

CITY OF CELINA, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

**City of Celina, Texas
Annual Financial Report
Year Ended September 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	4
<u>Required Supplementary Information</u>	
Management's Discussion and Analysis.....	7
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position.....	23
Statement of Activities.....	24
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Fund Net Position - Proprietary Fund.....	28
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund.....	29
Statement of Cash Flows - Proprietary Fund.....	30
Notes to Financial Statements.....	32
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule - General Fund.....	52
Schedule of Funding Progress.....	53

**City of Celina, Texas
Annual Financial Report
Year Ended September 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
<u>Supplementary Schedules (unaudited)</u>	
Schedule of Delinquent Taxes Receivable.....	55
Historical Schedule of Assessed Property Valuation.....	56
Historical Schedule of Property Tax Rates.....	57
Additional Information.....	58

FINANCIAL SECTION

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Independent Auditor's Report

To the City Council
City of Celina, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

Respectfully submitted,

Scott, Singleton, Fincher and Company, PC

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

February 9, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS:

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

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

USING THIS ANNUAL REPORT:

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

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

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

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

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

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

CAPITAL ASSET AND DEBT ADMINISTRATION:

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

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

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

The accompanying notes are an integral part of these financial statements

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

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,331,133	\$ 561,801	\$ -	\$ 3,892,934
Investment in Texpool	2,375			2,375
Cash and cash equivalents - restricted			14,161,704	14,161,704
Sales taxes receivable	96,030			96,030
Property taxes receivable, net	40,278	7,672		47,950
EMS receivable, net	30,586			30,586
Other receivables	63,056			63,056
Prepaid items	20,784			20,784
Due from other funds	400,000			400,000
Due from component units	45,582			45,582
Total Assets	\$ 4,029,824	\$ 569,473	\$ 14,161,704	\$ 18,761,001
Liabilities				
Accounts payable	151,468		386,902	538,370
Accrued salaries and benefits	524,762	153		524,915
Due to other funds		20,278	2,378,019	2,398,297
Unearned revenue	250,000		516,320	766,320
Total Liabilities	926,230	20,431	3,281,241	4,227,902
Deferred Inflows of Resources				
Unavailable property taxes receivable	45,634	7,672		53,306
Total Deferred Inflows of Resources	45,634	7,672	-	53,306
Fund Balances				
Nonspendable:				
Prepays	20,784			20,784
Restricted for:				
Capital Projects			10,880,463	10,880,463
Debt Service		541,370		541,370
Unassigned	3,037,176			3,037,176
Total Fund Balances	3,057,960	541,370	10,880,463	14,479,793
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,029,824	\$ 569,473	\$ 14,161,704	\$ 18,761,001
Governmental fund balances as presented above:				14,479,793
Amounts presented for governmental activities in the statement of net position are different because:				
Capital assets reported in the statement of net position are not financial resources and are not reported in the fund balance sheet.				21,612,194
Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred property taxes of \$53,306 and EMS and fines receivable of \$52,641 and \$13,288.				119,235
Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the date due.				(73,016)
Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet.				(20,034,243)
Net Position of Governmental Activities				\$ 16,103,963

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Introduction and Summary of Significant Accounting Policies

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

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

(A) Reporting Entity and Related Organizations

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

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

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

Discretely Presented Component Units:

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

Neither CEDC nor CCDC prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

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

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

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

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

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

Proprietary Funds

The City reports the following major Proprietary fund:

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

(E) Assets, Liabilities and Net Position or Equity

Cash and Investments

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

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

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

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

Inventories and Prepaids

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

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

Deferred Inflows and Outflows of Resources

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

1. Introduction and Summary of Significant Accounting Policies - continued

Capital Assets, Depreciation, and Amortization

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

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

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

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

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

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

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

Fund Equity

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

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

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

1. Introduction and Summary of Significant Accounting Policies – continued

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

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

Unassigned - all other spendable amounts in the general fund.

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

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

Compensated Absences

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

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

(F) Risk Management

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

1. Introduction and Summary of Significant Accounting Policies – continued

(G) Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

3. Deposits and Investments

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

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

3. Deposits and Investments - continued

Investments

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

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

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

Operating funds - 30 days

Capital project funds - corresponding draw schedules

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

Bond reserve funds - (5) five years

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

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

4. Receivables, Uncollectible Accounts, and Unearned Revenue

Proprietary Fund Receivables, Uncollectible Accounts and Unearned Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Allowance for Uncollectible Taxes

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

Fines and Court Costs Receivable and Related Allowances

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

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

Grants Receivable

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

5. Capital Assets

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

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

5. Capital Assets - continued

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

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

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

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

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

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

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

Business-type Activities - Revenue Bonds

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

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

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

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

6. Long-Term Obligations - continued

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

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

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

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

Debt Service Requirements to Maturity

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

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

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

6. Long-Term Obligations - continued

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

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

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

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

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

Special Assessment Revenue Bonds

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

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

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

7. Retirement Plan

Plan Description

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

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

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

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

Contributions

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

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

7. Retirement Plan - continued

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

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

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

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

Funding Status and Funding Progress –

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

7. Retirement Plan - continued

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

Analysis of Funding Progress
(in Thousands of Dollars)

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

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

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

8. Litigation

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

9. Contingencies

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

10. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

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

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

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

Transfers and Payments

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

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

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

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

11. Operating Leases

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

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

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

12. Economic Dependence

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

13. Commitments

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

SCHEDULE NOTES:

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

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

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

SUPPLEMENTARY SCHEDULES

CITY OF CELINA, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2014 (Unaudited)

<u>Tax Roll Year</u>	<u>Fiscal Year Ended September 30</u>	<u>Outstanding Balance</u>
2013	2014	\$ 24,696
2012	2013	7,095
2011	2012	4,010
2010	2011	4,058
2009	2010	2,348
2008	2009	2,476
2007	2008	1,696
2006	2007	2,215
2005	2006	2,310
	2004 and prior	<u>2,372</u>
	Allowance for uncollectible tax	<u>(5,326)</u>
	Delinquent tax receivable, net	<u>\$ 47,950</u>

CITY OF CELINA, TEXAS
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION
YEAR ENDED SEPTEMBER 30, 2014 (Unaudited)

<u>Tax Roll Year</u>	<u>Fiscal Year Ended September 30</u>	<u>Net Taxable Valuation</u>
2013	2014	505,896,214
2012	2013	478,640,217
2011	2012	461,631,888
2010	2011	454,151,622
2009	2010	453,846,095
2008	2009	463,330,201
2007	2008	418,824,688
2006	2007	284,847,298
2005	2006	224,412,066
2004	2005	181,232,497

**CITY OF CELINA, TEXAS
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED SEPTEMBER 30, 2014 (Unaudited)**

Tax Roll Year	Fiscal Year Ended September 30	Tax Rates
2013	2014	0.6450
2012	2013	0.6450
2011	2012	0.6450
2010	2011	0.6450
2009	2010	0.6450
2008	2009	0.6450
2007	2008	0.6550
2006	2007	0.6900
2005	2006	0.7400
2004	2005	0.7500

CITY OF CELINA, TEXAS
Additional Information (Unaudited)
September 30, 2014

Name	Title	Date First Elected to Council	Current Term Expires
Sean Terry	Mayor	2008	2017
George Kendrick	Council Member	2013	2016
Vincent Ramos	Council Member	2013	2015
Chad Anderson	Council Member	2013	2016
Wayne Nabors	Council Member	2007	2015
Carmen Roberts	Council Member	2011	2017
Lori Vaden	Council Member	2014	2017

City Manager
Mike Foreman

City Secretary
Vicki Faulkner

Water Operator
David Stone

- Class Certificate: C
- Date of Last Chemical Analysis of Water: August 11, 2014
- Number of Residential/Commercial Water Users with one inch meters: Approximately 346
- Number of Residential/Commercial Water Users with 3/4 inch meters: Approximately 2,400
- Number of Commercial Water Users with larger than one inch meters: Approximately 60
- Number of Residential/Commercial Sewer Users with 4 inch meters: Approximately 2
- Number of Commercial Sewers with larger than one inch meters: Approximately 35

CITY OF CELINA, TEXAS
Additional Information (Unaudited)
September 30, 2014

<u>Water Rates</u>	<u>Effective</u>
<u>Residential</u>	<u>December, 2011</u>
0 - 2,000 gallons (Minimum):	
5/8 and 3/4 inch meter	\$ 22.25
1 inch meter	\$ 38.93
1 ½ -inch meter	\$ 77.87
2-inch meter	\$ 124.59
2,001 to 10,000 gallons	\$ 4.96 per 1,000 gal
10,001 to 20,000 gallons	\$ 7.44 per 1,000 gal
20,001 to 30,000 gal	\$ 8.68 per 1,000 gal
30,001 and above gallons	\$ 12.40 per 1,000 gal
<u>Commercial</u>	
0 - 2,000 gallons (Minimum):	
5/8 and 3/4 inch meter	\$ 27.81
1 inch meter	\$ 48.67
1 ½ inch meter	\$ 97.34
2 inch meter	\$ 155.74
3 inch meter	\$ 233.60
4 inch meter	\$ 389.34
2,001 to 10,000 gallons	\$ 4.96 per 1,000 gal
10,001 to 20,000 gallons	\$ 7.44 per 1,000 gal
20,001 to 30,000 gal	\$ 8.68 per 1,000 gal
30,001 and above gallons	\$ 12.40 per 1,000 gal
<u>Sewer Rates</u>	
<u>Residential</u>	
0-2,000 gal (Minimum):	
5/8 and 3/4 inch meter	\$ 20.60
1or 2 inch meter	\$ 38.63
1 ½ inch meter	\$ 72.10
2,001 to 14,000 gal	\$ 5.74 per 1,000 gal
Usage fees cap at 14,000 gal	\$ 89.45 Max
<u>Commercial</u>	
0-2,000 gal (Minimum):	
5/8 and 3/4 inch meter	\$ 25.75
1inch meter	\$ 48.29
1 ½ inch meter	\$ 90.13
2 inch meter	\$ 154.50
4 inch meter	\$ 386.25
2,001 and above gal	\$ 5.74 per 1,000 gal