permits & Easements

Are any major permits necessary for completion of the project?: N

Has the applicant obtained all necessary land and easements for the project?: Y

LEGAL CERTIFICATION – OWNERSHIP INTEREST

I certify that City of Justin

(Legal Name of Applicant, e.g. City, District, etc.)

Option A: has acquired the necessary real property interest, as evidenced by fee simple purchase, deed, fully executed earnest money contracts, or completion of eminent domain proceedings; that such acquisition will guarantee access and egress; and such interest will contain the necessary easements, rights of way, or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below.

Option B: is in the process of acquiring the necessary real property interest, as evidenced by earnest money contracts, contracts for sale, firm option agreements to purchase the subject property, or the initiation of eminent domain procedures; that such acquisition will guarantee access and egress; and such interest will contain the necessary easements, rights of way, or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below. The anticipated date of acquisition is:

_____.

The property has been/will be acquired with the use of eminent domain: True False

Location and Description of Property Interests acquired for Project:

Proposed project is contained within the existing street Right of Way within Old Town Justin.

Any deeds or other instruments required to be recorded to protect the title(s) held by City of Justin (Legal Name of Applicant)

have been recorded or filed for the record in the County deed records or other required location. The following documents are attached hereto:

Description of documents that were used or will be used to acquire the property:

Proposed project is contained within the existing street Right of Way within Old Town Justin.

EXECUTED this 26th day of April, 2017.

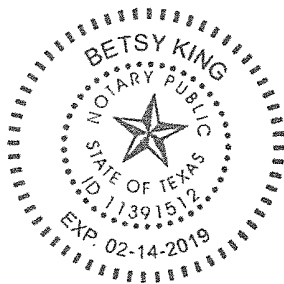
Cori Reaume (Signature)

Cori Reaume (Print Name)

City Manager (Title)

Sworn to and subscribed before me by Cori Reaume on this 26 day of April, 2017.

Betsy King (Notary Public in and for the State of Texas)



[SEAL]

Environmental Determination

Has a Categorical Exclusion (CE), Determination of No Effect, Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?: Y



P.O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

June 15, 2017

TO ALL POTENTIALLY INTERESTED PARTIES:

RE: City of Justin (SWIFT Project No. 51045) – Water Line Replacement Project

The attached document is being provided for your information. This is not a permit application. No action is required from your agency. This project does not involve federal funds.

The attached document is an environmental determination issued by the Texas Water Development Board (TWDB) for a proposed project to be funded through the TWDB. Pursuant to the environmental assessment requirements of 31 Texas Administrative Code § 363.14, the Executive Administrator of the TWDB has determined that the proposed action described in the attached document may be exempted from formal environmental review requirements. A review by TWDB staff included a consideration of potential environmental impacts and permitting requirements. If there were any concerns about particular regulations or permits, the appropriate regulatory agency would have been contacted for clarification, and this would be described in the attached environmental determination.

Comments regarding this determination may be submitted to the Director of Regional Water Project Development, Texas Water Development Board, P.O. Box 13231, Austin, Texas 78711-3231.

Our Mission

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

Board Members

Bech Bruun, Chairman | Kathleen Jackson, Board Member | Peter Lake, Board Member
Jeff Walker, Executive Administrator



P.O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

June 15, 2017

DETERMINATION OF NO EFFECT

TO ALL POTENTIALLY INTERESTED AGENCIES:

Pursuant to the environmental assessment requirements of 31 Texas Administrative Code (TAC) § 363.14, the Executive Administrator of the Texas Water Development Board (TWDB) has determined that the proposed action identified below may be exempted from formal environmental review requirements:

City of Justin, Denton County, Texas
Water Line Replacement Project
SWIFT Project No. 51045
Total Anticipated Project Cost: \$12,100,000

The City of Justin (City) is proposing to use funding from a \$12,000,000 State Water Implementation Fund for Texas loan to replace excessively leaking pipes within the City’s Old Town area. The Old Town portion of the City is located in the center of town, and the City’s primary water source, surface water from Upper Trinity Regional Water District, is delivered directly to an elevated tank in Old Town. As this elevated tank supplies the other parts of the City, it is a critical portion of the City’s water infrastructure. This critical part of the system is significantly hindered from working properly due to the leaking water mains surrounding the elevated tank. Additionally, many times when leaks occur in Old Town, the elevated tank has to be taken out of service in order to work on the water mains, as sufficient valves are not present either. This project is proposed to replace the existing mains with modern and appropriate water pipe to help the City conserve water and operate a more efficient water system.

To address these deficiencies, the City proposes to replace approximately 37,550 linear feet of 6- and 8-inch water mains composed of asbestos cement, thin wall polyvinyl chloride (PVC), and cast iron with DR-18 PVC pipe. All construction will occur within the public rights-of-way (ROW). The pipeline will be installed by open cut trenching, except at creek crossings, which will be constructed using horizontal directional drilling or boring techniques to avoid impacts to creeks. The existing pipeline will be abandoned in place.

There are no significant or potentially significant sites within or adjacent to the project footprint, according to Texas Historical Commission’s Archeological Sites Atlas, nor is it within the protected area surrounding a historic cemetery, structure, or district.

Our Mission : Board Members

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

Bech Bruun, Chairman | Kathleen Jackson, Board Member | Peter Lake, Board Member
Jeff Walker, Executive Administrator

City of Justin, Denton County, Texas

June 15, 2017

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The proposed project crosses an unnamed tributary of Trail Creek and the associated 100-year floodplain. To avoid impacts to the creek and the floodplain, boring techniques will be used. In addition, construction within existing ROW is not expected to impact threatened or endangered species or habitat.

This decision is allowed because the specified project elements should not cause significant adverse impacts to the quality of the human environment. Documentation supporting this determination is on file at the TWDB.

This determination shall be revoked if it is found that:

- (1) the project no longer meets the requirements for a categorical exclusion from a full environmental review as a result of changes in the project;
- (2) the project involves extraordinary circumstances as described in 31 TAC § 363.14;
or
- (3) the project may violate or has violated federal, state, local, or tribal laws.

The project also must comply with the following conditions:

- Standard emergency condition for the discovery of cultural resources; and
- Standard emergency condition for the discovery of threatened and endangered species.

Comments regarding this determination may be submitted to the Director of Regional Water Project Development, Texas Water Development Board, P.O. Box 13231, Austin, Texas 78711-3231.

Sincerely,



T. Clay Schultz, Ph.D., Director
Regional Water Project Development

CS/LD dur

Attachment

JUSTIN, TEXAS
 USGS MAP WITH
 PROP. WATER IMPROVEMENTS

PROPOSED IMPROVEMENTS
 IN GREEN

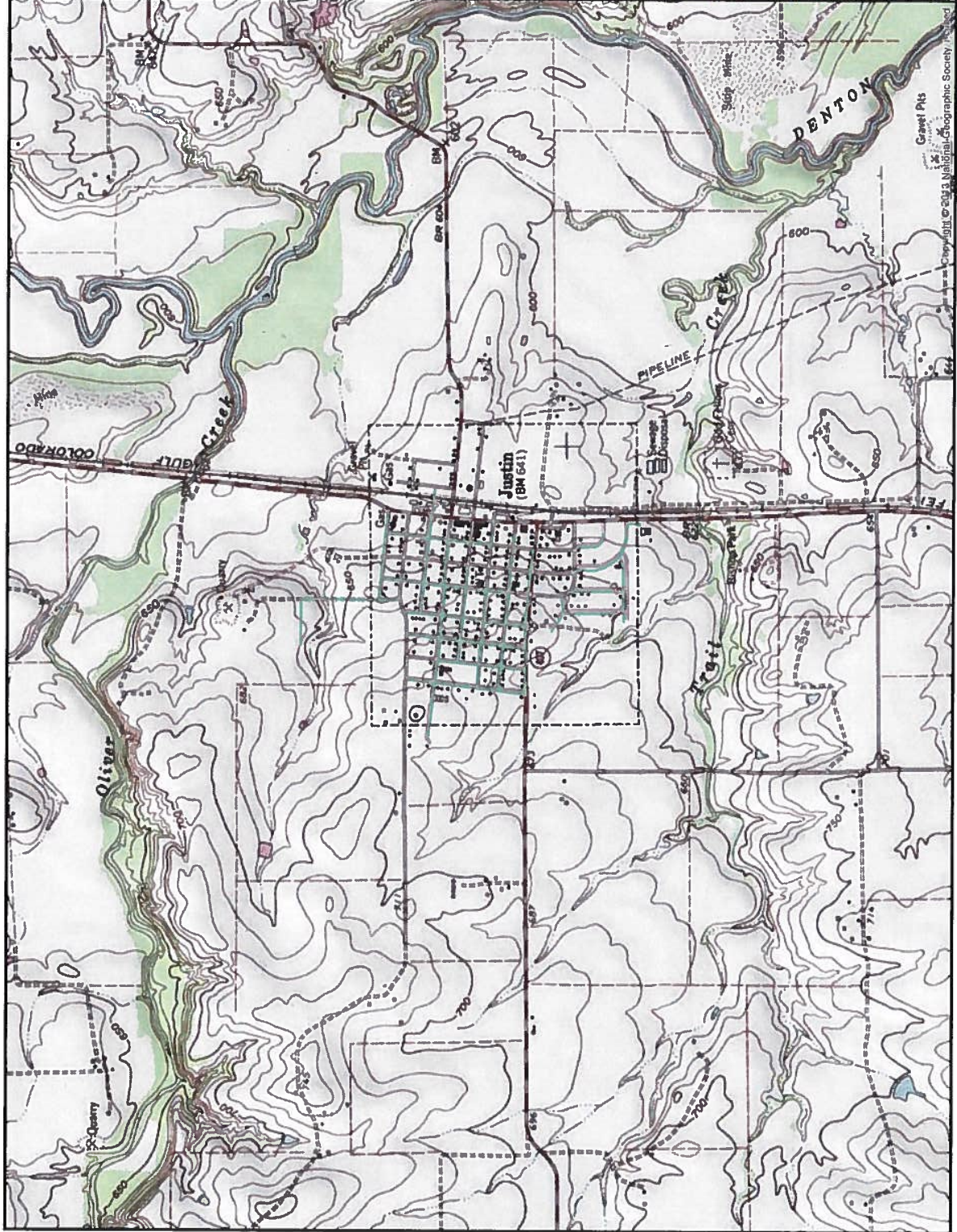
DATUM
 NAD 1983 Texas State Plane
 North Central Zone FIPS 4202



VICINITY MAP



May 22, 2017
 MAP X OF X



CE/DNE

Is the project potentially eligible for a CE/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?: Y

Adverse Environmental/Social Impacts

Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?: N

Associated PIF(s)

PIF number(s):

PIF ID #12199

Associated PIF PDF

The following document is for associated PIF #12199

Texas Water

Development Board

OLA ID 623354

PIF No. 12199

Entity Name: Justin

Project Name: Justin Enhanced Water Loss
Control and Conservation
Program

TABLE OF CONTENTS

General Information

Contact Information

Service Area

Project Description

Document - WaterSystemList

Readiness to Proceed to Construction

Estimated Costs

Document - AnticipatedCommitments

Submittal

General Information

Project Information

Funding Type: SWIFT

Contact Information

County: Denton

Entity Contact Information	Engineering Firm Contact Information
Name of Entity: Justin	Name of New Entity:
Prefix: Ms.	Prefix:
First Name: Cori	First Name:
Last Name: Reaume	Last Name:
Addr 1: 415 N College Avenue	Addr 1:
Addr 2:	Addr 2:
City: Justin	City:
State: TX	State:
Zip: 76247-9429	Zip:
Phone: (940) 648-2541	Phone:
Fax: (940) 648-0091	Fax:
Suffix:	Suffix:
OrgName:	OrgName:
DeptName:	DeptName:
Title: Interim City Manager	Title:
Email: citymanager@cityofjustin.com	Email:
	Firm Name:
Make Changes: Y	Make Changes: Y
No Entity TxWISE Id	No Engineering TxWISE Id

Service Area

Population Served: 4,650

Project Description

Project Name: Justin Enhanced Water Loss Control and Conservation Program

Where can Project be found in the most recent Regional Water Plan?

Project listed on page: : 5D.104

Capital costs on page: : 5D.123

Region: C - REGION C

Phase(s) Applied For

Planning: Y

Acquisition: Y

Design: Y

Construction: Y

Emergency

Applicant/entity's water supply will last less than 180 days.: N

Water Supply need occurs earlier than anticipated in the State Water Plan: N

Applicant has received or applied for Federal emergency funding.: N

None of the above.: Y

Agricultural Efficiency Project?: N

Estimated average annual residential water bill: \$1,950

Annual Median Household Income: \$73,000

Project will produce water: N

Project will conserve water: Y

Please provide the volume of water anticipated to be produced or conserved by the project per decade:

2020	2030	2040	2050	2060	2070
35	0	0	0	0	0

Project will address water loss: N

Project Long Desc: The project would consist of replacing excessively leaking pipes within the City's Old Town area. The water lines would be replaced with a minimum 6" water main, which is the City's current minimum pipe size for residential areas and an 8" water main, the minimum pipe size for commercial areas.

The Old Town portion of Justin is located in the center of town, and the City's primary water source, surface water from Upper Trinity Regional Water District, is delivered directly to an elevated tank in Old Town. As this elevated tank supplies the other parts of the City, it is a critical portion of the Justin's water infrastructure. This critical part of the system is significantly hindered from working properly due to the leaking water mains surrounding the elevated tank. Additionally, many times when leaks occur

in Old Town the elevated tank has to be valved off in order to work on the water mains as sufficient valves are not present either. This project is proposed to replace these mains with

modern and appropriate water pipe to help the City of Justin conserve water and operate a more efficient water system.

We estimate the total cost of these improvements at approximately \$12,000,000.00

Readiness to Proceed to Construction

Preliminary planning or design work (30% of total project) has been completed or is not required.:
Y

Applicant is prepared to begin implementation or construction within 18 months of application
deadline.: Y

Applicant has acquired all water rights associated with the proposed project, or none will be
required.: Y

Estimated Costs

TWDB Requested Amount

Low-Interest Loan Amount: \$12000000.00

Deferred Loan Amount:

Board Participation Amount:

Local Contribution Amount: \$500000.00

Other Amount:

Other Desc:

Total Estimated Project Costs: \$12500000.00

Submittal

I, NO SUBMITTED NAME ENTERED, as the designated authorized representative of the Justin, hereby approve and authorize the submission of this project information form to the Texas Water Development Board. I certify that all information contained herein is true and correct to the best of my knowledge. I understand the failure to submit a complete project information form by the stated deadlines may result in the withdrawal of the form without review.

Submitted by: NO SUBMITTED NAME ENTERED

Telephone Number: NO SUBMIT PHONE NUMBER ENTERED

Submitted date: NO SUBMIT DATE ENTERED