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FULBRIGHT
& Jaworski L.L.P.
Attorneys at Law

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Telephone: 214 855 8000 • Facsimile: 214 855 8200

[Closing Date]

IN REGARD to the authorization and issuance of the "City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012," dated June 1, 2012, in the principal amount of $4,675,000 (the "Certificates"), we have examined into their issuance by the City of Celina, Texas (the "City") solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Certificates mature on September 1 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"), without right of prior redemption. The Certificates accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

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

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

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

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

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

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

Financial Advisory Services
Provided By

FirstSouthwest

FirstSouthwest
Continuing Disclosure Services
(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated May 13, 2014

Ratings:
S&P: "AA"
Moody's: "A1"
(see "OTHER INFORMATION – Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

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

$5,400,000
CITY OF CELINA, TEXAS
(Collin and Denton Counties)
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014

Dated Date: June 1, 2014
Interest accrues from date of delivery

Due: September 1, as shown on page 2

PAYMENT TERMS. . . Interest on the $5,400,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 (the "Certificates") will accrue from the date of delivery (anticipated to be June 12, 2014), and will be payable March 1 and September 1 of each year commencing March 1, 2015, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE Certificates - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE Certificates - Paying Agent/Registrar").

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

PURPOSE. . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the police, street and park departments, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, (iii) constructing and equipping fire-fighting facilities, (iv) improving and extending the City's combined Waterworks and Sewer System and (v) professional services rendered in connection with such projects and the financing thereof.

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

INSURANCE. . . The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

BAM
BUILD AMERICA MUTUAL

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski LLP, Bond Counsel, Dallas, Texas, a member of Norton Rose Fulbright (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by Haynes and Boone, LLP, Houston, Texas, Counsel for the Underwriter

DELIVERY. . . It is expected that the Certificates will be available for delivery through DTC on June 12, 2014.

BOSC, INC.
A subsidiary of BOK Financial Corporation

MATURITY SCHEDULE

CUSIP Prefix: 151141 [1]

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix [1]
$ 95,000	9/1/2015	2.000%	0.300%	RM2
145,000	9/1/2016	2.000%	0.500%	RN0
150,000	9/1/2017	2.000%	0.830%	RP5
145,000	9/1/2018	2.000%	1.190%	RQ3
145,000	9/1/2019	2.000%	1.530%	RR1
320,000	9/1/2020	3.000%	1.860%	RS9
405,000	9/1/2021	3.000%	2.170%	RT7
410,000	9/1/2022	3.000%	2.420%	RU4
420,000	9/1/2023	3.000%	2.640%	RV2
440,000	9/1/2024	4.000%	2.820%	RW0
230,000	9/1/2025	3.000%	3.120%	RX8
240,000	9/1/2026	3.250%	3.300%	RY6
245,000	9/1/2027	3.250%	3.410%	RZ3
255,000	9/1/2028	4.000%	3.400%	SA7
270,000	9/1/2029	3.500%	3.580%	SB5
275,000	9/1/2030	3.500%	3.640%	SC3
285,000	9/1/2031	4.000%	3.620%	SD1
295,000	9/1/2032	4.000%	3.690%	SE9
310,000	9/1/2033	3.750%	3.860%	SF6
320,000	9/1/2034	4.000%	3.820%	SG4

(Interest to accrue from the date of delivery.)

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after September 1, 2025, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption").

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

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

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

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

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

TABLE OF CONTENTS

The cover pages hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Celina, Texas (the "City") is a political subdivision of the State of Texas (the "State"), and is a home rule municipality located in Collin and Denton Counties, Texas. The City covers approximately 1.7 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The Certificates are issued as $5,400,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 (the "Certificates"). The Certificates are issued as serial certificates maturing September 1 in the years 2015 through 2034 (see "THE CERTIFICATES - Description of the Certificates".

PAYMENT OF INTEREST ON THE CERTIFICATES .... Interest on the Certificates accrues from the date of delivery (anticipated to be June 12, 2014), and is payable March 1 and September 1 of each year, commencing March 1, 2015, until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES .... The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council (the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct certificates of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge (not to exceed $1,000) of the Net Revenues from the operation of the City's Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment of the Certificates").

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Certificates having stated maturities on or after September 1, 2025, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption").

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

USE OF PROCEEDS FOR THE CERTIFICATES .... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the police, street and park departments, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, (iii) constructing and equipping fire-fighting facilities, (iv) improving and extending the City's combined Waterworks and Sewer System and (v) professional services rendered in connection with such projects and the financing thereof.

RATINGS FOR THE CERTIFICATES .... Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA" (Stable Outlook) to the Certificates with the understanding that, concurrently with the delivery of the Certificates, a municipal bond insurance policy will be issued by Build America Mutual Assurance Company. The Certificates have been rated "A1" by Moody's Investors Service (Moody's) without regard to credit enhancement. The Certificates did not receive an underlying rating from S&P or an enhanced rating from Moody's (see "OTHER INFORMATION – Ratings").

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population(1)	Taxable Assessed Valuation (2)	G.O. Tax Debt Outstanding at End of Year (3)	Taxable Assessed Valuation Per Capita	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2010	6,028	$ 464,198,797	$ 6,995,603	$ 77,007	1.51%	$ 1,161
2011	6,780	454,073,487	8,138,013	66,975	1.79%	1,200
2012	7,625	461,631,888	11,796,363	60,539	2.56%	1,547
2013	8,576	482,795,602	16,894,370	56,296	3.50%	1,970
2014	8,600	509,226,019	19,483,778 (4)	59,212	3.83%	2,266

(1) Provided by City staff.
(2) As reported by the Collin and Denton Central Appraisal Districts on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Excludes self-supporting debt. See Table 10 – Computation of Self-Supporting Debt.
(4) Includes the Certificates. Projected, subject to change.

For additional information regarding the City, please contact:

Jay Toutounchian Director of Finance jtoutounchian@celina-tx.gov City of Celina City Hall 142 N. Ohio Street Celina, TX 75009 (972) 382-2682	or	James S. Sabonis Managing Director jim.sabonis@firstsw.com First Southwest Company 325 North Saint Paul, Suite 800 Dallas, Texas 75201 (214) 953-4195

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	On Council Since	Term Expires May
Sean Terry	Mayor	2008	2015
George Kendrick	Council Member	2013	2016
Wayne Nabors	Council Member	2007	2015
Vincent Ramos	Council Member	2009	2015
Carmen Roberts	Council Member	2011	2014
Bill Webber	Council Member	2010	2014
Chad Anderson	Council Member	2013	2016

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years with the City
Mike Foreman	City Manager	3 Years
Jay Toutounchian	City Treasurer	9 Years
Vicki Faulkner	City Secretary	18 Years
Lance Vanzant	City Attorney	11 Years
Joseph Johnson	Director of Public Works	16 Years
Helen-Eve Liebman	Director of Planning and Development Service	3 Years

CONSULTANTS AND ADVISORS

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

Bond Counsel .... Fulbright & Jaworski LLP,
a member of Norton Rose Fulbright
Dallas, Texas

Financial Advisor .... First Southwest Company
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$5,400,000
CITY OF CELINA, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2014

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $5,400,000 City of Celina, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates (the "Ordinance"), except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY... The City is a political subdivision and is a home rule municipality of the State of Texas, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City adopted a Home Rule Charter on May 12, 2007. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers who are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administration officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 6,028, while the estimated 2014 estimated population is 8,600. The City covers approximately 1.7 square miles.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $478.6 million, $12.7 million and $465.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISKS FACTORS

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered from the Certificates' owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the ad valorem taxes and revenues pledged under the Ordinance. In the event the bond insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

In the event bond insurance is purchased, the long-term rating on the Certificates will be dependent in part on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the Certificates insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER INFORMATION - Ratings" herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the City nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

THE CERTIFICATES

PURPOSE FOR THE CERTIFICATES. . . Proceeds from the sale of the Certificates will be used for purpose of paying contractual obligations to be incurred for (i) acquiring equipment and vehicles for the police, street and park departments, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, (iii) constructing and equipping fire-fighting facilities, (iv) improving and extending the City's combined Waterworks and Sewer System and (v) professional services rendered in connection with such projects and the financing thereof.

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

SOURCES OF FUNDS:	
Par Amount of Certificates	$ 5,400,000.00
Net Premium	154,917.95
TOTAL SOURCES	$ 5,554,917.95
USES OF FUNDS:	
Deposit to Project Fund	$ 5,397,748.79
Underwriter's Discount	38,852.17
Costs of Issuance [1]	118,316.99
TOTAL USES	$ 5,554,917.95

(1) Includes bond insurance premium.

DESCRIPTION OF THE CERTIFICATES. . . The Certificates are dated June 1, 2014 (the "Dated Date"), and mature on September 1 in each of the years and in the amounts shown on page 2. Interest will accrue from the date of delivery of the Certificates (anticipated to be June 12, 2014), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year commencing March 1, 2015 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES. . . The Certificates are being issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government, as amended, and an ordinance passed by City Council (the "Ordinance").

SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES. . . The Certificates are payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and from a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Waterworks and Sewer System (the "System"), such pledge being limited to an amount not in excess of $1,000 and, being junior and subordinate to the lien on and pledge of such Net Revenues securing the payment of "Prior Lien Obligations" (identified and defined in the Ordinance) now outstanding and as may be issued hereafter by the City.

In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations without limitation as to principal amount but subject to any applicable terms, conditions or restrictions under law or otherwise as well as the right to issue additional obligations payable from the same sources as are the Certificates and, together with the Certificates, equally and ratably secured by a parity lien on and pledge of the surplus Net Revenues of the System.

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after September 1, 2025, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CERTIFICATEHOLDERS' REMEDIES...The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Certificates and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Certificates do not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the Certificates or the Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the

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

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

TAX INFORMATION

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

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

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City does not tax Freeport property.

The City does not tax "goods-in-transit".

The City does not participate in a Tax Increment Reinvestment Zone.

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

TABLE 1 – ASSESSED VALUATION AND EXEMPTION

2013/2014 Market Valuation Established by the Collin Central Appraisal District (excludes totally exempt property)		$	822,009,772
Less Exemptions/Reductions at 100% Market Value:			
Local Over 65/Disabled Homestread Exemption	9,542,097		
Disabled/Deceased Veterans	2,331,766		
Freeport Property	-		
Agricultural Productivity Value Loss	299,403,554		
10% Value Cap Loss	1,438,673		
Other (Pollution Control)	67,663		312,783,753
2013/2014 Taxable Assessed Valuation		$	509,226,019
General Obligation Debt Principal Outstanding (As of 5/1/2014)			
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2004		$	1,670,000
Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 2007 (TWDB)			1,295,000
General Obligation Refunding Bonds, Series 2007			2,190,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2011			1,355,000
General Obligation Refunding Bonds, Series 2012			3,975,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012			4,535,000
General Obligation Refunding Bonds, Series 2013			4,315,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2013			5,325,000
Total Gross General Obligation Debt Oustanding:		$	24,660,000
Plus:			
The Certificates		$	5,400,000
Less: Self-Supporting General Obligation Debt Principal [(1)]			
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2004		$	323,136
Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 2007 (TWDB)			1,295,000
General Obligation Refunding Bonds, Series 2007			1,582,494
General Obligation Refunding Bonds, Series 2012			3,870,000
Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2012			695,000
The Certificates			2,315,000
Total Self-Supporting General Obligation Debt Principal		$	10,080,630
Total Net General Obligation Debt Principal Outstanding:		$	19,979,370
General Obligation Interest and Sinking Fund Balance as February 28, 2014		$	725,669
Ratio of Gross General Obligation Debt Principal to 2013 Certified Net Taxable Assessed Valuation			4.84%
Ratio of Net General Obligation Debt Principal to 201 Certified Net Taxable Assessed Valuation			3.92%
2013 Certified Net Taxable Assessed Valuation		$	509,226,019

2014 Population (Estimate)		8,600
Per Capita Certified Net Taxable Assessed Valuation	$	59,212
Per Capita Gross General Obligation Debt Principal	$	2,867
Per Capita Net General Obligation Debt Principal	$	2,323

(1) See Table 10 – Computation of Self-Supporting Debt.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2014		2013		2012	
Category	% of Amount	% of Total	% of Amount	% of Total	% of Amount	% of Total
Real, Residential, Single-Family	$ 401,786,855	48.88%	$ 370,116,360	47.35%	$ 356,797,179	48.56%
Real, Residential, Multi-Family	3,661,196	0.45%	3,678,345	0.47%	3,604,153	0.49%
Real, Vacant Lots/Tracts	17,892,261	2.18%	18,789,363	2.40%	20,166,031	2.74%
Real, Acreage (Land Only)	301,321,485	36.66%	299,657,273	38.34%	271,684,923	36.98%
Real, Farm and Ranch Improvements	18,327,338	2.23%	7,401,702	0.95%	6,455,316	0.88%
Real, Commercial	36,111,095	4.39%	35,425,632	4.53%	33,171,319	4.52%
Real, Industrial	10,217,974	1.24%	10,597,198	1.36%	10,150,525	1.38%
Real and Tangible Personal, Utilities	7,367,688	0.90%	6,894,149	0.88%	6,536,343	0.89%
Tangible Personal, Commercial	19,070,220	2.32%	22,961,726	2.94%	18,217,640	2.48%
Tangible Personal, Industrial	-	0.00%	-	0.00%	-	0.00%
Tangible Personal, Other	5,556	0.00%	5,556	0.00%	6,129	0.00%
Real Property, Inventory	6,247,353	0.76%	6,109,649	0.78%	7,895,467	1.07%
Special Inventory	751	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 822,009,772	100.00%	$ 781,636,953	100.00%	$ 734,685,025	100.00%
Less: Total Exemptions/Reductions	312,783,753		298,841,351		273,053,137	
Taxable Assessed Value	$ 509,226,019		$ 482,795,602		$ 461,631,888	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2011		2010	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 355,655,821	55.07%	$ 354,177,320	54.80%
Real, Residential, Multi-Family	4,234,792	0.66%	4,394,693	0.68%
Real, Vacant Lots/Tracts	20,137,648	3.12%	20,886,310	3.23%
Real, Acreage (Land Only)	190,992,338	29.57%	183,268,943	28.35%
Real, Farm and Ranch Improvements	6,038,355	0.94%	6,155,047	0.95%
Real, Commercial	33,647,732	5.21%	37,417,891	5.79%
Real, Industrial	8,792,572	1.36%	8,381,969	1.30%
Real and Tangible Personal, Utilities	3,751,102	0.58%	3,946,033	0.61%
Tangible Personal, Commercial	15,144,971	2.35%	15,935,020	2.47%
Tangible Personal, Industrial	-	0.00%	-	0.00%
Tangible Personal, Other	7,260	0.00%	3,139	0.00%
Real Property, Inventory	7,039,881	1.09%	11,268,439	1.74%
Special Inventory	357,595	0.06%	506,650	0.08%
Total Appraised Value Before Exemptions	$ 645,800,067	100.00%	$ 646,341,454	100.00%
Less: Total Exemptions/Reductions	191,726,580		182,142,657	
Taxable Assessed Value	$ 454,073,487		$ 464,198,797	

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

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation [2]	G.O. Tax Debt Outstanding at End of Year [3]	Taxable Assessed Valuation Per Capita	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2010	6,028	$ 464,198,797	$ 6,995,603	$ 77,007	1.51%	$ 1,161
2011	6,780	454,073,487	8,138,013	66,975	1.79%	1,200
2012	7,625	461,631,888	11,796,363	60,539	2.56%	1,547
2013	8,576	482,795,602	16,894,370	56,296	3.50%	1,970
2014	8,600	509,226,019	19,483,778 [4]	59,212	3.83%	2,266

(1) Provided by City staff.
(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Excludes self-supporting debt. See Table 10 – Computation of Self-Supporting Debt.
(4) Projected, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2010	$ 0.6450	$ 0.5274	$ 0.1176	$ 2,990,406	99.26%	102.76%
2011	0.6450	0.5849	0.0601	2,926,019	99.47%	102.73%
2012	0.6450	0.5652	0.0798	2,977,526	99.60%	102.79%
2013	0.6450	0.4755	0.1695	3,114,032	99.56%	101.30%
2014	0.6450	0.4616	0.1834	3,284,508	96.98% [1]	97.69% [1]

(1) Partial year collections as of April 1, 2014.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2013/2014 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Fini Enterprises Inc.	Manufacturing	$ 6,145,926	1.21%
TXI Operations LP	Utilities	4,056,109	0.80%
Brookshire Grocery Company	Retail	3,916,538	0.77%
Celina Town Center	Government	3,885,687	0.76%
SRB Partners LLC	Retail	3,810,670	0.75%
J Evans Family Ptrs - Prosper LLC	Storage Facility	3,300,000	0.65%
Burlington Northern Santa Fe RR Co.	Rail Road	3,195,196	0.63%
Bobcat Crossing LTD	Real Estate	3,089,780	0.61%
19 FM LTD	Real Estate	3,060,112	0.60%
Celina Crossing No 1 LP	Real Estate	2,430,430	0.48%
		$ 36,890,448	7.24%

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

Table 6 - Tax Adequacy (1)

Net Principal and Interest Requirements for Fiscal Year 2014	$	1,104,096
$0.2202 Tax Rate at 98.5% Collection Produces	$	1,104,496
Average Net Annual Principal and Interest Requirements, 201-2034	$	1,351,900
$0.2696 Tax Rate at 98.5% Collection Produces	$	1,352,280
Maximum Net Principal and Interest Requirements, 2029	$	1,513,421
$0.3018 Tax Rate at 98.5% Collection Produces	$	1,513,791

(1) Estimated, subject to change. Excludes self-supporting debt. See Table 10 – Computation of Self-Supporting Debt.

Table 7 - Estimated Overlapping Debt

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

Taxing Jurisdiction	Taxable Assessed Valuation (1)	2013/14 Tax Rate (1)	G.O. Debt 5/15/2014	Estimated Percent Applicable (1)	Overlapping G.O. Debt as of 5/15/2014
City of Celina	$ 509,226,019	$ 0.6450	$ 30,060,000 (2)	100.00%	$ 30,060,000
Celina ISD	631,156,529	1.6400	58,006,742	80.21%	46,527,208
Collin County	73,246,500,936	0.2375	366,185,000	0.65%	2,380,203
Collin County CCD	75,070,158,023	0.0836	37,460,000	0.65%	243,490
Prosper ISD	2,268,579,822	1.6700	264,827,556	4.49%	11,890,757
Total Direct and Overlapping Debt					$ 91,101,658
Ratio of Direct and Overlapping Debt to City's Taxable Assessed Valuation					17.89%
Per Capital Overlapping GO Debt					$ 10,622.86

(1) As reported by the Municipal Advisory Council of Texas.
(2) Includes the Certificates.

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DEBT INFORMATION

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service			The Certificates			Total General Obligation Debt Service	Less: Self-Supporting Debt Service (1)	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S				
2014	$ 1,055,000	$ 850,086	$ 1,905,086	$ -	$ -	$ -	$ 1,905,086	$ 800,989	$ 1,104,096	
2015	1,380,000	784,744	2,164,744	95,000	216,345	311,345	2,476,088	1,128,243	1,347,845	
2016	1,455,000	748,164	2,203,164	145,000	175,513	320,513	2,523,676	1,128,227	1,395,449	
2017	1,490,000	709,491	2,199,491	150,000	172,613	322,613	2,522,104	1,127,689	1,394,415	
2018	1,655,000	670,104	2,325,104	145,000	169,613	314,613	2,639,716	1,129,575	1,510,142	25.18%
2019	1,695,000	627,120	2,322,120	145,000	166,713	311,713	2,633,833	1,127,023	1,506,809	
2020	1,570,000	577,038	2,147,038	320,000	163,813	483,813	2,630,850	1,126,604	1,504,246	
2021	1,485,000	530,248	2,015,248	405,000	154,213	559,213	2,574,460	1,068,611	1,505,849	
2022	1,325,000	487,210	1,812,210	410,000	142,063	552,063	2,364,273	858,784	1,505,489	
2023	1,370,000	444,335	1,814,335	420,000	129,763	549,763	2,364,098	857,007	1,507,091	55.61%
2024	970,000	399,895	1,369,895	440,000	117,163	557,163	1,927,058	419,573	1,507,485	
2025	1,010,000	365,518	1,375,518	230,000	99,563	329,563	1,705,080	196,871	1,508,209	
2026	1,045,000	328,413	1,373,413	240,000	92,663	332,663	1,706,075	197,878	1,508,197	
2027	1,085,000	289,806	1,374,806	245,000	84,863	329,863	1,704,669	193,734	1,510,934	
2028	1,120,000	247,763	1,367,763	255,000	76,900	331,900	1,699,663	194,539	1,505,123	77.69%
2029	1,175,000	201,456	1,376,456	270,000	66,700	336,700	1,713,156	199,735	1,513,421	
2030	1,030,000	151,269	1,181,269	275,000	57,250	332,250	1,513,519	165,850	1,347,669	
2031	1,055,000	109,938	1,164,938	285,000	47,625	332,625	1,497,563	165,725	1,331,838	
2032	995,000	67,600	1,062,600	295,000	36,225	331,225	1,393,825	169,925	1,223,900	
2033	695,000	27,800	722,800	310,000	24,425	334,425	1,057,225	118,725	938,500	98.94%
2034	-	-	-	320,000	12,800	332,800	332,800	119,600	213,200	100.00%
	$24,660,000	$ 8,617,994	$33,277,994	$5,400,000	$2,206,820	$7,606,820	$40,552,014	$ 12,494,908	$28,389,906	

(1) Includes a portion of the Certificates.

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TABLE 9 – FUND BALANCES [1]

		As Of 3/31/2014
General Fund Money Market Acct.		$ 3,138,288
General Operating Fund		97,128
General Obligation Debt Service Fund		746,053
Capital Projects Fund		9,320,969
Water & Sewer Operating Fund		1,125,269
	Total	$ 14,427,707

(1) As reported by the City.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

Fiscal Year Ended 9-30-13	
Net System Revenues Available [1]	$ 2,081,232
Less: Requirement for Fiscal Year ended 9-30-14 Revenue Bonds	-
Balance Available for Other Purposes	$ 2,081,232
Requirement for Fiscal Year ended 9-30-14 General Obligation Debt Paid From System Revenues [2]	$ 800,989
Percentage of General Obligation Debt Self-Supporting	100%

(1) Exclusive garbage revenues and expenses.
(2) The City considers the general obligation debt identified in "Table 8 – General Obligation Debt Service Requirements" to be self-supporting from the Net Revenues of the System. The transfers of such revenues to make debt service payments on such general obligation debt is discretionary and may be discontinued by the City, in whole or in part, at any time. In the event the City chooses to discontinue service on such general obligation debt, the City will be required to levy ad valorem taxes or to appropriate other lawfully funds of the City in amounts sufficient to pay debt service on such general obligation debt.

TABLE 11 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

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

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

TABLE 12 – OTHER OBLIGATIONS

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

Fiscal Year Ending 9-30		Annual Lease Requirement
2014		$ 8,472
2015		706
	Total Required	$ 9,178

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

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

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

The City's contributions for the fiscal year 2013 were based on a covered payroll for $2,306,596. Both the City and the covered employees made the required contributions, with the City's contribution amounting to $92,962.

In December 2007, the TMRS Board of Trustees approved changes in the actuarial assumptions and funding methodology for all TMRS plans. For more detailed information concerning the City's retirement plan for Fiscal Year 2013 see "APPENDIX B – EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013" – Note 8.

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FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Revenues:					
Ad Valorem Taxes	$ 2,332,848	$ 2,645,688	$ 2,692,510	$ 2,466,194	$ 2,545,965
Franchise Taxes	325,167	299,999	355,576	253,501	222,257
Sales Taxes	384,289	338,053	290,835	271,670	249,661
Permits and Inspection Fees	455,454	340,547	257,605	172,173	94,524
Settlement Reimbursement	-	-	-	-	-
Fire Departmdnet and EMS Fees	174,678	244,505	262,435	180,203	224,373
Park Fees	161,345	85,111	18,907	24,786	18,135
Development Fees	124,743	56,411	16,286	45,894	12,533
Fines	197,248	186,302	95,016	93,866	109,891
Other Income	85,140	96,809	82,758	40,999	75,563
Collin County Road Contribution	-	-	236,623	144,460	-
Donations	142,682	175,346	155,935	134,565	150,211
Interest	24,383	22,355	13,775	14,471	22,177
Federal and State Grants	-	32,760	294,205	149,284	238,314
Total Revenues	$ 4,407,977	$ 4,523,886	$ 4,772,466	$ 3,992,066	$ 3,963,604
Expenditures:					
Administration	$ 870,419	$ 774,209	$ 979,059	$ 880,101	$ 956,157
Library	134,625	126,116	126,482	129,637	-
Judicial	79,863	70,066	70,205	70,102	73,299
Fire and Emergency Services	1,057,979	1,062,174	1,140,328	1,049,716	1,060,228
Development Services	417,119	472,329	363,133	329,794	381,151
Public Works	416,690	350,295	568,890	392,527	392,020
Police Department	741,361	729,737	913,898	865,304	780,835
Parks and Recreation	349,742	288,239	176,313	222,959	235,149
Main Street Project	135,388	99,726	57,880	60,868	47,976
Economic Development	-	-	-	-	-
Capital Outlay	63,536	34,094	1,464,171	474,465	213,594
Debt Service	50,922	-	-	-	-
Total Expenditures	$ 4,317,644	$ 4,006,985	$ 5,860,359	$ 4,475,473	$ 4,140,409
Excess (deficit) of Revenues Over Expenditures	$ 90,333	$ 516,901	$ (1,087,893)	$ (483,407)	$ (176,805)
Other Financing Sources (Uses):					
Operating Transfers In (Out)	$ 345,000	$ 95,000	$ 75,000	$ 325,000	$ 300,000
Proceeds of Capital Leases	30,752	-	-	174,797	-
Proceeds from Issuance of Bonds	-	-	1,400,000	-	-
Bond Issuance Costs	-	-	(33,292)	-	-
Proceeds from Sale of Assets	26,100	30,403	48,381	73,283	2,801
Transfers for Debt Service	-	-	-	-	-
Total Other Financing Sources (Uses)	$ 401,852	$ 125,403	$ 1,490,089	$ 573,080	$ 302,801
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	$ 492,185	$ 642,304	$ 402,196	$ 89,673	$ 125,996
Beginning Fund Balance	1,694,946	1,052,642 (1)	864,794	775,121	649,125
Ending Fund Balance	$ 2,187,131	$ 1,694,946	$ 1,266,990	$ 864,794	$ 775,121

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

TABLE 14 – DEBT SERVICE FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Beginning Fund Balance	$ 453,145	$ 473,465	$ 593,598	$ 458,260	$ 671,693
Revenues:					
Current Tax Collections	$ 821,403	$ 374,197	$ 282,632	$ 549,313	$ 496,260
Delinquent Tax Collections	-	-	-	-	-
Penalty and Interst	-	-	-	-	-
Fines	-	-	-	-	-
Donations / EDC Contributions	170,000	340,000	165,000	165,000	-
Interest	4,077	8,487	2,799	4,704	11,282
Total Revenues	$ 995,480	$ 722,684	$ 450,431	$ 719,017	$ 507,542
Expenditures:					
Debt Service					
Principal Retirement	$ 451,994	$ 363,145	$ 257,590	$ 251,798	$ 372,216
Interest & Fiscal Charges	826,054	379,859	312,974	331,881	348,759
Total Expenditures	$ 1,278,048	$ 743,004	$ 570,564	$ 583,679	$ 720,975
Excess (Deficit) of Revenues Over Expenditures	$ (282,568)	$ (20,320)	$ (120,133)	$ 135,338	$ (213,433)
Other Financing Sources (Uses):					
Sale of Fixed Assets	$ -	$ -	$ -	$ -	$ -
Lease Purchase Proceeds	-	-	-	-	-
Operating Transfer In (Out)	-	-	-	-	-
Issuance of Refunding Bonds	4,434,697	112,046	-	-	-
Payment to Bond Refunding Agency	(4,090,000)	(109,528)	-	-	-
Bond Issuance Cost	-	(2,518)	-	-	-
Transfers Out for Debt Service	-	-	-	-	-
Total Other Financing Sources (Uses)	$ 344,697	$ -	$ -	$ -	$ -
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	$ 62,129	$ (20,320)	$ (120,133)	$ 135,338	$ (213,433)
Ending Fund Balance	$ 515,274	$ 453,145	$ 473,465	$ 593,598	$ 458,260

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

Residential Usage		Rates
0 - 2,000 Gallons (Minimum)		
5/8 and 3/4 inch meters	$	22.25
1 inch meter		38.93
1 1/2 inch meter		77.87
2 inch meter		124.59
2,001 - 10,000 Gallons per 1K	$	4.96
10,001 - 20,000 Gallons per 1K		7.44
20,001 - 30,000 Gallons per 1K		8.68
30,001 Gallons and above per 1K		12.40

Commercial Usage		Rates
0 - 2,000 Gallons (Minimum)		
5/8 and 3/4 inch meters	$	27.81
1 inch meter		48.67
1 1/2 inch meter		97.34
2 inch meter		155.74
3 inch meter		233.60
4 inch meter		389.34
2,001 - 10,000 Gallons per 1K	$	4.96
10,001 - 20,000 Gallons per 1K		7.44
20,001 - 30,000 Gallons per 1K		8.68
30,001 Gallons and above per 1K		12.40

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

Residential Usage		Rates
0 - 2,000 Gallons (Minimum)		
5/8 and 3/4 inch meters	$	20.60
1 inch meter		38.63
1 1/2 inch meter		72.10
2 inch meter		123.60
2,001 - 10,000 Gallons per 1K	$	5.73
Usage fees cap at 14,000 Gallons		89.45

Commercial Usage		Rates
0 - 2,000 Gallons (Minimum)		
5/8 and 3/4 inch meters	$	25.75
1 inch meter		48.29
1 1/2 inch meter		90.13
2 inch meter		154.50
4 inch meter		386.25
2,001Gallons and up per 1K	$	5.73

TABLE 17 – WATER AND WASTEWATER CUSTOMERS

	2013	2012	2011	2010	2009
Number of Residential/Commercial Water Users with 3/4 inch meters	2,275	2,128	2,068	2,063	2,156
Number of Commercial Water Users with larger than 3/4 inch meters	329	338	330	329	145
Number of Residential/Commercial Sewer Users with 4 inch meters	1,860	1,670	1,663	1,583	1,581
Number of Commercial Users with larger than 4 inch meters	N/A	N/A	N/A	N/A	N/A

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TABLE 18 – WATER AND WASTEWATER SYSTEM REVENUE AND EXPENDITURES

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Revenues					
Water Sales	$ 2,772,632	$ 2,548,942	$ 2,549,933	$ 1,944,348	$ 1,602,364
Sewer Sales	1,060,773	994,332	946,269	774,022	572,299
Garbage Fees	359,565	328,534	308,022	310,997	251,982
Penalties	70,447	66,785	70,218	55,372	48,519
Tap and Reconnect Fees	187,691	146,007	107,470	78,931	34,675
Water and Sewer Impact Fees	234,750	203,756	143,829	127,007	634,483
Other Revenues	95,652	89,570	64,401	69,840	42,055
Total Revenues	$ 4,781,510	$ 4,377,926	$ 4,190,142	$ 3,360,517	$ 3,186,377
Expenses					
Salaries	$ 355,949	$ 319,695	$ 328,438	$ 335,575	$ 293,866
Payroll taxes & employee benefits	-	-	-	-	-
Garbage fees	341,359	321,236	307,009	297,545	232,632
Lincenses and permits	10,181	8,369	6,993	6,452	3,531
Materials and suppplies	104,207	73,336	106,768	111,855	62,976
Engineering	142,041	82,341	5,737	31,745	13,324
Postage	23,072	23,881	21,089	19,022	19,098
Repairs and facility maintenance	145,546	276,330	119,667	112,768	87,153
General insurance	9,787	12,949	5,449	15,588	14,578
Vehicle expense	35,736	36,122	34,739	19,863	10,964
Utilities and telephone	237,511	218,316	243,239	256,066	269,087
Chemicals	18,330	18,132	23,785	17,652	15,067
Water/Sewer testing/sludge removal	-	-	-	-	-
Water purchases and related fees	1,272,029	1,190,776	1,134,597	1,063,361	1,037,804
Capital outlay	-	-	-	5,256	6,802
Bad debt provision	-	-	611	3,523	34,404
Depreciation & amortization	446,013	469,758	529,712	533,064	523,028
Other expense	24,450	51,730	28,664	29,202	17,248
Total Expenses	$ 3,166,211	$ 3,102,971	$ 2,896,497	$ 2,858,537	$ 2,641,562
Non-Operating Revenues (Expenses)					
Interest Income	$ 38,126	$ 28,306	$ 9,245	$ 8,144	$ 50,849
Gain on sale of fixed assets	-	-	830	-	-
Interest and fiscal charges	(298,123)	(469,086)	(409,838)	(566,614)	(527,022)
Total Nooperating Revenues (Expenses)	$ (259,997)	$ (440,780)	$ (399,763)	$ (558,470)	$ (476,173)
Capital grants	$ -	$ 70,000	$ -	$ -	$ 350,000
Transfers in for debt service				-	-
Operating Transfer In (Out)	(345,000)	(95,000)	(75,000)	(325,000)	(300,000)
Change in Net Assets	1,010,302	809,175	818,882	(381,490)	118,642
Total net assets, October 1	7,361,925	6,873,536	6,054,654	6,436,144	6,317,502
Prior Period Adjustment	0	(320,786)			
Total net assets, September 30	$ 8,372,227	$ 7,361,925	$ 6,873,536	$ 6,054,654	$ 6,436,144

TABLE 19 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	Total Collected (1)	1% Tax Collections (2)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2010	$ 526,607	$ 263,304	8.80%	$ 0.1134	$ 87.36
2011	561,849	280,925	9.60%	0.1237	82.87
2012	655,529	327,765	11.01%	0.1420	85.97
2013	737,081	368,540	11.83%	0.1527	85.95
2014 (3)	621,355	189,126	5.76%	0.0743	43.98

(1) As reported by the Texas Comptroller of Public Accounts.
(2) Figures refer only to the City's 1% tax collections and exclude the ½% additional collection for each of 4A and 4B economic and community development (1% total additional collections.)
(3) Collections through May 2014.

FINANCIAL POLICIES

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

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

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

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

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

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

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

INVESTMENTS

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

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

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

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

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

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

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

TABLE 20 - CURRENT INVESTMENTS

As of February 28, 2014 the City's investable funds were invested in the following categories:

Type of Investments	Book Value Amount	Percent
Money Market Account	$ 4,222,590	99.87%
TexPool	5,548	0.13%
	$ 4,228,138	100.00%

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TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6, 8 through 14, 19 and 20 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2014.

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

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

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

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

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

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

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OTHER INFORMATION

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA" (Stable Outlook) to the Certificates with the understanding that, concurrently with the delivery of the Certificates, a municipal bond insurance policy will be issued by Build America Mutual Assurance Company. The Certificates are also rated "A1", Moody's Investors Service (Moody's) without regard to credit enhancement. The Certificates did not receive an underlying rating from S&P or an enhanced rating from Moody's. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL MATTERS

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

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions "PLAN OF FINANCING" (except under the subcaption "Sources and Uses of Certificate Proceeds"), "THE CERTIFICATES" (except under the subcaptions "Book-Entry-Only System," and "Certificateholders' Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings") and the subcaptions "Legal Matters" (except for the last two sentences of the first paragraph thereof), "Registration and Qualification of Certificates for Sale" and "Legal Investments And Eligibility To Secure Public Funds In Texas," under the caption "OTHER INFORMATION" and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance.

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

FINANCIAL ADVISOR

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

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

UNDERWRITING FOR THE CERTIFICATES

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices shown on page 2 of this Official Statement less an underwriting discount of $38,852.17. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Underwriter.

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

The Ordinance authorizing the issuance of the Certificates also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Certificates by the Underwriter.

ATTEST:

Vicki Faulkner
City Secretary
City of Celina, Texas

Sean Terry
Mayor
City of Celina, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION

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

ECONOMY

Major employers in the City are:

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

Source: Municipal Advisory Council of Texas.

EDUCATION

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

RESIDENTIAL AND COMMERCIAL BUILDING CONSTRUCTION

	Residential		Commercial		Total	
Fiscal Year Ended 9-30	Number of Permits	Property Value $ Amount	Number of Permits	Property Value $ Amount	Number of Permits	Property Value $ Amount
2009	23	$ 6,362,990	0	$ -	23	$ 6,362,990
2010	52	14,326,150	0	-	52	14,326,150
2011	82	24,040,307	2	1,367,500	84	25,407,807
2012	87	30,944,400	0	-	87	30,944,400
2013	97	36,479,908	0	-	97	36,479,908
2014 (1)	134	50,394,923	1	1,763,400	135	52,158,323

Source: City Staff.
(1) As of March 31, 2013.

HISTORICAL EMPLOYMENT (AVERAGE ANNUAL) [1]

Collin County

	Average Annual				
	2014 [2]	2013	2012	2011	2010
Civilian Labor Force	464,932	458,845	450,346	441,295	429,623
Total Employed	441,819	432,890	422,620	410,287	398,097
Total Unemployed	23,113	25,955	27,726	31,008	31,526
Unemployment Rate	5.0%	5.7%	6.2%	7.0%	7.3%

(1) Source: Texas Workforce Commission.
(2) Data through March 2014.

APPENDIX B

EXCERPTS FROM THE

CITY OF CELINA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2013

The information contained in this Appendix consists of excerpts from the City of Celina, Texas Annual Financial Report for the Year Ended September 30, 2013, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2013, 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, 2013, 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 53 through 54, 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 4, 2014

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, 2013. 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 $20,820,113. Of this amount $17,846,918 is invested in capital assets or restricted for debt service and capital projects, and the balance of $2,973,195 is available as unrestricted net position.
- Government-wide net position increased by $3,094,799 during 2013.
- Each of the City's fund financial statements reported changes in equity as follows:
  General Fund – $492,185 increase
  Water & Sewer Fund - $1,010,302 increase
  Debt Service Fund - $62,129 decrease
  Capital Projects Fund - $3,835,777 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 $20,820,113 and $17,725,314 at the close of FY 2013 and FY 2012, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The combined net position of the City's activities increased from $17,725,314 to $20,820,113 or $3,094,799 during 2013. 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 $2,973,195.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds $8,847,252 and proprietary fund $8,372,227 reported combined fund balance and net position of $17,219,479 a $5,400,393 increase from last year. Most of the increase ($3,835,777) took place in the capital projects fund as a result of bonds issued for capital improvements in 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets reported in governmental activities and business-type activities was $20,860,521 and $15,909,018, 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 $3,294,360 and $1,968,044 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 $24,687,080 in bonds and capital leases outstanding – an increase of $4,537,215. Additional information on long-term liabilities can be found in note 6 to the financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

As the City Manager of Celina I have the distinguished pleasure of leading a team of employees who are responsive to citizens needs and who act in an ethical way to provide high performance solutions to the challenges and needs of our community.

The employees of the City of Celina serve as a bridge between our citizens and our elected officials. Their job is to provide vision, goals and objectives that use the available resources to deliver the services needed to create innovative change for the present and the future.

With new development and growth in the upcoming years, our budget will allow for expanded customer service such as repairs of existing streets, sidewalks and storm drainage. The fiscal challenges of the past have improved with slight increases in revenues. Our staff will improve service delivery methods while continuing a conservative management style that meets or exceeds our customer's needs.

During the past year our staff created programs that improved our response to citizens and promoted quality of life through managing our City's unique resources. In the past year we have reviewed and made changes to the City's website, made upgrades to public safety through continuing our Best Practices Program in our Police Department and implemented a similar program in our Fire Department. The City of Celina purchased land for a fire station site and began the development process with an anticipated opening in June of 2015. Celina also purchased additional parkland to aid in the implementation of our Park Master Plan.

Celina also hired a new Parks and Recreation Manager who continues to create new programs for kids and adults by using our parks for relaxation and competition. We also hired a City Engineer to provide increased response to developer and citizen matters at a lower cost. In 2013 we continued to invest in our Main Street program by hiring a full time Main Street Director who has expanded the program to include new and exciting special events that provide additional avenues for our citizens, young and old, to enjoy our historic downtown square. Some of the successful events were our First Annual Cajun and Crawfish Festival, our Splash and Blast Festival and our 20th Annual Main Street Golf Tournament. Additional businesses have invested in our downtown and provided an economic boost to our square. The City Council chose to partner with the Celina Balloon Festival in September of 2014.

The City Council, our Economic Development Corporation and City Staff have used a teamwork approach that led the Dallas Business Journal to recognize the City of Celina for the Best Real Estate Deals for Single Family/Planned Community for the Light Farms Master Planned Community.

We also expanded our communication mediums by including citizens in ongoing meetings onsite and online. We used surveys to have our citizens weigh in on changes presented before our City Council. We updated zoning districts to allow for quality development that will complement the historic qualities of our community. The City continued to work with developers to create fair partnerships that provide opportunities for quality growth in Celina while placing less of a burden on our existing citizens.

In 2013 staff completed the fourth edition of the Comprehensive Plan to prepare for infrastructure needs as the City continues to grow. In conjunction with the Comprehensive Plan update, the City updated its Thoroughfare Plan, Subdivision regulations, Water and Wastewater Master Plan, and is working on updating its Capital Improvement Plan.

The Capital Improvement Plan is based on projects needed over the next five years assuming growth is consistent with Comprehensive Plan projections. Projects are initiated by need or stress placed on the system. Growth in the tax base, or increased water customers are examples of triggers for projects. The CIP models are also built with flexibility of the debt service schedule in mind. If the triggers do not materialize in a given year, the financing planned such as refunding of existing bond or issuance of the new bonds are delayed to a future year. If the triggers accelerate past the projections, projects may be moved forward in the CIP plan.

During the last few years, the leadership of Celina has faced the challenges of an ever-changing economy. With a team approach and a focus on preserving the city's heritage, we intend to use a strategic planning to solve the issues of the future. Celina will continue to grow and thrive as one of the top rated communities to move to.

Those who visit Celina cannot help notice it's a city on the rise, and that Celina attracts new residents at a brisk pace. The 2000 Census estimated the population to be 1,810, while the 2012 population estimate is roughly 6,700 residents. Celina continued to build a reputation for a safe destination where people enjoy living, playing, attending exemplary schools, and raising a family. The City has taken the initiative through comprehensive planning to prepare for its future growth.

In 2013 retail opportunities such as Dominoes Pizza and Subway opened on Preston Road. Our Downtown business area has grown with many more retail shops than in previous years. We have sculptured a vibrant relationship with the Greater Celina Chamber of Commerce and with the Celina Independent School District that enabled us to partner with them and local businesses to promote Celina via special events such as the Balloon Festival, the Main Street Golf Tournament, Cinco de Mayo festival, and the Annual Celina Cajun Festival. This relationship is vital to Celina's future.

In 2013, the City of Celina initiated a series of planned refunding of its existing debt to take advantage of historically low interest rate and stay within its debt management strategy guidelines. This refunding allowed the City to generate a new debt capacity for issuance of a new bond. In July 2013 the City of Celina issued an additional 5.3 Million Dollars in bonds to purchase Land and build a new Fire Station, purchase an additional land for park and improvement of some roadways. The City has accomplished all of these while maintaining its tax rate at $0.645 per $100.00 of property value.

The City of Celina will continue to partner with the Economic Development Corporation to share ideas that will increase economic development opportunities in Celina. This process will allow citizens to be involved in the growth plans for Celina. The focus is to be creative while being accountable and transparent.

In 2013, TXDOT continued widening Preston Road through Celina to the High School. This project will enable our city to grow and meet our current and future transportation needs. Additional transportation projects are in the planning stages including an Outer Loop and Celina Parkway that will allow citizens of Celina to conveniently travel through Celina from Dallas North Toll way to State Highway 75.

As our economy strengthens so does the outlook for the future of Celina. 2014 began with a tremendous push for development along Preston Road. Currently CVS is under construction and we are in the development process with O'Reillys Auto Parts and Taco Bell. New home construction is up over 50% for 2013 and sales tax receipts are rapidly increasing. The City of Celina will continue to work hard to plan for this amazing future and ensure that we are prepared for whatever lies ahead of us.

The City of Celina has continued its growth in 2013. The City issued 97 building permits, compared to 81 permits last year. Accordingly, permit fee collections have increased by $111,666 or 34 percentage points for the same period. For the fiscal year 2012-2013, the City collected $441,098 in permit fees compared with $329,432 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 opening of a new development known as "Light Farms". This development upon completion will have approximately 3043 single family dwellings. The city is in process of negotiating and finalizing a few more developments throughout the city and it's Extra Territorial Jurisdiction (ETJ).

The City of Celina's portion of sales tax collection increased from $338,053 in FY 2011-2012 to $384,289 in FY 2012-2013 (figures do not include CEDC or CCDC collections). The City is experiencing a 14 percentage points or $46,236 increase in sales tax collections in FY 2012-2013. The increase follows the trend through the state. The economy of the State of Texas is exceptionally strong although the national economy showing signs of improving as well. The opening new retail shops and restaurants played a role in the increase of sales tax revenue despite a major road construction in one of the city's largest thoroughfare. Management anticipates that this increase will continue through FY 2013-2014 with a better or the same pace. In fiscal year 2013 the City of Celina completed its Comprehensive Plan, Thoroughfare master plan and working to complete its Subdivision Ordinance. The City of Celina completed these plans to be prepared for the challenges of the continuing increase in population growth and the resulting development.

Total assessed value of the properties for the City of Celina increased from $481,645,071 in FY 2012 to $505,896,214 in FY 2013. This increase represents a recovery from declining property values and is a sign that economy improving in this region. The City of Celina has completely recovered from drop in property values in recent years. The majority of this increase resulted from new construction and a minor 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.

Years	Assessed Value	% Change
2002	87,908,272.00	
2003	114,041,371.00	30%
2004	143,297,951.00	26%
2005	183,200,000.00	28%
2006	224,412,066.00	23%
2007	284,847,298.00	27%
2008	418,824,688.00	47%
2009	463,330,201.00	9.0%
2010	454,151,622.00	-2.0%
2011	461,631,888.00	1.6%
2012	481,645,071.00	4.3%
2013	505,896,214.00	5.0%

Total water sales for the FY 2013 increased by 9 percentage points, indicating the two rate increases and increase in the number of new houses have stabilized the fund. Total revenue from water sales for the FY 2013 was $2,772,632.

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:

Years	Water Sales	% Change
2002	502,048.00	
2003	707,367.00	41.0%
2004	818,403.00	16.0%
2005	1,157,066.00	41.0%
2006	1,871,163.00	62.0%
2007	1,298,932.00	(30.0%)
2008	1,598,567.00	23.0%
2009	1,602,364.00	0.24%
2010	1,944,348.00	21.0%
2011	2,549,933.00	31.0%
2012	2,548,942.00	0.0%
2013	2,772,632.00	9.0%

Total sewer sales increased from $994,332 in FY 2012 to $1,060,773 in FY 2012-2013.

The increase of $66,441 or 7 percentage points is the result of increase in sale since the second utility rate increase in April 2011 excluded the Sewer as well as new developments. A review of the history of the City's sewer sales over past few years indicates a healthy average increase of more than 14 percentage points in sewer sales. History of sewer sales is illustrated below:

Years	Sewer Sales	% Change
2002	268,979.00	
2003	309,581.00	15.0%
2004	341,976.00	10.0%
2005	403,498.00	18.0%
2006	509,798.00	26.0%
2007	485,948.00	(5.0%)
2008	546,556.00	13.0%
2009	572,299.00	4.70%
2010	774,022.00	35.0%
2011	946,269.00	22.0%
2012	994,332.00	5.10%
2013	1,060,773.00	6.89%

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, please do not hesitate to contact Mike Foreman, City Manager, or Jay Toutounchian, Director of Finance, by phone at (972) 382-2682 or by E-mail at mforeman@celina-tx.gov or jtoutounchian@celina-tx.gov .

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	$ 9,958,177	$ 5,817,269	$ 1,955,785	$ 3,387,790	$ 11,913,962	$ 9,205,059
Capital assets, net	20,860,521	17,566,161	15,909,018	13,940,974	36,769,539	31,507,135
Total Assets	**30,818,698**	**23,383,430**	**17,864,803**	**17,328,764**	**48,683,501**	**40,712,194**
Liabilities						
Other liabilities	1,211,867	1,062,483	910,382	670,572	2,122,249	1,733,055
Long-term debt	16,921,450	11,841,222	8,361,937	9,064,513	25,283,387	20,905,735
Total Liabilities	**18,133,317**	**12,903,705**	**9,272,319**	**9,735,085**	**27,405,636**	**22,638,790**
Deferred Inflows of Resources						
Deferred bond credits	237,495	116,336	220,257	231,754	457,752	348,090
Total Deferred Inflows of Resources	**237,495**	**116,336**	**220,257**	**231,754**	**457,752**	**348,090**
Net Position						
Net investment in capital assets	7,800,853	5,608,603	7,485,220	6,717,653	15,286,073	12,326,256
Restricted for debt service	515,274	422,120			515,274	422,120
Restricted for capital projects	2,045,571	3,473,356			2,045,571	3,473,356
Unrestricted	2,086,188	859,310	887,007	644,272	2,973,195	1,503,582
Total Net Position	**$ 12,447,886**	**$ 10,363,389**	**$ 8,372,227**	**$ 7,361,925**	**$ 20,820,113**	**$ 17,725,314**

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF ACTIVITIES

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	$ 1,113,468	$ 1,042,829	$ 4,781,510	$ 4,377,926	$ 5,894,978	$ 5,420,755
Operating grants/contributions	-	231,301			-	231,301
Capital grants/contributions	2,344,763		-	70,000	2,344,763	70,000
General revenues:						
Ad valorem taxes	3,129,835	3,021,800			3,129,835	3,021,800
Sales taxes	384,289	338,053			384,289	338,053
Franchise Taxes	325,167	299,999			325,167	299,999
Other	636,943	479,886	38,126	28,306	675,069	508,192
Total revenues	7,934,465	5,413,868	4,819,636	4,476,232	12,754,101	9,890,100
Expenses:						
Administration	950,109	799,116			950,109	799,116
Judicial	79,863	70,066			79,863	70,066
Fire and emergency services	1,541,465	1,176,359			1,541,465	1,176,359
Development services	417,119	472,329			417,119	472,329
Public works	515,098	366,560			515,098	366,560
Police department	803,634	749,274			803,634	749,274
Parks and recreation	556,654	503,298			556,654	503,298
Library	134,625	126,116			134,625	126,116
Infrastructure	203,273	207,097			203,273	207,097
Main street project	135,388	99,726			135,388	99,726
Bond issuance costs	399,992				399,992	-
Interest and fiscal charges	457,748	358,718			457,748	358,718
Water, Sewer and Sanitation Services			3,464,334	3,572,057	3,464,334	3,572,057
Total Expenses	6,194,968	4,928,659	3,464,334	3,572,057	9,659,302	8,500,716
Excess (deficiency) before transfers	1,739,497	485,209	1,355,302	904,175	3,094,799	1,389,384
Transfers	345,000	95,000	(345,000)	(95,000)	-	-
Change in Net Position	2,084,497	580,209	1,010,302	809,175	3,094,799	1,389,384
Net Position - October 1	10,363,389	9,783,180	7,361,925	6,552,750	17,725,314	16,335,930
Net Position - September 30	$ 12,447,886	$ 10,363,389	$ 8,372,227	$ 7,361,925	$ 20,820,113	$ 17,725,314

CITY OF CELINA, TEXAS
COMPARATIVE BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013 and 2012

	General	Debt Service	Capital Projects	Total Governmental Funds 2013	Total Governmental Funds 2012
Assets					
Cash and cash equivalents	$ 2,072,023	$ 528,466	$ -	$ 2,600,489	$ 1,924,877
Investment in Texpool	2,375			2,375	2,373
Cash and cash equivalents - restricted			6,262,974	6,262,974	3,494,081
Sales taxes receivable	78,469			78,469	65,226
Property taxes receivable, net	29,002	5,524		34,526	59,298
EMS receivable	26,149			26,149	434,615
Grants receivable			400,000	400,000	
Other receivables	57,065	7,239	12,153	76,457	63,775
Due from other funds	400,000			400,000	400,000
Due from component units	31,087			31,087	27,979
Total Assets	**$ 2,696,170**	**$ 541,229**	**$ 6,675,127**	**$ 9,912,526**	**$ 6,472,224**
Liabilities					
Accounts payable	59,707		13,959	73,666	158,867
Accrued salaries and benefits	58,127			58,127	49,560
Other accrued liabilities	111,848	153		112,001	73,255
Due to other funds		20,278		20,278	668,243
Due to component units				-	93,795
Unearned revenue	250,000		516,320	766,320	912,045
Total Liabilities	**479,682**	**20,431**	**530,279**	**1,030,392**	**1,955,765**
Deferred Inflows of Resources					
Unavailable property taxes receivable	29,358	5,524	-	34,882	59,298
Total Deferred Inflows of Resources	**29,358**	**5,524**	**-**	**34,882**	**59,298**
Fund Balances					
Restricted for:					
Capital improvements			6,144,848	6,144,848	2,309,071
Debt service		515,274		515,274	453,145
Unassigned	2,187,130			2,187,130	1,694,945
Total Fund Balances	**2,187,130**	**515,274**	**6,144,848**	**8,847,252**	**4,457,161**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,696,170**	**$ 541,229**	**$ 6,675,127**	**$ 9,912,526**	**$ 6,472,224**

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ending September 30, 2013 and 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds 2013	Total Governmental Funds 2012
REVENUES:					
Ad valorem taxes	$ 2,332,848	$ 821,403		$ 3,154,251	$ 3,019,885
Franchise taxes	325,167			325,167	299,999
Sales tax	384,289			384,289	338,053
Permits and inspection fees	455,454			455,454	340,547
Component unit contributions		170,000	150,000	320,000	340,000
Development fees	124,743			124,743	56,411
Fire department and EMS fees	174,678			174,678	244,505
Fines	197,248			197,248	186,302
Special events and donations	142,682			142,682	175,346
Park fees	161,345			161,345	85,111
Other income	85,140			85,140	120,005
Interest	24,383	4,077	34,561	63,021	43,076
Federal, state and local grants			2,344,763	2,344,763	32,760
Total Revenues	4,407,977	995,480	2,529,324	7,932,781	5,282,000
EXPENDITURES:					
Administration	870,419			870,419	774,209
Judicial	79,863			79,863	70,066
Fire and emergency services	1,057,979			1,057,979	1,062,174
Development services	417,119			417,119	472,329
Public works	416,690		91,749	508,439	373,302
Police department	741,361			741,361	729,737
Parks and Recreation	349,742			349,742	288,239
Library	134,625			134,625	126,116
Main street project	135,388			135,388	99,726
Capital outlay	63,536		3,914,152	3,977,688	1,938,419
Debt Service:					
Principal retirement	48,531	451,994		500,525	363,145
Interest and fiscal charges	2,391	488,596		490,987	379,859
Bond issuance costs		337,458	62,534	399,992	50,405
Total Expenditures	4,317,644	1,278,048	4,068,435	9,664,127	6,727,726
Excess (Deficiency) of Revenues Over Expenditures	90,333	(282,568)	(1,539,111)	(1,731,346)	(1,445,726)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	26,100			26,100	30,403
Proceeds from issuance of bonds		4,434,697	5,374,888	9,809,585	4,146,558
Payment to bond refunding agent		(4,090,000)		(4,090,000)	(109,528)
Proceeds from capital leases	30,752			30,752	
Operating transfers in (out)	345,000			345,000	95,000
Net Other Financing Sources (Uses)	401,852	344,697	5,374,888	6,121,437	4,162,433
Net change in fund balances	492,185	62,129	3,835,777	4,390,091	2,716,707
Fund balance, October 1	1,694,945	453,145	2,309,071	4,457,161	1,740,454
Fund balance, September 30	$ 2,187,130	$ 515,274	$ 6,144,848	$ 8,847,252	$ 4,457,161

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF FUND NET POSITION
PROPRIETARY FUND
September 30, 2013 and 2012

	2013 Enterprise Fund Water & Sewer Activities	2012 Enterprise Fund Water & Sewer Activities
Assets		
Cash and cash equivalents	$ 554,517	$ 491,418
Investment in TexPool	1,036,811	3,170
Investment in TexPool, restricted for capital projects	158,396	2,072,946
Accounts receivable, net	585,783	552,013
Due from other funds	20,278	668,243
Total current assets	2,355,785	3,787,790
Capital Assets:		
Land	154,114	154,114
Buildings	43,769	43,769
Water & sewer infrastructure	21,392,867	19,028,514
Vehicles	169,128	125,689
Equipment	334,011	327,746
Less accumulated depreciation	(6,184,871)	(5,738,858)
Capital Assets, net	15,909,018	13,940,974
Total assets	$ 18,264,803	$ 17,728,764
Liabilities		
Accounts payable	316,217	185,784
Accrued salaries and benefits	63,391	53,620
Bonds payable - current	559,408	543,005
Infrastructure advance from CISD - current	95,282	141,587
Accrued interest payable	30,180	25,583
Meter deposits payable	191,619	168,095
Unearned revenue	308,975	237,490
Due to other funds	400,000	400,000
Total current liabilities	1,965,072	1,755,164
Infrastructure advance from CISD - long-term	501,025	614,283
Bonds payable - long-term	7,206,222	7,765,638
Total non-current liabilities	7,707,247	8,379,921
Total liabilities	9,672,319	10,135,085
Deferred Inflows of Resources		
Deferred bond credits	220,257	231,754
Total deferred inflows of resources	220,257	231,754
Net Position		
Net investment in capital assets	7,485,220	6,717,653
Restricted for capital projects, net of related debt ($158,396 each, 2013) ($2,072,946 each, 2012)		
Unrestricted	887,007	644,272
Total Net Position	$ 8,372,227	$ 7,361,925

CITY OF CELINA, TEXAS

Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

Years Ended September 30, 2013 and 2012

	2013	2012
Operating Revenues:		
Water sales	$ 2,772,632	$ 2,548,942
Sewer sales	1,060,773	994,332
Garbage fees	359,565	328,534
Penalties	70,447	66,785
Tap and reconnect fees	187,691	146,007
Impact fees	234,750	203,756
Other revenues	95,652	89,570
Total Operating Revenues	**4,781,510**	**4,377,926**
Operating Expenses:		
Salaries and benefits	355,949	319,695
Garbage fees	341,359	321,236
Licenses and permits	10,181	8,369
Materials and supplies	104,207	73,336
Engineering	142,041	82,341
Postage	23,072	23,881
Repairs and facility maintenance	145,546	276,330
General insurance	9,787	12,949
Vehicle expense	35,736	36,122
Utilities and telephone	237,511	218,316
Chemicals	18,330	18,132
Water purchases and related fees	1,272,029	1,190,776
Depreciation & amortization	446,013	469,758
Other expense	24,450	51,730
Total Operating Expenses	**3,166,211**	**3,102,971**
Operating Income	**$ 1,615,299**	**$ 1,274,955**

(Continued)

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Years Ended September 30, 2013 and 2012

	2013	2012
Non-operating revenues (expenses):		
Interest income	$ 38,126	$ 28,306
Interest and fiscal charges	(298,123)	(469,086)
Total Non-operating Revenues (Expenses)	**(259,997)**	**(440,780)**
Income before contributions and transfers	**1,355,302**	**834,175**
Capital contributions		70,000
Transfers out to other funds	(345,000)	(95,000)
Change in net position	**1,010,302**	**809,175**
Net position, October 1	**7,361,925**	**6,873,536**
Prior period adjustment		**(320,786)**
Net position, September 30	**$ 8,372,227**	**$ 7,361,925**

BASIC FINANCIAL STATEMENTS

CITY OF CELINA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 4,117,248	$ 554,517	$ 4,671,765	$ 202.521
Investment in Texpool	2,375	1,036,811	1,039,186	
Property taxes receivable, net	29,002		29,002	
Sales taxes receivable	78,469		78,469	78,468
Fines receivable, net	13,288		13,288	
Accounts receivable, net	78,790	585,783	664,573	
Other receivables	76,457		76,457	
Grant receivable	400,000		400,000	
Due from component units	31,087		31,087	
Internal balances	379,722	(379,722)	-	
Restricted assets:				
Cash and cash equivalents	4,746,215		4,746,215	
Property taxes receivable, net	5,524		5,524	
Investment in Texpool restricted for capital projects		158,396	158,396	
Capital assets:				
Land	2,189,652	154,115	2,343,767	
Construction in progress	18,206	3,756,909	3,775,115	
Capital assets, net	18,652,663	11,997,994	30,650,657	
Total Assets	30,818,698	17,864,803	48,683,501	280,989
Liabilities				
Accounts payable	73,666	316,217	389,883	
Accrued salaries and benefits	183,749	63,391	247,140	
Other accrued expenses	112,001		112,001	
Unearned revenue		308,975	308,975	
Meter deposits payable		191,619	191,619	
Due to primary government				31,087
Payable from restricted assets:				
Unearned revenue	766,320		766,320	
Accrued interest	76,131	30,180	106,311	
Long-term liabilities:				
Due within one year:				
Bonds payable	495,592	559,408	1,055,000	
Capital leases	14,852		14,852	
Infrastructure advance from CISD		95,282	95,282	
Due in more than one year:				
Bonds payable	16,398,778	7,206,222	23,605,000	
Capital leases	12,228		12,228	
Infrastructure advance from CISD		501,025	501,025	
Total Liabilities	18,133,317	9,272,319	27,405,636	31,087
Deferred Inflows of Resources				
Deferred bond credits	237,495	220,257	457,752	-
Total Deferred Inflows of Resources	237,495	220,257	457,752	-
Net Position				
Net investment in capital assets	7,800,853	7,485,220	15.286,073	
Restricted for debt service	515,274		515,274	
Restricted for capital projects ($6,144,848) net of related debt ($4,099,277)	2,045,571		2,045,571	
Restricted for capital projects ($158,396) net of related debt ($158,396)		-		
Unrestricted	2,086,188	887,007	2,973,195	249,902
Total Net Position	$ 12,447,886	$ 8,372,227	$ 20,820,113	$ 249,902

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

CITY OF CELINA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total Primary Government	Component Units
Governmental activities:								
Administration	$ 950,109	$ -	$ -	$ -	$ (950,109)		$ (950,109)	$ -
Judicial	79,863				(79,863)		(79,863)	
Fire and emergency services	1,541,465	174,678			(1,366,787)		(1,366,787)	
Development services	417,119	124,743			(292,376)		(292,376)	
Public works	515,098	455,454			(59,644)		(59,644)	
Police department	803,634	197,248			(606,386)		(606,386)	
Parks and recreation	556,654	161,345		400,000	4,691		4,691	
Library	134,625				(134,625)		(134,625)	
Infrastructure	203,273			1,944,763	1,741,490		1,741,490	
Main street project	135,388				(135,388)		(135,388)	
Economic development								(134,676)
Bond issuance costs	399,992				(399,992)		(399,992)	
Interest and fiscal charges	457,748				(457,748)		(457,748)	
Total governmental activities	6,194,968	1,113,468	-	2,344,763	(2,736,737)		(2,736,737)	(134,676)
Business-type activities:								
Water and sewer services	3,464,334	4,781,510				1,317,176	1,317,176	
Total business-type activities	3,464,334	4,781,510	-	-	-	1,317,176	1,317,176	
Total all activities	$ 9,659,302	$ 5,894,978	$ -	$ 2,344,763	$ (2,736,737)	$ 1,317,176	$ (1,419,561)	$ (134,676)
General revenues:								
Ad valorem taxes					3,129,835		3,129,835	
Sales taxes					384,289		384,289	387,815
Franchise taxes					325,167		325,167	
Miscellaneous income and contributions					253,922		253,922	5,069
Unrestricted investment earnings					63,021	38,126	101,147	2,985
Intergovernmental transfers					320,000		320,000	(320,000)
Transfers					345,000	(345,000)	-	
Total general revenues and transfers					4,821,234	(306,874)	4,514,360	75,869
Change in net position					2,084,497	1,010,302	3,094,799	(58,807)
Net Position-beginning of year					10,363,389	7,361,925	17,725,314	308,709
Net Position-end of year					$ 12,447,886	$ 8,372,227	$ 20,820,113	$ 249,902

The accompanying notes are an integral part of these financial statements

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CITY OF CELINA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 2,072,023	$ 528,466	$ -	$ 2,600,489
Investment in Texpool	2,375			2,375
Cash and cash equivalents - restricted			6,262,974	6,262,974
Sales taxes receivable	78,469			78,469
Property taxes receivable, net	29,002	5,524		34.526
EMS receivable, net	26,149			26.149
Grants receivable			400,000	400,000
Other receivables	57,065	7,239	12,153	76.457
Due from other funds	400,000			400,000
Due from component units	31,087			31,087
Total Assets	**$ 2,696,170**	**$ 541,229**	**$ 6,675,127**	**$ 9,912,526**
Liabilities				
Accounts payable	59,707		13,959	73,666
Accrued salaries and benefits	58,127			58,127
Other accrued liabilities	111,848	153		112,001
Due to other funds		20,278		20.278
Unearned revenue	250,000		516,320	766,320
Total Liabilities	479,682	20,431	530,279	1,030,392
Deferred Inflows of Resources				
Unavailable property taxes receivable	29,358	5,524		34,882
Total Deferred Inflows of Resources	29,358	5,524	-	34,882
Fund Balances				
Restricted for:				
Capital Projects			6,144,848	6,144,848
Debt Service		515,274		515,274
Unassigned	2,187,130			2,187,130
Total Fund Balances	2,187,130	515,274	6,144,848	8,847,252
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,696,170	$ 541,229	$ 6,675,127	$ 9,912,526

Governmental fund balances as presented above:	8,847,252
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.	20,860,521
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 $34,822 and EMS and fines receivable of $52,641 and $13,288.	100,811
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.	(76,131)
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.	(17,284,567)
Net Position of Governmental Activities	$ 12,447,886

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

CITY OF CELINA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Ad valorem taxes	$ 2,332,848	$ 821,403	$ -	$ 3,154,251
Franchise taxes	325,167			325,167
Sales tax	384,289			384,289
Permits and inspection fees	455,454			455,454
Component unit contributions		170,000	150,000	320,000
Development fees	124,743			124,743
Fire department and EMS revenues	174,678			174,678
Fines	197,248			197,248
Special events and donations	142,682			142,682
Park fees	161,345			161,345
Other income	85,140			85,140
Interest	24,383	4,077	34,561	63,021
Federal, state & local grants			2,344,763	2,344,763
Total Revenues	4,407,977	995,480	2,529,324	7,932,781
EXPENDITURES:				
Current:				
Administration	870,419			870,419
Judicial	79,863			79,863
Fire and emergency services	1,057,979			1,057,979
Development services	417,119			417,119
Public works	416,690		91,749	508,439
Police department	741,361			741,361
Parks and recreation	349,742			349,742
Library	134,625			134,625
Main street project	135,388			135,388
Capital Outlay	63,536		3,914,152	3,977,688
Debt Service:				
Principal	48,531	451,994		500,525
Interest and fiscal charges	2,391	488,596		490,987
Bond issuance costs		337,458	62,534	399,992
Total Expenditures	4,317,644	1,278,048	4,068,435	9,664,127
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,333	(282,568)	(1,539,111)	(1,731,346)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	26,100			26,100
Proceeds from issuance of bonds		4,434,697	5,374,888	9,809,585
Payment to bond refunding agent		(4,090,000)		(4,090,000)
Proceeds from capital leases	30,752			30,752
Operating transfers in (out)	345,000			345,000
Net Other Financing Sources (Uses)	401,852	344,697	5,374,888	6,121,437
Net change in fund balances	492,185	62,129	3,835,777	4,390,091
Fund balance, October 1	1,694,945	453,145	2,309,071	4,457,161
Fund balance, September 30	$ 2,187,130	$ 515,274	$ 6,144,848	$ 8,847,252

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

CITY OF CELINA, TEXAS
Reconcilation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2013

Net change in fund balances - total governmental funds	**$ 4,390,091**
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 $3,977,688 exceeded depreciation expense of $(683,328).	3,294,360
In the statement of actvities, 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 $500,525, and refunded $4,090,000; less bond proceeds ($9,809,785) and capital leases issued ($30,752)	(5,250,012)
Changes in the liability for compensated absences do not require the use of current resources and therefore are not recorded in the funds.	(16,237)
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 unavailable deferred ad valorem taxes of $(24,416), court fines receivable $-0-, and EMS receivables $(342,727).	(367,143)
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, $(48,625); and the increase in accrued interest on debt $15,187.	33,438
Change in net position of governmental activities	**$ 2,084,497**

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

CITY OF CELINA, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013

		Enterprise Fund Water & Sewer Activities
Assets		
Cash and cash equivalents	$	554,517
Investment in TexPool		1,036,811
Investment in TexPool restricted for capital projects		158,396
Accounts receivable, net		585,783
Due from other funds		20,278
Total current assets		**2,355,785**
Capital Assets:		
Land		154,114
Buildings		43,769
Water & sewer infrastructure		21,392,867
Vehicles		169,128
Equipment		334,011
Less accumulated depreciation		(6,184,871)
Capital Assets, net		**15,909,018**
Total assets	**$**	**18,264,803**
Liabilities		
Accounts payable		316,217
Accrued salaries and benefits		63,391
Bonds payable - current		559,408
Infrastructure advance from CISD - current		95,282
Accrued interest payable		30,180
Meter deposits payable		191,619
Unearned revenue		308,975
Due to other funds		400,000
Total current liabilities		**1,965,072**
Infrastructure advance from CISD - long-term		501,025
Bonds payable - long-term		7,206,222
Total non-current liabilities		**7,707,247**
Total liabilities		**9,672,319**
Deferred Inflows of Resources		
Deferred bond credits		220,257
Total deferred inflows of resources		**220,257**
Net Position		
Net investment in capital assets		7,485,220
Restricted for capital projects ($158,396), net of related debt ($158,396)		
Unrestricted		887,007
Total Net Position	**$**	**8,372,227**

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, 2013

	Enterprise Fund Water & Sewer Activities
Operating revenues:	
Water sales	$ 2,772,632
Sewer sales	1,060,773
Garbage fees	359,565
Penalties	70,447
Tap and reconnect fees	187,691
Impact fees	234,750
Other revenues	95,652
Total Operating Revenues	**4,781,510**
Operating expenses:	
Salaries and benefits	355,949
Garbage fees	341,359
Licenses and permits	10,181
Materials and supplies	104,207
Engineering	142,041
Postage	23,072
Repairs and facility maintenance	145,546
General insurance	9,787
Vehicle expense	35,736
Utilities and telephone	237,511
Chemicals	18,330
Water purchases and related fees	1,272,029
Depreciation & amortization	446,013
Other expense	24,450
Total Operating Expenses	**3,166,211**
Operating Income	**$ 1,615,299**

(Continued)

CITY OF CELINA, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2013

		Enterprise Fund
		Water & Sewer Activities
Non-operating revenues (expenses):		
Interest income	$	38,126
Interest and fiscal charges		(298,123)
Total Nonoperating Revenues (Expenses)		**(259,997)**
Income (loss) before contributions and transfers		**1,355,302**
Operating Transfers in (out)		(345,000)
Change in net position		**1,010,302**
Net position, October 1		**7,361,925**
Net position, September 30	**$**	**8,372,227**

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, 2013

	Enterprise Fund Water & Sewer Activities
Cash flows from operating activities:	
Cash received from customers and users	$ 4,819,225
Cash paid to suppliers	(2,233,816)
Cash paid to employees	(346,178)
Net cash provided (used) by operating activities	**2,239,231**
Cash flows from noncapital financing activities:	
Change in customer deposits	23,520
Operating transfers (to) from other funds	(345,000)
Advances (to) from other funds	647,965
Net cash provided (used) for noncapital financing activities	**326,485**
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,414,058)
Principal payments - bonds payable	(543,008)
Principal payments - other obligations	(159,563)
Interest paid on bonds payable and other long-term obligations	(305,023)
Net cash provided (used) by capital and related financing activities	**(3,421,652)**
Cash flows from investing activities:	
Net redemptions (purchases) of investments	880,909
Investment income	38,126
Net cash provided (used) by investing activities	**919,035**
Net increase (decrease) in cash and cash equivalents	**63,099**
Cash and cash equivalents, October 1	**491,418**
Cash and cash equivalents, September 30	**$ 554,517**

(Continued)

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2013

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

	Enterprise Fund Water & Sewer Activities
Operating income	**$ 1,615,299**
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	446,013
(Increase) decrease in accounts receivable (net)	(33,770)
Increase (decrease) in accounts payable and accrued expense	140,204
Increase (decrease) in unearned revenues	71,485
Total Adjustments	623,932
Net cash provided by operating activities	**$ 2,239,231**

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

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, 2013.

(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, 2013:

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.

Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaids 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, 2013 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, 2013, the carrying amount and fair value of the City's investment in TexPool was $1,197,582. TexPool is rated for credit risk as AAAm and maintained a weighted average days to maturity of 78 days at September 30, 2013.

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, 2013, 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	$586,714
Less: allowance for uncollectible accounts	(931)
Net accounts receivable	$585,783

The City has recorded unearned revenue of $308,975 for 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, 2012, all real property was assessed at a net taxable value of $478,640,217.

The property tax rate for the year ended September 30, 2013 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	.4755
Debt Service Fund	.1695
Total tax rate	.6450

Collections of the current year property tax levy were $3,087,016 or 99.99% of the current year tax levied.

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:

	Beginning	Increases	Decreases	Ending
Governmental Activities:				
Nondepreciable capital assets:				
Land	$ 666,931	$ 1,522,721		$ 2,189,652
Construction in progress	-	18,206		18,206
Total nondepreciable capital assets	666,931	1,540,927		2,207,858
Depreciable capital assets:				
Buildings and improvements	1,261,522	771,851		2,033,373
Parks	7,384,824	1,601,373		8,986,197
Road infrastructure	11,312,115			11,312,115
Vehicles	1,000,237	20,910	24,446	996,701
Furniture and equipment	863,195	42,626		905,821
Total depreciable capital assets	21,821,893	2,436,760	24,446	24,234,207
Total capital assets	22,488,824	3,977,687	24,446	26,442,065
Less: accumulated depreciation	4,922,663	683,327	24,446	5,581,544
Capital assets, net	$ 17,566,161	$ 3,294,360	$ -	$ 20,860,521
Business-Type Activities:				
Nondepreciable capital assets:				
Land	$ 154,114			$ 154,114
Construction in progress	1,392,555	2,364,354		3,756,909
Total nondepreciable capital assets	1,546,669	2,364,354	-	3,911,023
Depreciable capital assets:				
Buildings and improvements	43,769			43,769
Water & sewer infrastructure	17,635,959			17,635,959
Vehicles	125,689	43,438		169,127
Equipment	327,746	6,265		334,011
Total depreciable capital assets	18,133,163	49,703	-	18,182,866
Total capital assets	19,679,832	2,414,057	-	22,093,889
Less: accumulated depreciation	5,738,858	446,013		6,184,871
Capital assets, net	$ 13,940,974	$ 1,968,044	$ -	$ 15,909,018

5. Capital Assets - continued

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

Administration	$ 63,452
Fire and emergency services	140,759
Road infrastructure	203,273
Public works	6,659
Parks	206,912
Police department	62,273
Total	$683,328

Depreciation expense recorded in business-type activities and the Proprietary Fund was $446,013.

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 $641. 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 $457,748 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 $298,123 for the year.

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

6. Long-Term Obligations - continued

Governmental Activities:	Beginning	Increases	Decreases	Ending	Due in One Year
General Obligation Refunding Bonds Series 2013, 2.0%-3.5%, 2015-2027	$ -	$ 4,315,000	$ -	$ 4,315,000	$ -
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2013, 2.0%-4.0%, 2015-2033		5,325,000		5,325,000	-
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	3,955,000		115,000	3,840,000	145,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2011, 3.0%-4.125%, 2012-2031	1,390,000		35,000	1,355,000	35,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	5,668,120		4,321,255	1,346,865	240,695
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	105,000			105,000	
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	678,243		70,738	607,505	74,897
Capital Lease Obligations	44,859	30,752	48,531	27,080	14,852
Total Governmental Activities	$ 11,841,222	$ 9,670,752	$ 4,590,524	$ 16,921,450	$ 510,444

Business-type Activities:					
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2012, 2.0%-4.0%, 2013-2032	$ 720,000	$ -	$ 25,000	$ 695,000	30,000
General Obligation Refunding Bonds Series 2012, 2.0%-3.0%, 2013-2023	4,005,000		135,000	3,870,000	130,000
General Obligation Refunding Bonds Series 2007, 4.0%-4.25%, 2008-2021	1,766,757		184,263	1,582,494	195,103
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2007, 2.60%-3.60%, 2009-2028	1,480,000		185,000	1,295,000	190,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2004, 4.625%-5.0%, 2004-2029	336,881		13,745	323,136	14,305
Total Business-type Activities	$ 8,308,638	$ -	$ 543,008	$ 7,765,630	$ 559,408

6. Long-Term Obligations - continued

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:

Governmental Activities

Year ending September 30	Bond principal	Bond interest	Capital lease principal	Capital lease interest	Total Required
2014	$ 495,592	$ 608,504	$ 14,852	$ 2,190	$ 1,121,138
2015	571,138	560,784	12,228	553	1,144,703
2016	611,125	547,062			1,158,187
2017	627,510	532,443			1,159,953
2018	771,110	517,370			1,288,480
2019-2023	4,165,158	2,283,263			6,448,421
2024-2028	4,915,226	1,550,384			6,465,610
2029-2033	4,737,511	537,991			5,275,502
Totals	$ 16,894,370	$ 7,137,801	$ 27,080	$ 2,743	$ 24,061,994

Business-type Activities

Year ending September 30	Bond principal	Bond interest	Capital lease principal	Capital lease interest	Total Required
2014	$ 559,408	$ 241,582			$ 800,990
2015	808,862	223,960			1,032,822
2016	843,875	201,102			1,044,977
2017	862,490	177,049			1,039,539
2018	883,890	152,734			1,036,624
2019-2023	3,279,842	382,686			3,662,528
2024-2028	314,774	81,010			395,784
2029-2033	212,489	20,071			232,560
Totals	$ 7,765,630	$ 1,480,194	$ -	$ -	$ 9,245,824

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

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

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	$ 109,385	$ 125,622	$ 109,385	$ 125,622	$ 125,622

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

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities:					
Obligation due to					
Celina ISD	$ 755,870	$	$ 159,563	$ 596,307	$ 95,282

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.

7. **Refunded Debt**

During 2013, the City issued general obligation refunding bonds of $4,315,000 (par value) with interest rates ranging from 2.0% to 3.5% as a current refunding of term bonds with interest rates ranging from 4.625% to 5.0%, and a par value of $4,090,000. The term bonds mature on September 1, 2027. The general obligation refunding bonds were issued at par plus a premium of $46,205 and, after paying issuance costs of $81,386, the net proceeds were $4,279,819. As a result of this current refunding, the City reduced its total debt service requirements by $236,053, which resulted in an economic gain (difference between the present value of the debt service requirements on the old and new debt) of $217,264.

8. **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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

8. Retirement Plan - continued

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 Projected Unit Credit actuarial cost method. 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 finances the portion of an active member's projected benefit allocated annually; 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. The annual pension cost and net pension obligation (asset) and three-year trend information for the City are as follows:

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions Made	Net Pension Obligation
2011	$ 127,984	127,984	-0-
2012	$ 92,028	92,028	-0-
2013	$ 92,962	92,962	-0-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information for the three most recent actuarial valuations, as of December 31, 2012 are as follows:

8. Retirement Plan - continued

Annual Pension Cost

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	30.0 years closed period	24.6 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 –

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Analysis of Funding Progress
(in Thousands of Dollars)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Over-funded) Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/12	$2,750	$2,390	(360)	115%	$2,398	(15.0%)

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.

8. Retirement Plan - continued

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.

9. 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.

10. Contingencies

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended September 30, 2013 have not been conducted. Accordingly, the City's compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

11. 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:

	Receivable	Payable
Debt Service Fund	$	$ 20,278
Proprietary Fund	20,278	400,000
General Fund	431,078	
Component units		31,078
	$ 451,356	$ 451,356

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.

11. Balances and Transfers/Payments Within the Reporting Entity – continued:

The government-wide statement of activities eliminates transfers reported within governmental activities. The following schedule reports transfers and payments within the reporting entity:

Fund	Transfers In	Transfers Out
General Fund	$ 345,000	$
Proprietary Fund		345,000

The above transfer provided the General Fund with supplementary revenue for the year.

12. Operating Leases

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

Year ending 9/30	Annual lease requirement
2014	8,472
2015	706
Total required	$ 9,178

Lease expense for the year ending September 30, 2013 was $58,673.

13. Economic Dependence

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

14. Commitments

The fire station incurred a fire loss during 2013. The City is considering options to rebuild the fire station and purchased land during 2013 that will be used for the new fire department location. The City has engaged an architect to design the new fire station and will be considering options to build the new fire station in 2014.

15. New Governmental Accounting Standards Board Statements

The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus an Amendment to GASB 14 and 34;* GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements;* GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* As a result of adopting these provisions, amounts previously reported as net assets are now reported as net position. In addition, amounts previously reported as deferred revenue, are now reported as deferred inflows of resources.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION