

CITY OF CENTER
Center, Texas
ANNUAL FINANCIAL REPORT
September 30, 2013

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CITY OF CENTER, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2013

GOVERNING BODY

Honorable David Chadwick, Mayor

CITY COUNCIL

James W. Forbes - At-Large

Leigh Porterfield - At Large

Joyce Johnson - District 1

Charlie Byndom, Jr. - District 2

Howell Howard - District 3

Charles Rushing - District 4 (Mayor Pro-tem)

OTHER PRINCIPAL OFFICIALS

Chad Nehring..... City Manager
Robin Folsom Andrews Finance Director
Barbara Boyd..... City Secretary

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Center
Center, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center, Texas, 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, each major fund, and the aggregate remaining fund information of the City of Center, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of retirement funding progress, and the budgetary comparison information on pages 6-13, 38-40 and 41-44 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 Center, Texas' basic financial statements. The introductory section, the supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and compliance section are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

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


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 14, 2014



Management's Discussion and Analysis

As management of the City of Center, Texas, we offer readers of the City of Center's financial statements this narrative overview and analysis of the financial activities of the City of Center (City) for the fiscal year ended September 30, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$26,401,000 (*net position*). Of this amount, 15% or \$4,052,620 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's governmental funds reported combined ending fund balances of \$1,478,284, a decrease of \$2,886,415 from the prior year.
- The fund balance for the general fund was \$1,008,180 or 17% of total general fund expenditures and decreased \$374,721 during this fiscal year.
- The net position of the Utility Fund decreased by \$305,720 to \$12,593,995.
- The Utility Fund operating revenues exceeded expenses resulting in operating income of \$40,481 and the fund generated a net loss of \$(305,720).
- The combined non-major governmental funds experienced an increase in fund balance of \$105,824.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Center's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, culture and recreation, planning and community development, sanitation and public facilities. The business-type activities of the City include water and sewer utility services.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Center can be divided into two categories: governmental funds or proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Center maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Project Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds, including the Debt Service Fund, is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, and special revenue funds - Trust Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with budget.

Proprietary Funds. The City maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its Water and Sewer utility service. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City currently uses no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer utility service, which is considered to be a major fund of the City of Center.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Center's progress in funding its obligations to provide retirement benefits to its employees. This required supplementary information can be found in the notes to financial statements on pages 38-40 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found of pages 46-52 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$26,401,000 at the close of fiscal year 2013. This represents an increase of \$807,001 from the 2012 net position of \$25,593,999.

By far the largest portion of the City's net position, 69.9%, reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less the outstanding balance of related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This year's net position values indicate increases because of use of debt proceeds for the purchase, acquisition and construction of assets through the Capital Projects Fund..

City of Center's Combined Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2 892 969	\$ 5 353 395	\$ 3 194 152	\$ 3 329 297	\$ 6 087 121	\$ 8 682 692
Capital assets (net of depreciation)	20 211 913	16 543 159	12 939 683	13 491 600	33 151 596	30 034 759
Total Assets	<u>23 104 882</u>	<u>21 896 554</u>	<u>16 133 835</u>	<u>16 820 897</u>	<u>39 238 717</u>	<u>38 717 451</u>
Long-term liabilities outstanding	7 714 335	8 160 288	2 611 542	3 103 353	10 325 877	11 263 641
Other liabilities	1 583 542	1 041 982	928 298	817 828	2 511 840	1 859 770
Total Liabilities	<u>9 297 877</u>	<u>9 202 270</u>	<u>3 539 840</u>	<u>3 921 181</u>	<u>12 837 717</u>	<u>13 123 451</u>
Net Position:						
Invested in capital assets, net of related debt	12 003 950	7 961 087	9 867 128	9 940 063	21 871 078	17 901 150
Restricted	477 302	280 406	2 263 866	2 398 061	2 741 168	3 021 574
Unrestricted	1 325 753	4 452 791	463 001	561 592	1 788 754	4 671 276
Total Net Position	<u>\$ 13 807 005</u>	<u>\$ 12 694 284</u>	<u>\$ 12 593 995</u>	<u>\$ 12 899 716</u>	<u>\$ 26 401 000</u>	<u>\$ 25 594 000</u>

An additional portion of the City's net position, \$2,741,168 (10.4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,788,754, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, and for its separate governmental and business-type activities. Values for newly constructed, major infrastructure (i.e. streets, drainage) are now included in the value of capital assets.

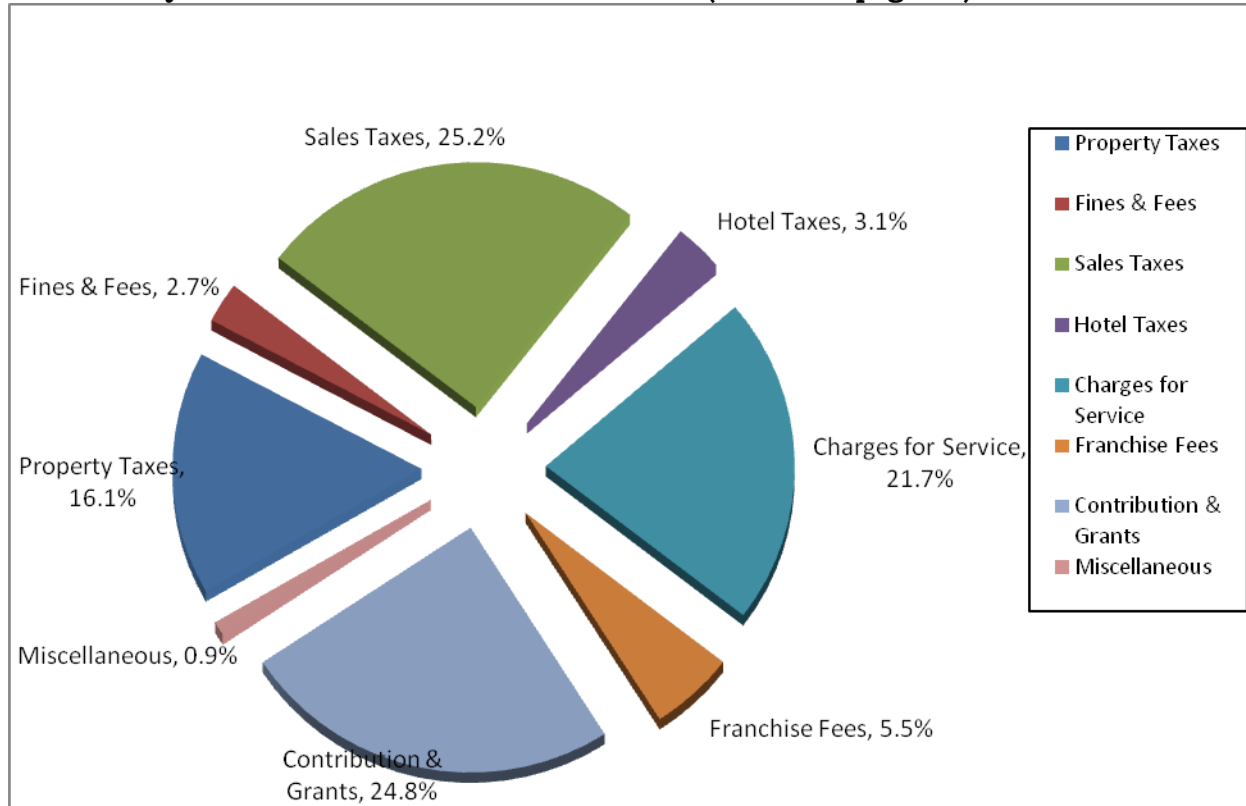
City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for services	\$ 1 877 672	\$ 1 933 839	\$ 3 132 886	\$ 3 371 976	\$ 5 010 558	\$ 5 305 815
Operating grants and contributions	134 269	189 527	-	-	134 269	189 527
Capital grants and contributions	2 853 630	426 576	-	237 000	2 853 630	663 576
General Revenues:						
Property taxes	1 205 388	1 131 976	-	-	1 205 388	1 131 976
Other taxes	2 624 882	3 103 557	-	-	2 624 882	3 103 557
Other	80 403	281 514	3 124	5 222	83 527	286 736
Total Revenues	<u>8 776 244</u>	<u>7 066 989</u>	<u>3 136 010</u>	<u>3 614 198</u>	<u>11 912 254</u>	<u>10 681 187</u>
Expenses:						
General government	1 061 913	1 122 445	-	-	1 061 913	1 122 445
Public safety	2 761 103	2 213 008	-	-	2 761 103	2 213 008
Community services	1 665 410	1 258 134	-	-	1 665 410	1 258 134
Streets and drainage	1 185 495	1 412 334	-	-	1 185 495	1 412 334
Sanitation	1 110 688	1 104 619	-	-	1 110 688	1 104 619
Inspections	169 113	167 304	-	-	169 113	167 304
Interest on long-term debt	241 837	325 263	-	-	241 837	325 263
Bond issue cost and fees	-	310 825	-	-	-	310 825
Water and sewer	-	-	3 164 427	3 185 743	3 164 427	3 185 743
Total Expenses	<u>7 940 826</u>	<u>7 913 932</u>	<u>3 164 427</u>	<u>3 185 743</u>	<u>11 105 253</u>	<u>11 099 675</u>
Transfers	<u>277 303</u>	<u>574 930</u>	<u>(277 303)</u>	<u>(393 591)</u>	<u>-</u>	<u>181 339</u>
Increase (decrease) in net position	1 112 721	(272 013)	(305 720)	34 864	807 001	(237 149)
Net position, beginning	<u>12 694 284</u>	<u>12 966 297</u>	<u>12 899 715</u>	<u>12 864 852</u>	<u>25 593 999</u>	<u>25 831 149</u>
Net Position, Ending	<u>\$ 13 807 005</u>	<u>\$ 12 694 284</u>	<u>\$ 12 593 995</u>	<u>\$ 12 899 716</u>	<u>\$ 26 401 000</u>	<u>\$ 25 594 000</u>

Governmental Activities. Governmental activities increased the City of Center's net position by \$1,112,721. Key elements of this increase are as follows:

- Governmental Revenues increased \$1,709,255 from prior year revenues;
 - Increase in realized Capital grant and contributions (\$2,427,054) predominately from use of debt proceeds for capital projects and TXDoT Sidewalk grant funds
 - Decrease in Other taxes (\$478,675) primarily from decline in sales tax receipts of \$206,557 and reduced Hotel Occupancy tax receipts of \$268,553
- Governmental Expenses increased \$26,894 from prior year expenses;
 - Decrease in General Government expenses of \$60,532
 - Increase in Public Safety of \$548,095 related to Homeland Security Grant funds, purchase of capital equipment and increased operational expenses
 - Increase in Community Services of \$397,276 from projects for park improvements and Community House rehabilitation
 - Decrease in Streets & Drainage of \$226,839 from concluding TXDoT Sidewalk project and initiating MLK Drive reconstruction
 - Decrease in Interest on Debt and Bond Issuance Costs totaling \$394,251

Revenues by Source - All Governmental Activities (reference page 19)



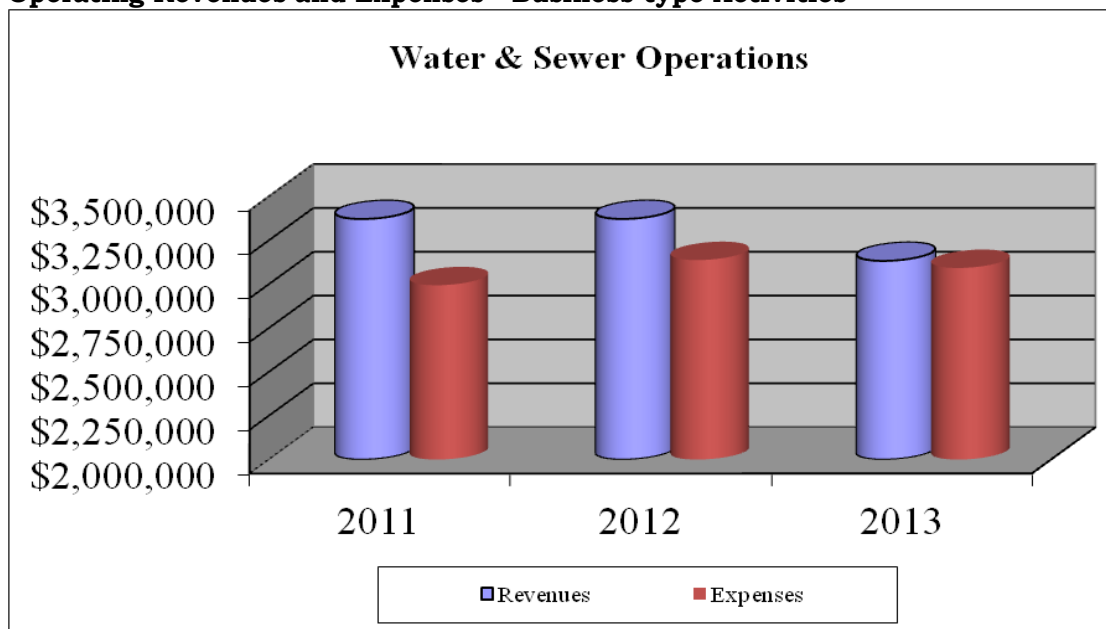
Business-Type Activities. Business-type activities decreased the total government's net position by \$305,720. Key elements of this decrease are as follows:

- Revenues decreased \$478,188 from the prior year to \$3,136,010
 - Charges for services decreased \$239,090
 - Capital grants decreased \$237,000
- Expenses decreased \$21,316 from prior year to \$3,164,427
- Transfers decreased \$116,288 from prior year to \$277,303

Proprietary Funds. The City of Center's proprietary funds (pages 21-23) provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

- Operating Revenues exceeded expenses resulting in Operating Income of \$40,481.
- Including non-operating expenses, primarily costs of debt, Net Loss is (\$28,417).

Operating Revenues and Expenses - Business-type Activities



Unrestricted net position of the Water and Sewer Utility Fund at the end of the current fiscal year are \$2,726,867, increased by the availability of debt proceeds not yet expended. The decrease in net position for Water and Sewer Utility totaled \$305,720. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

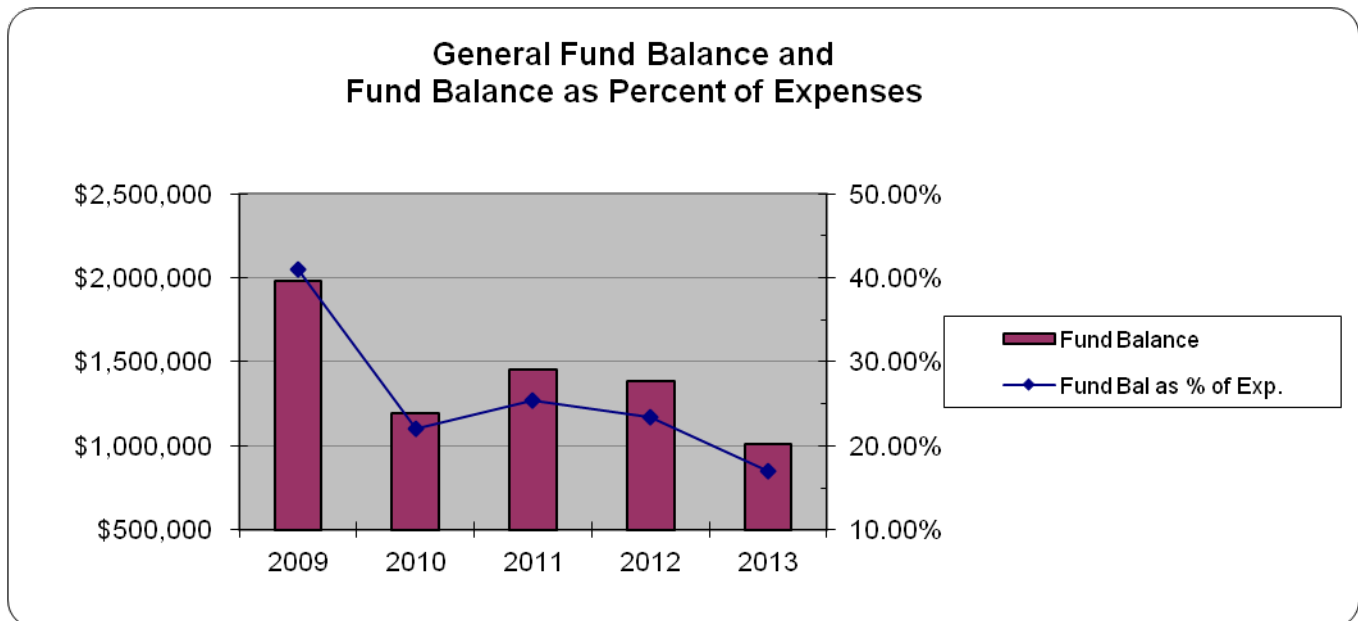
Financial Analysis of the Government's Funds

As noted earlier, the City of Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Center's governmental funds reported combined ending fund balances of \$1,478,284, a decrease of \$2,886,415 from the prior year. Approximately 68% of this total amount, \$1,000,982, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining 32% of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed and dedicated to 1) pay debt service, 2) for perpetual care of cemeteries or 3) for capital projects.

The general fund is the chief operating fund of the City of Center. At the end of the current fiscal year, total general fund balance was \$1,008,180. The fund balance of the City's general fund decreased by \$374,721 during the current fiscal year. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 16.9% of total general fund operational expenditures.



General Fund Budgetary Highlights

The General Fund accounts for the primary operations of the City and a budget comparison is provided on pages 41-44. Differences in the original and the final amended budget provided for \$150,450 in decreased revenues. Differences in the original and the final amended budget expenditures amounted to \$175,350 in increased appropriations.

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues decreased from the original budget by \$244,646 and decreased from the final amended budget by \$94,196. Total expenditures increased from original budget by \$220,711 and from the final amended budget by \$45,361. After transfers to and from other funds these adjustments resulted in a decrease in the fund balance of \$374,721.

Capital Asset and Debt Administration

Capital Assets. The City of Center's investment in capital assets for its governmental and business-type activities amounts to \$33,151,593 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$30,034,759. This investment in capital assets includes land, buildings, improvements, vehicles and equipment. Due to the size of the City, past asset valuations for major infrastructure (streets, bridges, drainage, etc.) are not required to comply with new reporting requirements, however beginning in fiscal year 2004, the City began prospectively accumulating values for these major capital assets.

City of Center's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 11 233	\$ 11 233	\$ 592 783	\$ 592 783	\$ 604 016	\$ 604 016
Buildings	6 628 812	6 878 636	-	-	6 628 812	6 878 636
Improvements other than buildings	998 543	1 063 846	-	-	998 543	1 063 846
Machinery and equipment	1 028 252	1 184 701	809 450	794 640	1 837 702	1 979 341
Buildings and systems	-	-	11 377 493	12 016 098	11 377 493	12 016 098
Infrastructure	7 030 668	6 369 709	-	-	7 030 668	6 369 709
Construction in progress	4 514 405	1 035 034	159 957	88 079	4 674 362	1 123 113
Total	<u>\$ 20 211 913</u>	<u>\$ 16 543 159</u>	<u>\$ 12 939 683</u>	<u>\$ 13 491 600</u>	<u>\$ 33 151 596</u>	<u>\$ 30 034 759</u>

Major capital asset events during the current fiscal year included the following:

Governmental

- Center Mini Park - \$25,419
 - Total Project as complete - \$508,388
- TXDoT STEP Project (Sidewalks & Trails) - \$1,063,255
 - Total Project as complete - \$1,159,190
- EDC Project Asset Transfers
 - Loop 500 Local Construction Funds - \$1,014,895
 - Intersection Improvements - \$22,747
 - Tyson Sidewalks - \$19,787
- Fleet Vehicles:
 - Police Department - Three CID Units - \$38,982

Business-type

- Sewer Lift Station Pump Replacements and Repairs - \$22,567
- Purchased two Fleet Equipment
 - Case Backhoe (Water Dept.) - \$60,500
 - Kubota Tractor/Mower - \$14,175

In addition to the capital assets completed during the year, the City has projects in progress that are being capitalized annually based on completed value of current year's construction activities.

Capital Construction In Progress - Governmental

- Community House Renovations - \$594,575
 - Total Project to date - \$615,571
- Center Park Expansion Softball Complex - \$1,303,073
 - Total Project to date - \$1,349,679
- City Hall Renovation and Expansion - \$438,206

Capital Construction In Progress - Business-type

- Sewer Collection System Planning/TWDB Project - \$36,740
 - Total Project - \$370,268
- Loop 500 Sewer Line Extension - \$35,138

Additional information on the City of Center's capital assets can be found in note 3. C. on pages 32-33 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$10,668,000, a decrease from last year's total bonded debt of \$11,452,000. All is backed by the full faith and credit of the government.

Short-Term Notes Payable. Short-term notes payable include a note by the City's Tax Increment Reinvestment Zone Fund to the Center Economic Development Corporation in 2011 and a note to TXDoT's State Infrastructure Bank for the Highway 96S line relocation in 2006. This year, a four-year loan was added for Police video and computer equipment.

City of Center's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 7 760 000	\$ 8 115 000	\$ 2 908 000	\$ 3 337 000	\$ 10 668 000	\$ 11 452 000
Compensated absences	100 951	93 360	26 969	30 799	127 920	124 159
Notes payable	441 963	373 712	164 555	214 537	606 518	588 249
Total	\$ 8 302 914	\$ 8 582 072	\$ 3 099 524	\$ 3 582 336	\$ 11 402 438	\$ 12 164 408

The City of Center's debt issuance rating by Moody's was upgraded in 2007 from a rating of "Baa2" to a rating of "A2". This pertains to the current debt issuances for general obligation and any other bonded debt. This rating was reaffirmed by Moody's in 2012.

As a Home Rule City, the City of Center, Texas is not limited by law in the amount of debt it may issue.

Additional information on the City's long-term debt can be found in note 3. D. on pages 33-35 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of August, 2013 for Shelby County, according to Texas Workforce Commission statistics, is 6.9%. The unemployment rates for August 2013, according to the Texas Workforce Commission, are 6.3% for the State of Texas and 7.7% for the Deep East Texas Region.
- The state sales tax receipts, including only the 1¼% for governmental purposes for the current fiscal year, totaled \$1,888,866 a decrease of \$243,320 or (-11.4%) from the previous year (\$2,132,186). This reduction indicates a continued slowing of the growth of the prior two years primarily resulting from decreases in retail outlets and overall taxable sales but specifically those related to oil and gas industry activities.
- Economic trends in the area are contrary to state and national indices and trends due to reduced operations and activities of the local oil and gas industry and the continued impacts of that decline on local retail and hospitality businesses.

All of these factors were considered in preparing the City of Center's budget for the 2014 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Center's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, P. O. Box 1744, 617 Tenaha Street, City of Center, Texas, 75935-1744.

FINANCIAL STATEMENTS

CITY OF CENTER, TEXAS
STATEMENT OF NET POSITION
September 30, 2013

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
ASSETS				
Cash and cash equivalents	\$ 1 707 563	\$ 356 685	\$ 2 064 248	\$ 868 805
Receivables (net)	644 391	431 113	1 075 504	436 197
Due from other governments	153 062	-	153 062	-
Due from component units	-	1 000	1 000	-
Due from other funds	99 489	51 780	151 269	-
Inventories	43 046	86 374	129 420	-
Capitalized bond issue cost	245 418	3 334	248 752	-
Restricted Assets:				
Cash and cash equivalents	-	2 263 866	2 263 866	-
Capital assets (net of accumulated depreciation)	20 211 913	12 939 683	33 151 596	-
TOTAL ASSETS	<u>23 104 882</u>	<u>16 133 835</u>	<u>39 238 717</u>	<u>1 305 002</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	723 171	120 904	844 075	33 414
Accrued liabilities	85 759	17 397	103 156	-
Due to other funds	-	151 269	151 269	-
Due to primary government	-	-	-	1 000
Accrued interest payable	36 457	9 760	46 217	-
Premium on bond issue	244 527	-	244 527	-
Customer deposits payable	-	140 987	140 987	-
Noncurrent Liabilities:				
Due within one year	493 628	487 981	981 609	-
Due in more than one year	7 714 335	2 611 542	10 325 877	-
TOTAL LIABILITIES	<u>9 297 877</u>	<u>3 539 840</u>	<u>12 837 717</u>	<u>34 414</u>
NET POSITION				
Invested in capital assets, net of related debt	12 003 950	9 867 128	21 871 078	-
Restricted for:				
Debt service	210 515	2 263 866	2 474 381	-
Grants	130 182	-	130 182	-
Perpetual care	136 605	-	136 605	-
Unrestricted	1 325 753	463 001	1 788 754	1 270 588
TOTAL NET POSITION	<u>\$ 13 807 005</u>	<u>\$ 12 593 995</u>	<u>\$ 26 401 000</u>	<u>\$ 1 270 588</u>

The notes to financial statements are an integral part of this statement.

CITY OF CENTER, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1 061 913	\$ 57 341	\$ 59 343	\$ -
Public safety	2 761 103	141 031	72 279	151 926
Community services	1 665 410	397 428	-	1 644 075
Streets and drainage	1 185 495	-	-	1 057 629
Sanitation	1 110 688	1 281 872	2 647	-
Inspections	169 113	-	-	-
Interest on long-term debt	241 837	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	7 940 826	1 877 672	134 269	2 853 630
Business-Type Activities:				
Water and sewer fund	3 164 427	3 132 886	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	3 164 427	3 132 886	-	-
 TOTAL PRIMARY GOVERNMENT	 \$ 11 105 253	\$ 5 010 558	\$ 134 269	\$ 2 853 630
 Component Units:				
Economic Development	\$ 1 260 575	\$ -	\$ -	\$ -
Economic Development Street Improvement	1 044 537	-	-	-
TOTAL COMPONENT UNITS	\$ 2 305 112	\$ -	\$ -	\$ -
 General Revenues:				
Taxes:				
Property taxes				
Other taxes and permits				
Unrestricted investment earnings				
Other unrestricted revenue				
Transfers				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
 Net position - Beginning				
 NET POSITION - ENDING				

The notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	ECONOMIC DEVELOPMENT CORPORATIONS
\$ (954 229)	\$ -	\$ (954 229)	\$ -
(2 395 867)	-	(2 395 867)	-
376 093	-	376 093	-
(127 866)	-	(127 866)	-
173 831	-	173 831	-
(169 113)	-	(169 113)	-
(241 837)	-	(241 837)	-
<u>(3 075 255)</u>	<u>-</u>	<u>(3 075 255)</u>	<u>-</u>
<u>-</u>	<u>(31 541)</u>	<u>(31 541)</u>	<u>-</u>
<u>-</u>	<u>(31 541)</u>	<u>(31 541)</u>	<u>-</u>
<u>(3 075 255)</u>	<u>(31 541)</u>	<u>(3 106 796)</u>	<u>-</u>
-	-	-	(1 260 575)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 044 537)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2 305 112)</u>
1 205 388	-	1 205 388	-
2 624 882	-	2 624 882	1 133 089
8 301	3 124	11 425	14 197
72 102	-	72 102	-
277 303	(277 303)	-	-
<u>4 187 976</u>	<u>(274 179)</u>	<u>3 913 797</u>	<u>1 147 286</u>
<u>1 112 721</u>	<u>(305 720)</u>	<u>807 001</u>	<u>(1 157 826)</u>
<u>12 694 284</u>	<u>12 899 715</u>	<u>25 593 999</u>	<u>2 428 414</u>
\$ <u>13 807 005</u>	\$ <u>12 593 995</u>	\$ <u>26 401 000</u>	\$ <u>1 270 588</u>

CITY OF CENTER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2013

	GENERAL	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 508 595	\$ 487 956	\$ 711 012	\$ 1 707 563
Receivables (Net of Uncollectibles):				
Taxes	227 836	-	1 692	229 528
Accounts	173 092	-	102 799	275 891
Court fines receivable	45 130	-	-	45 130
Governmental agencies	153 062	-	-	153 062
Sundry	93 842	-	-	93 842
Due from other funds	366 190	-	-	366 190
Inventories	43 046	-	-	43 046
TOTAL ASSETS	<u>\$ 1 610 793</u>	<u>\$ 487 956</u>	<u>\$ 815 503</u>	<u>\$ 2 914 252</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 222 017	\$ 495 154	\$ 6 000	\$ 723 171
Accrued liabilities	85 759	-	-	85 759
Due to other funds	-	-	266 701	266 701
Deferred revenue	294 837	-	65 500	360 337
TOTAL LIABILITIES	<u>602 613</u>	<u>495 154</u>	<u>338 201</u>	<u>1 435 968</u>
Fund Balances:				
Nonspendable for:				
Inventory	43 046	-	-	43 046
Restricted for:				
Debt service	-	-	210 515	210 515
Grants	-	-	130 182	130 182
Other purposes	-	-	136 605	136 605
Unassigned:				
General fund	965 134	(7 198)	-	957 936
TOTAL FUND BALANCES	<u>1 008 180</u>	<u>(7 198)</u>	<u>477 302</u>	<u>1 478 284</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1 610 793</u>	<u>\$ 487 956</u>	<u>\$ 815 503</u>	

Amounts Reported for Governmental Activities in the

Statement of Net Activities are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20 211 913
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	605 755
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(8 488 947)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 13 807 005</u>

The notes to financial statements are an integral part of this statement.

CITY OF CENTER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	GENERAL	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 656 325	\$ -	\$ 589 897	\$ 1 246 222
Other local taxes and permits	2 332 923	-	291 959	2 624 882
Fines and fees	184 636	-	22 936	207 572
Charges for services	1 679 300	-	-	1 679 300
Contributions and grants	230 854	49 250	1 641 166	1 921 270
Miscellaneous	14 416	-	57 686	72 102
TOTAL REVENUES	5 098 454	49 250	2 603 644	7 751 348
Expenditures:				
General government	1 050 824	-	-	1 050 824
Public safety	2 592 180	-	26 487	2 618 667
Community services	638 161	-	846 425	1 484 586
Streets and drainage	394 426	-	1 063 255	1 457 681
Sanitation	1 109 107	-	-	1 109 107
Inspections	169 113	-	-	169 113
Capital expenditures	-	2 420 336	-	2 420 336
Debt Service:				
Principal	-	-	477 997	477 997
Interest and fiscal charges	-	-	240 092	240 092
TOTAL EXPENDITURES	5 953 811	2 420 336	2 654 256	11 028 403
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(855 357)	(2 371 086)	(50 612)	(3 277 055)
Other Financing Sources (Uses):				
Debt proceeds	-	-	105 036	105 036
Interest income	-	8 301	-	8 301
Transfers in	480 636	-	305 900	786 536
Transfers (out)	-	(254 733)	(254 500)	(509 233)
TOTAL OTHER FINANCING SOURCES (USES)	480 636	(246 432)	156 436	390 640
NET CHANGE IN FUND BALANCES	(374 721)	(2 617 518)	105 824	(2 886 415)
Fund balances at beginning of year	1 382 901	2 610 320	371 478	4 364 699
FUND BALANCES AT END OF YEAR	\$ 1 008 180	\$ (7 198)	\$ 477 302	\$ 1 478 284

The notes to financial statements are an integral part of this statement.

CITY OF CENTER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net change in fund balances - Total governmental funds	\$ (2 886 415)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3 668 754
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(40 834)
--	----------

The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	371 216
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1 112 721
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The notes to the financial statements are an integral part of this statement.

CITY OF CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 356 685
Receivables (Net):	
Accounts	420 507
Sundry	10 606
Due from other funds	51 780
Due from component unit	1 000
Inventories	86 374
TOTAL CURRENT ASSETS	926 952
Noncurrent Assets:	
Restricted cash	2 263 866
Deferred charges	3 334
Capital Assets:	
Land	592 783
Utility systems	26 605 346
Equipment	3 096 743
Construction in progress	159 957
Less accumulated depreciation	(17 515 146)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	12 939 683
TOTAL NONCURRENT ASSETS	15 206 883
TOTAL ASSETS	16 133 835
LIABILITIES	
Current Liabilities:	
Accounts payable	120 904
Accrued expense	17 397
Due to other funds	151 269
Debt payable - Current	487 981
Accrued interest payable	9 760
Customer deposits payable	140 987
TOTAL CURRENT LIABILITIES	928 298
Noncurrent Liabilities:	
Compensated absences	26 968
Long term debt payable	2 584 574
TOTAL NONCURRENT LIABILITIES	2 611 542
TOTAL LIABILITIES	3 539 840
NET POSITION	
Investment in capital assets, net of related debt	9 867 128
Restricted	2 263 866
Unrestricted	463 001
TOTAL NET POSITION	\$ 12 593 995

The notes to the financial statements are an integral part of this statement.

CITY OF CENTER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2013

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
Operating Revenues:	
Charges for service	\$ 3 025 904
Taps and connections	6 495
Miscellaneous	100 487
TOTAL OPERATING REVENUES	3 132 886
Operating Expenses:	
Nondepartmental	35 677
Public works	158 598
Water production	1 110 810
Water distribution	296 197
Sewer collection	271 739
Sewer treatment	486 494
Depreciation	732 890
TOTAL OPERATING EXPENSES	3 092 405
OPERATING INCOME	40 481
Nonoperating Revenues (Expenses):	
Income from investments	3 124
Interest and fiscal fees	(72 022)
TOTAL NONOPERATING REVENUES (EXPENSES)	(68 898)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	(28 417)
Operating transfers in (out)	(277 303)
TOTAL NET OPERATING TRANSFERS	(277 303)
CHANGE IN NET POSITION	(305 720)
Beginning net position	12 899 715
NET POSITION, END OF YEAR	\$ 12 593 995

The notes to financial statements are an integral part of this statement.

CITY OF CENTER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2013

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
Cash Flows from Operating Activities:	
Received from customers	\$ 3 094 644
Payments to suppliers	(1 248 182)
Payments to employees	(1 033 180)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	813 282
Cash Flows from Noncapital Financing Activities:	
Advances (to) and from other funds	49 489
Operating transfers in (out)	(277 303)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(227 814)
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(659 956)
Interest paid on debt	(72 022)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(731 978)
Cash Flows from Investing Activities:	
Interest on investments	3 124
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3 124
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(143 386)
Cash at beginning of year	2 763 937
CASH AT END OF YEAR	\$ 2 620 551

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating income (loss)	\$ 40 481
Adjustments:	
Depreciation	732 890
Changes in:	
Accounts receivable	(39 401)
Inventory	(805)
Deferred charges	83 745
Accounts payable	(2 687)
Accrued expense	1 730
Accrued compensated absences	(3 830)
Customer deposits	1 159
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 813 282

The notes to the financial statements are an integral part of this statement.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Center, Texas was incorporated in 1900. The City operates under a Home Rule Charter adopted April 7, 1984 under Section 5, Article XI of the Texas Constitution as a Council-Manager form of government under the provisions of the charter and the V.T.C.A., Local Government Code.

The accounting policies of the City of Center, Texas conform to generally accepted accounting principles as applicable to governments. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies:

A. Reporting Entity:

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

Individual Component Unit Disclosures:

Discretely Presented Component Units:

The City of Center Economic Development Corporation - Established in 1994, the Corporation is a 4A nonprofit industrial development corporation specifically governed by the Development Corporation Act. The purpose of the Corporation is to promote, assist, and enhance economic development. The Corporation is governed by a Board of Directors appointed by the City Council.

Complete financial statements of the Corporation can be obtained from: The City of Center Economic Development Corporation, 617 Tenaha Street, Center, Texas.

The City of Center Street Improvements for Economic Development Corporation - Established in 1996, the Corporation is a 4B nonprofit industrial development corporation specifically governed by the Development Corporation Act. The purpose of the Corporation is to promote, assist and enhance economic development by undertaking projects of street and road and related improvements. The Corporation is governed by a Board of Directors appointed by the City Council.

Complete financial statements of the Corporation can be obtained from: The City of Center Street Improvements for Economic Development Corporation, 617 Tenaha Street, Center, Texas.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental funds:

General Fund - The general fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Fund - The capital project fund is used to account for monies earmarked from the 2011 bond issue.

Special Revenue Funds - Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs on long-term general obligation debt of governmental funds.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Permanent Fund - This fund is used to account for assets held by the City pursuant to a trust agreement. The principal portion of this fund must remain intact, but the earnings may be used to achieve the objectives of the fund.

The government reports the following proprietary funds:

Water and Sewer Fund - This fund accounts for the provision of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt services, and billing and collection.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, and Net position or Equity

1. Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City's investment policies are governed by state statutes and city ordinances. Permissible investments include direct obligations of the U. S. Government, certificates of deposit and savings accounts. Collateral is required for demand deposits and certificates of deposits of all amounts not covered by federal deposit insurance.

The Center Economic Development Corporation and the Center Street Improvements for Economic Development are authorized by their governing board to invest in obligations of the U. S. Government, certificates of deposit and savings accounts.

Investments for the government, as well as for its component units, are reported at fair value. Collateral is required for demand deposits and certificates of deposits of all amounts not covered by federal deposit insurance.

2. Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "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). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of the allowance for uncollectibles. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property taxes are levied on October 1, attach as an enforceable lien on property on January 1, and become delinquent on June 30 of every fiscal year.

3. Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets:

Restricted assets include cash and investments or the proprietary funds that are legally restricted as to their use. The primary restricted assets are related to debt retirement, renewal and replacement, and construction activity of the Water and Sewer enterprise fund.

5. Capital Assets:

All purchased capital assets are valued at cost where historical records are available and estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received or placed into service. Assets contributed by the general government to proprietary funds are valued at the lesser of their fair market value at the date of the transfer or original cost.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

For implementation of GASB 34 requirements for capital assets the City established the following categories and thresholds:

	Any Amount
Land/land improvement	
Buildings/building improvements	\$ 25 000
Facilities and other improvements	\$ 25 000
Infrastructure	\$ 25 000
Personal property	\$ 5 000
Leasehold improvements	\$ 25 000

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The City, a Phase 3 government as described by GASB 34, has elected to not report major general infrastructure assets retroactively.

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

Structures and water and sewer systems	10 to 50 years
Infrastructure	10 to 30 years
Transportation and other equipment	3 to 20 years

6. Compensated Absences:

The City accounts for expenditures related to sick pay when such payments are made to employees as amounts do not vest. The City accounts for all material liabilities and expenditures related to vacation pay during the fiscal year in which such benefits accrue. Employees are required to take vacation time if at all possible, and vacation time will not be allowed to be accrued more than 160 hours on an anniversary date. Sick leave can be accumulated up to 320 hours.

The City has determined that the current portion of the accrued expense for compensated absences cannot be reasonably estimated. Therefore, the total accrued expense for compensated absences is recorded as long-term debt in the financial statements.

7. Long-Term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity:

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

9. Use of Estimates:

The preparation of financial statements in conformity 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 those estimates.

10. Subsequent Events:

Management has evaluated subsequent events through April 14, 2014, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) The City Manager submits to the City Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) The budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized by the City Council to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any fund are approved by the City Council.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (6) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and cash equivalents - The carrying amount of cash and investments (bank balances net of outstanding checks and deposits) as of September 30, 2013 are classified in the accompanying financial statements as follows:

Primary Government:	
Unrestricted cash and investments	\$ 2 064 248
Restricted cash and investments	2 263 866
Component Units:	
Cash and investments	868 805
TOTAL CASH AND INVESTMENTS	\$ 5 196 919

Cash and investments as of September 30, 2013, consists of the following:

Primary Government:	
Cash on hand	\$ 3 360
Deposits with financial institutions	3 438 925
Investments in LOGIC	885 829
Component Units:	
Deposits with financial institutions	514 084
Investments in LOGIC	354 721
TOTAL CASH AND INVESTMENTS	\$ 5 196 919

At September 30, 2013, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$547,091 and \$32,352, respectively. Deposits were with the contracted depository bank, Farmers State Bank, in a combination of interest and non-interest bearing accounts and interest bearing Certificates of Deposits. The deposits were fully secured at the balance sheet date by federal depository coverage and by pledged U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of deposits.

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments - The State Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires the City to adopt, implement, and publicize an investment policy. The investment policy must address requirements outlined by the Act. Management of the City believes it is in compliance with those requirements and local policies. The City's temporary investments consist of balances held by the Local Government Investment Cooperative (LOGIC). LOGIC is an AAA rated investment pool administered by First Southwest Asset Management, Inc and JP Morgan Chase.

As of September 30, 2013, the City had the following investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 885 829	53
Component units - LOGIC	354 721	53
	\$ 1 240 550	

Although Local Government Investment Cooperative had a weighted average maturity of 53 days, the City considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Interest rate risk is the risk that changes in market interest rates and will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value. The City concentrates its investments on short-term investments in order to limit market risk caused by changes in interest rates. The maximum allowed maturity of any investment by the City is three years.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. The City's depository fully collateralizes the City's deposits as outlined above.

B. Receivables

The City contracts with the Texas Department of Economic Development for various economic development programs. In accordance with certain terms of the contracts, funds have been loaned to specific entities at no interest. The City is liable to the State for repayment and the entity is liable to the City for repayment. The repayment of loans is accounted for as miscellaneous revenue and expenditures. The contracts are managed in a special revenue fund. At September 30, 2013 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2013.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2012	\$ 354 635	\$ 354 635
Loan payments received	-	(42 875)
Loans paid	(42 875)	-
Balance at September 30, 2013	\$ 311 760	\$ 311 760

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 158 334
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	153 426
TOTAL	\$ 311 760

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Future requirements are as follows:

YEAR	PAYABLE/ RECEIVABLE
2014	\$ 42 876
2015	42 876
2016	42 876
2017	42 876
2018	42 876
2019 - 2021	97 380
	\$ 311 760

C. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 1 035 034	\$ 3 479 371	\$ -	\$ 4 514 405
Land	11 233	-	-	11 233
TOTAL ASSETS NOT BEING DEPRECIATED	1 046 267	3 479 371	-	4 525 638
Capital Assets, Being Depreciated:				
Buildings	7 971 327	-	49 342	7 921 985
Improvements other than buildings	1 695 822	-	-	1 695 822
Vehicles and equipment	2 214 563	38 982	2 796	2 250 749
Infrastructure	8 664 544	1 057 429	-	9 721 973
TOTAL ASSETS BEING DEPRECIATED	20 546 256	1 096 411	52 138	21 590 529
Less Accumulated Depreciation For:				
Buildings	1 092 693	200 480	-	1 293 173
Improvements other than buildings	631 978	65 301	-	697 279
Vehicles and equipment	1 029 862	195 429	2 794	1 222 497
Infrastructure	2 294 833	396 472	-	2 691 305
TOTAL ACCUMULATED DEPRECIATION	5 049 366	857 682	2 794	5 904 254
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	15 496 890	238 729	49 344	15 686 275
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 16 543 157	\$ 3 718 100	\$ 49 344	\$ 20 211 913

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 592 783	\$ -	\$ -	\$ 592 783
Construction in progress	88 079	71 878	-	159 957
TOTAL ASSETS NOT BEING DEPRECIATED	680 862	71 878	-	752 740
Capital Assets, Being Depreciated:				
Buildings and systems	26 605 346	-	-	26 605 346
Vehicles and equipment	2 987 648	109 095	-	3 096 743
TOTAL ASSETS BEING DEPRECIATED	29 592 994	109 095	-	29 702 089
Less Accumulated Depreciation For:				
Buildings and systems	14 589 250	638 605	-	15 227 855
Vehicles and equipment	2 193 006	94 285	-	2 287 291
TOTAL ACCUMULATED DEPRECIATION	16 782 256	732 890	-	17 515 146
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	12 810 738	(623 795)	-	12 186 943
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 13 491 600	\$ (551 917)	\$ -	\$ 12 939 683

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

Governmental Activities:		
General government		\$ 11 089
Public safety		184 214
Community services		338 409
Sanitation		1 581
Street and drainage		322 389
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES		\$ 857 682
Business-Type Activities:		
Water		\$ 493 160
Sewer		239 730
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES		\$ 732 890

D. Changes In Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2013:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 8 115 000	\$ 1 760 000	\$ 2 115 000	\$ 7 760 000	\$ 425 000
Note payable	373 712	105 036	36 785	441 963	68 628
Compensated absences	93 360	7 591	-	100 951	-
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 8 582 072	\$ 1 872 627	\$ 2 151 785	\$ 8 302 914	\$ 493 628
Business-Type Activities:					
General obligation bonds	\$ 3 337 000	\$ -	\$ 429 000	\$ 2 908 000	\$ 436 000
Notes payable	214 537	-	49 982	164 555	51 981
Compensated absences	30 799	-	3 830	26 969	-
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 3 582 336	\$ -	\$ 482 812	\$ 3 099 524	\$ 487 981

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Bonds payable at September 30, 2013 are comprised of the following individual issues:

General Obligation Debt:

\$2,000,000, 2003 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation due in annual installments of \$25,000 to \$225,000 through August 15, 2023; interest at 4.40 to 5.50 percent (Liability recorded in governmental activities) - REFUNDED	\$	-
\$1,500,000, 2007 Combination Tax and Waterworks and Sewer System Revenue Certificate of Obligation Bonds due in annual installments of \$80,000 to \$140,000 through February 2022; interest at 4.0 to 5.5 percent (Liability recorded in governmental activities)		1 020 000
\$1,290,000, 2011 General Obligation Refunding Bond, due in annual installments of \$25,000 to \$190,000 through August 15, 2019 interest at 2.0 to 3.0 percent (Liability recorded in governmental activities)		1 095 000
\$3,941,314, 2011 Combination Tax and Revenue Certificate of Obligation, due in annual installments of \$95,000 to \$505,000 through August 15, 2030, interest at 2.0 to 4.0 percent (Liability recorded in governmental activities)		3 761 314
\$168 686, 2011 Combination Tax and Revenue Capital Appreciation Bonds, due in annual installments of \$116,448 to \$104,978 through August 15, 2023, interest at 3.10 to 3.50 percent (Liability recorded in governmental activities)		168 686
\$2,070,000, 2012 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$10,000 to \$125,000 through August 15, 2035, interest at 0.0 to 3.05 percent (Liability recorded in business-type activities)		2 070 000
\$1,681,000, 2012 Tax and Wastewater and Sanitary Sewer Revenue Refunding Bonds, due in annual installments of \$412,000 to \$429,000 through August 15, 2015, interest at 1.56 percent (Liability recorded in business-type activities)		838 000
\$1,760,000, 2012 General Obligation Refunding Bond, due in annual installments of \$65,000 to \$225,000 through August 15, 2023, with interest of 2.0% to 2.5% (Liability recorded in governmental activities)		<u>1 715 000</u>
	\$	<u><u>10 668 000</u></u>

The annual debt service requirements to maturity for all bonds and certificates of obligation are as follows:

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2014	\$ 425 000	\$ 232 869	\$ 436 000	\$ 53 803
2015	435 000	221 281	442 000	47 157
2016	445 000	209 819	90 000	40 730
2017	455 000	197 347	90 000	40 685
2018	475 000	184 175	90 000	40 438
Thereafter	<u>5 525 000</u>	<u>1 211 175</u>	<u>1 760 000</u>	<u>421 136</u>
TOTAL	<u>\$ 7 760 000</u>	<u>\$ 2 256 666</u>	<u>\$ 2 908 000</u>	<u>\$ 643 949</u>

Notes Payable:

\$475,000 loan from the Texas Department of Transportation State Infrastructure Bank (SIB) for the Highway 7 water main reconstruction project to be paid in 10 annual payments of \$58,563 with an interest rate of 4.0%	\$	164 555
\$450,000 loan from the City of Center Economic Development Corporation to be paid in 10 annual installments, with an interest rate of 3%	\$	336 927
\$105,036 loan from Cop Sync to be paid in annual installments of \$28,930, with an interest rate of 3.99%	\$	<u>105 036</u>
		<u><u>606 518</u></u>

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2014	\$ 62 628	\$ 14 299	\$ 51 981	\$ 6 582
2015	64 752	12 175	54 060	4 503
2016	66 950	9 977	56 223	2 341
2017	69 221	7 704	2 291	92
2018	42 615	5 352	-	-
Thereafter	135 797	8 226	-	-
TOTAL	\$ <u>441 963</u>	\$ <u>57 733</u>	\$ <u>164 555</u>	\$ <u>13 518</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

NOTE 4 - OTHER INFORMATION

A. Component Units Condensed Statements

Condensed Statement of Net Position

	CITY OF CENTER ECONOMIC DEVELOPMENT CORPORATION	CITY OF CENTER STREET IMPROVEMENTS FOR ECONOMIC DEVELOPMENT CORPORATION	TOTAL COMPONENT UNITS
Assets:			
Cash, investments and other assets	\$ <u>1 013 262</u>	\$ <u>291 740</u>	\$ <u>1 305 002</u>
TOTAL ASSETS	<u>1 013 262</u>	<u>291 740</u>	<u>1 305 002</u>
Liabilities:			
Accounts payable and other current liabilities	<u>-</u>	<u>34 414</u>	<u>34 414</u>
TOTAL LIABILITIES	<u>-</u>	<u>34 414</u>	<u>34 414</u>
Net Position:			
Unrestricted	<u>1 013 262</u>	<u>257 326</u>	<u>1 270 588</u>
TOTAL NET POSITION	\$ <u><u>1 013 262</u></u>	\$ <u><u>257 326</u></u>	\$ <u><u>1 270 588</u></u>

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE 4 - OTHER INFORMATION - CONTINUED

Condensed Statement of Activities

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	ECONOMIC DEVELOPMENT	STREET IMPROVEMENT ECONOMIC DEVELOPMENT	TOTAL
Center Economic Development Corporation:							
Projects	\$ 1 194 325	\$ -	\$ -	\$ -	\$ (1 194 325)	\$ -	\$ (1 194 325)
Other operating expenses	<u>66 250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66 250)</u>	<u>-</u>	<u>(66 250)</u>
TOTAL	<u>1 260 575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 260 575)</u>	<u>-</u>	<u>(1 260 575)</u>
Center Street Improvements for Economic Development Corporation:							
Projects	1 030 566	-	-	-	-	(1 030 566)	(1 030 566)
Other operating expenses	<u>13 971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13 971)</u>	<u>(13 971)</u>
TOTAL	<u>1 044 537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 044 537)</u>	<u>(1 044 537)</u>
 TOTAL COMPONENT UNITS	 <u>\$ 2 305 112</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>(1 260 575)</u>	 <u>(1 044 537)</u>	 <u>(2 305 112)</u>
		General Revenues:					
		Sales tax			377 696	755 393	1 133 089
		Interest income			<u>12 657</u>	<u>1 540</u>	<u>14 197</u>
		TOTAL GENERAL REVENUE			<u>390 353</u>	<u>756 933</u>	<u>1 147 286</u>
		Change in net position			(870 222)	(287 604)	(1 157 826)
		Net position - Beginning			<u>1 883 484</u>	<u>544 930</u>	<u>2 428 414</u>
		NET POSITION - ENDING			<u>\$ 1 013 262</u>	<u>\$ 257 326</u>	<u>\$ 1 270 588</u>

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE 4 - OTHER INFORMATION - CONTINUED

B. Pension Plan

Plan Description

The City provides pension benefits for all of its full-time 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 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, Texas 78714-9153 or by calling 800.924.8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2013
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	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the City contribution rate is annually determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are 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 (overfunded) actuarial liability (asset) over the applicable period for that 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.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2013

NOTE 4 - OTHER INFORMATION - CONTINUED

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) are as follows:

Actuarial Valuation Information:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
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	26.1 years; closed period	25.1 years; closed period	24.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 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 Cost-of-Living Adjustments	3.00% 2.1%	3.00% 2.1%	3.00% 2.1%

Funded Status and Funding Progress - In June 2012, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2012 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
09/30/2010	\$ 284 432	100%	\$ -
09/30/2011	\$ 467 253	100%	\$ -
09/30/2012	\$ 470 980	100%	\$ -
09/30/2013	\$ 466 514	100%	\$ -

Schedule of Actuarial Liabilities and Funding Progress:

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARILY ACCRUED LIABILITY	(3) PERCENTAGE FUNDED (1) / (2)	(4) UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (UAAL)	(5) ANNUAL COVERED PAYROLL	(6) UAAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
12/31/2009	\$ 3 404 371	\$ 6 198 435	54.9%	\$ 2 794 064	\$ 2 448 820	114.9%
12/31/2010	\$ 5 960 618	\$ 8 789 747	67.8%	\$ 2 829 129	\$ 2 665 178	106.2%
12/31/2011	\$ 6 696 107	\$ 9 464 647	70.7%	\$ 2 768 540	\$ 2 805 119	98.7%
12/31/2012	\$ 7 523 084	\$ 10 166 264	74.0%	\$ 2 643 180	\$ 2 915 018	90.7%

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2013

NOTE 4 - OTHER INFORMATION - CONTINUED

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

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

	PLAN YEAR 2012	PLAN YEAR 2013
Your City Offers Supplemental Death to:		
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

<u>SCHEDULE OF CONTRIBUTION RATES</u>			
PLAN/ CALENDAR YEAR	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION MADE	PERCENTAGE OF ARC CONTRIBUTED
2009	0.05%	0.05%	100.0%
2010	0.05%	0.05%	100.0%
2011	0.06%	0.06%	100.0%
2012	0.05%	0.06%	100.0%
2013	0.06%	0.06%	100.0%

C. 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; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The City provides employee health and accident insurance coverage with commercial insurance purchased from independent third parties. Coverages have not significantly decreased and settlements have not exceeded insurance coverage for each of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 557 250	\$ 592 250	\$ 593 963	\$ 1 713
Delinquent taxes	40 000	40 000	36 549	(3 451)
Penalties, interest and cost	22 500	22 500	25 813	3 313
TOTAL GENERAL PROPERTY TAXES	<u>619 750</u>	<u>654 750</u>	<u>656 325</u>	<u>1 575</u>
Other Local Taxes and Permits:				
City sales taxes	2 219 050	1 889 450	1 888 866	(584)
Franchise taxes	505 000	435 300	428 977	(6 023)
Mixed drink taxes	4 000	4 000	4 103	103
License and permit fees	22 800	16 800	10 977	(5 823)
TOTAL OTHER LOCAL TAXES AND PERMITS	<u>2 750 850</u>	<u>2 345 550</u>	<u>2 332 923</u>	<u>(12 627)</u>
Fines and Fees:				
Municipal court fines	195 000	195 000	143 069	(51 931)
Court cost fees	35 750	35 250	37 501	2 251
Miscellaneous	300	500	4 066	3 566
TOTAL FINES AND FEES	<u>231 050</u>	<u>230 750</u>	<u>184 636</u>	<u>(46 114)</u>
Charges For Service:				
Solid waste	1 297 500	1 297 500	1 283 140	(14 360)
Administration	52 500	52 500	54 508	2 008
Airport fuel	195 000	265 000	260 985	(4 015)
Airport hangar lease	28 000	28 000	24 402	(3 598)
Recreation fees	1 000	1 000	1 000	-
Building rental	72 850	65 350	55 265	(10 085)
TOTAL CHARGES FOR SERVICES	<u>1 646 850</u>	<u>1 709 350</u>	<u>1 679 300</u>	<u>(30 050)</u>
Contributions and Grants:				
Grant proceeds	45 200	201 050	199 161	(1 889)
Donations	25 000	26 500	31 693	5 193
TOTAL CONTRIBUTIONS AND GRANTS	<u>70 200</u>	<u>227 550</u>	<u>230 854</u>	<u>3 304</u>
Miscellaneous Revenue:				
Interest income	10 000	10 000	3 834	(6 166)
Miscellaneous receipts	14 400	14 700	10 582	(4 118)
TOTAL MISCELLANEOUS REVENUE	<u>24 400</u>	<u>24 700</u>	<u>14 416</u>	<u>(10 284)</u>
TOTAL REVENUES	<u>5 343 100</u>	<u>5 192 650</u>	<u>5 098 454</u>	<u>(94 196)</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Expenditures:				
General Government:				
City Hall:				
Payroll	684 170	678 170	670 758	7 412
Supplies	13 500	13 500	12 888	612
Contractual services	19 400	19 400	19 602	(202)
Utilities	15 000	15 000	17 796	(2 796)
Sundry charges	16 100	13 100	13 733	(633)
Maintenance	2 800	2 800	5 834	(3 034)
Capital outlay	18 000	13 500	13 578	(78)
TOTAL CITY HALL	<u>768 970</u>	<u>755 470</u>	<u>754 189</u>	<u>1 281</u>
Nondepartmental:				
Payroll	8 400	8 400	14 955	(6 555)
Supplies	4 250	4 250	871	3 379
Contractual services	181 300	191 300	207 639	(16 339)
Sundry charges	110 950	69 450	66 413	3 037
Capital outlay	18 500	4 500	6 757	(2 257)
TOTAL NONDEPARTMENTAL	<u>323 400</u>	<u>277 900</u>	<u>296 635</u>	<u>(18 735)</u>
TOTAL GENERAL GOVERNMENT	<u>1 092 370</u>	<u>1 033 370</u>	<u>1 050 824</u>	<u>(17 454)</u>
Public Safety:				
Police Department:				
Payroll	1 580 190	1 580 190	1 592 664	(12 474)
Supplies	33 550	33 550	32 937	613
Contractual services	51 800	64 800	78 160	(13 360)
Utilities	27 300	27 300	36 018	(8 718)
Sundry charges	17 000	17 000	13 762	3 238
Maintenance	81 750	89 750	96 312	(6 562)
Capital outlay	63 925	290 375	279 459	10 916
TOTAL POLICE DEPARTMENT	<u>1 855 515</u>	<u>2 102 965</u>	<u>2 129 312</u>	<u>(26 347)</u>
Fire Department:				
Payroll	360 620	360 620	368 009	(7 389)
Supplies	11 500	11 500	6 060	5 440
Contractual services	13 800	13 800	9 093	4 707
Utilities	12 800	12 800	13 813	(1 013)
Sundry charges	13 200	13 200	7 143	6 057
Maintenance	31 600	30 100	27 794	2 306
Capital outlay	29 500	7 000	10 124	(3 124)
TOTAL FIRE DEPARTMENT	<u>473 020</u>	<u>449 020</u>	<u>442 036</u>	<u>6 984</u>
Animal Control Department:				
Supplies	1 445	1 445	4 902	(3 457)
Contractual services	11 000	11 000	12 087	(1 087)
Utilities	150	150	151	(1)
Sundry charges	2 000	2 000	2 336	(336)
Maintenance	1 250	1 250	275	975
Capital outlay	1 000	1 000	1 081	(81)
TOTAL ANIMAL CONTROL DEPARTMENT	<u>16 845</u>	<u>16 845</u>	<u>20 832</u>	<u>(3 987)</u>
TOTAL PUBLIC SAFETY	<u>2 345 380</u>	<u>2 568 830</u>	<u>2 592 180</u>	<u>(23 350)</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Community Services:				
Airport Department:				
Payroll	47 230	47 230	46 775	455
Supplies	1 400	1 400	628	772
Contractual services	3 500	3 500	3 943	(443)
Utilities	7 650	7 650	11 667	(4 017)
Sundry charges	139 600	189 600	193 059	(3 459)
Maintenance	7 200	7 200	4 383	2 817
Capital outlay	-	16 200	16 218	(18)
TOTAL AIRPORT DEPARTMENT	<u>206 580</u>	<u>272 780</u>	<u>276 673</u>	<u>(3 893)</u>
Cemetery Department:				
Supplies	400	400	-	400
Contractual services	27 000	24 000	24 000	-
Sundry charges	4 000	-	-	-
TOTAL CEMETERY DEPARTMENT	<u>31 400</u>	<u>24 400</u>	<u>24 000</u>	<u>400</u>
Parks Department:				
Payroll	40 180	40 180	41 386	(1 206)
Supplies	1 700	1 700	3 030	(1 330)
Contractual services	44 100	39 100	34 755	4 345
Utilities	9 500	9 500	13 129	(3 629)
Maintenance	11 400	11 400	11 305	95
Capital outlay	10 000	-	1 139	(1 139)
TOTAL PARKS DEPARTMENT	<u>116 880</u>	<u>110 880</u>	<u>104 744</u>	<u>6 136</u>
Civic Center Department:				
Payroll	110 600	110 600	106 494	4 106
Supplies	6 650	6 650	5 867	783
Contractual services	12 200	12 200	13 763	(1 563)
Utilities	20 800	20 800	18 358	2 442
Sundry charges	2 050	2 050	4 364	(2 314)
Maintenance	6 500	6 500	7 293	(793)
Capital outlay	8 000	1 750	1 682	68
TOTAL CIVIC CENTER DEPARTMENT	<u>166 800</u>	<u>160 550</u>	<u>157 821</u>	<u>2 729</u>
Community Facilities Department:				
Supplies	700	700	103	597
Contractual services	60 050	60 050	59 068	982
Utilities	8 000	8 000	8 189	(189)
Sundry charges	3 400	400	808	(408)
Maintenance	3 500	3 500	4 152	(652)
Capital outlay	3 000	3 000	2 603	397
TOTAL COMMUNITY FACILITIES DEPARTMENT	<u>78 650</u>	<u>75 650</u>	<u>74 923</u>	<u>727</u>
TOTAL COMMUNITY SERVICES	<u>600 310</u>	<u>644 260</u>	<u>638 161</u>	<u>6 099</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	221 580	219 230	197 704	21 526
Supplies	14 600	14 600	2 510	12 090
Contractual services	67 500	46 200	48 353	(2 153)
Utilities	70 500	70 500	69 904	596
Sundry charges	2 300	2 300	513	1 787
Maintenance	76 650	61 650	60 567	1 083
Capital outlay	6 000	16 000	14 875	1 125
TOTAL STREETS DEPARTMENT	<u>459 130</u>	<u>430 480</u>	<u>394 426</u>	<u>36 054</u>
TOTAL STREETS AND DRAINAGE	<u>459 130</u>	<u>430 480</u>	<u>394 426</u>	<u>36 054</u>
Sanitation:				
Sanitation Department:				
Supplies	-	-	633	(633)
Contractual services	1 045 000	1 045 000	1 098 757	(53 757)
Sundry charges	10 000	10 000	4 606	5 394
Maintenance	2 750	2 750	5 043	(2 293)
Capital outlay	-	-	68	(68)
TOTAL SANITATION DEPARTMENT	<u>1 057 750</u>	<u>1 057 750</u>	<u>1 109 107</u>	<u>(51 357)</u>
TOTAL SANITATION	<u>1 057 750</u>	<u>1 057 750</u>	<u>1 109 107</u>	<u>(51 357)</u>
Inspection Services:				
Inspection Department:				
Payroll	153 760	153 760	149 543	4 217
Supplies	5 400	3 950	2 663	1 287
Contractual services	500	500	1 789	(1 289)
Utilities	5 500	5 100	5 019	81
Sundry charges	3 600	2 800	3 052	(252)
Maintenance	8 900	7 650	7 047	603
Capital outlay	500	-	-	-
TOTAL INSPECTION DEPARTMENT	<u>178 160</u>	<u>173 760</u>	<u>169 113</u>	<u>4 647</u>
TOTAL INSPECTION SERVICES	<u>178 160</u>	<u>173 760</u>	<u>169 113</u>	<u>4 647</u>
TOTAL EXPENDITURES	<u>5 733 100</u>	<u>5 908 450</u>	<u>5 953 811</u>	<u>(45 361)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(390 000)</u>	<u>(715 800)</u>	<u>(855 357)</u>	<u>(139 557)</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>390 000</u>	<u>706 800</u>	<u>480 636</u>	<u>(226 164)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>390 000</u>	<u>706 800</u>	<u>480 636</u>	<u>(226 164)</u>
CHANGE IN FUND BALANCE	-	(9 000)	(374 721)	(365 721)
Fund balance at beginning of year	<u>1 382 901</u>	<u>1 382 901</u>	<u>1 382 901</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1 382 901</u>	<u>\$ 1 373 901</u>	<u>\$ 1 008 180</u>	<u>\$ (365 721)</u>

See independent auditors' report.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Texas Capital Fund - Grant Repayment Funds - To account revenues and expenditures related to Texas Department of Agriculture loans.

Court Technology and Security Fund - To account for certain fees assessed on fines.

Hotel - Motel Fund - To account for hotel-motel taxes and related expenditures.

Civic Center Fund - To account for the construction of the civic center for activity related to civic center capital asset improvements.

Tax Increment Financing Fund - To account for activities related to the tax increment finance district.

TXDoT STEP Grant Fund - To account for contract activities for local projects and initiatives funded through TXDoT.

CDBG Fund - To account for community development grant funded projects.

Other Grants - To account for revenues and expenditures applicable to Grant Programs.

Industrial Development Fund - To account for activity related to industrial development initiatives.

Police Department Forfeiture Fund - To account for forfeited funds remitted to the police department.

Debt Service Fund

Debt Service Fund - To account for the accumulation of monies for the payment of general obligation debt.

Permanent Fund

Cemetery Endowment Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the Fairview cemetery.

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2013

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND CEMETERY ENDOWMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 208 823	\$ 365 584	\$ 136 605	\$ 711 012
Receivables	1 692	102 799	-	104 491
TOTAL ASSETS	<u>\$ 210 515</u>	<u>\$ 468 383</u>	<u>\$ 136 605</u>	<u>\$ 815 503</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 6 000	\$ -	\$ 6 000
Deferred revenue	-	65 500	-	65 500
Due to other funds	-	266 701	-	266 701
TOTAL LIABILITIES	<u>-</u>	<u>338 201</u>	<u>-</u>	<u>338 201</u>
Fund Balances:				
Restricted for grants	-	130 182	-	130 182
Restricted for debt service	210 515	-	-	210 515
Other restrictions	-	-	136 605	136 605
TOTAL FUND BALANCES	<u>210 515</u>	<u>130 182</u>	<u>136 605</u>	<u>477 302</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 210 515</u>	<u>\$ 468 383</u>	<u>\$ 136 605</u>	<u>\$ 815 503</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2013

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND CEMETERY ENDOWMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:				
Taxes	\$ 589 897	\$ 291 959	\$ -	\$ 881 856
Grants and contributions	-	1 641 142	24	1 641 166
Fines and fees	-	22 936	-	22 936
Other	4 781	52 056	849	57 686
TOTAL REVENUES	<u>594 678</u>	<u>2 008 093</u>	<u>873</u>	<u>2 603 644</u>
Expenditures:				
Public safety	-	26 487	-	26 487
Community services	-	846 425	-	846 425
Streets and drainage	-	1 063 255	-	1 063 255
Debt Service:				
Principal	430 000	47 997	-	477 997
Interest and fiscal charges	240 092	-	-	240 092
TOTAL EXPENDITURES	<u>670 092</u>	<u>1 984 164</u>	<u>-</u>	<u>2 654 256</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(75 414)</u>	<u>23 929</u>	<u>873</u>	<u>(50 612)</u>
Other Financing Sources (Uses):				
Debt proceeds	105 036	-	-	105 036
Operating transfers in	36 219	269 681	-	305 900
Operating transfers (out)	-	(254 500)	-	(254 500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>141 255</u>	<u>15 181</u>	<u>-</u>	<u>156 436</u>
NET CHANGE IN FUND BALANCE	65 841	39 110	873	105 824
Fund balance at beginning of year	<u>144 674</u>	<u>91 072</u>	<u>135 732</u>	<u>371 478</u>
FUND BALANCES AT END OF YEAR	<u>\$ 210 515</u>	<u>\$ 130 182</u>	<u>\$ 136 605</u>	<u>\$ 477 302</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2013

		TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECH- NOLOGY FUND	COURT SECURITY FUND	POLICE DEPT. FORFEI- TURE FUND
ASSETS							
Cash and cash equivalents	\$	22	\$ 9 006	\$ 283 361	\$ 15 024	\$ 10 786	\$ 15 637
Receivables		<u>-</u>	<u>56 500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$	<u>22</u>	<u>\$ 65 506</u>	<u>\$ 283 361</u>	<u>\$ 15 024</u>	<u>\$ 10 786</u>	<u>\$ 15 637</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	\$	-	\$ -	\$ -	\$ 6 000	\$ -	\$ -
Deferred revenue		-	56 500	-	-	-	-
Due to other funds		<u>-</u>	<u>162 793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>-</u>	<u>219 293</u>	<u>-</u>	<u>6 000</u>	<u>-</u>	<u>-</u>
Fund Balance:							
Restricted		<u>22</u>	<u>(153 787)</u>	<u>283 361</u>	<u>9 024</u>	<u>10 786</u>	<u>15 637</u>
TOTAL FUND		<u>22</u>	<u>(153 787)</u>	<u>283 361</u>	<u>9 024</u>	<u>10 786</u>	<u>15 637</u>
TOTAL LIABILITIES FUND BALANCE	\$	<u>22</u>	<u>\$ 65 506</u>	<u>\$ 283 361</u>	<u>\$ 15 024</u>	<u>\$ 10 786</u>	<u>\$ 15 637</u>

See independent auditors' report.

AIRPORT CONST- RUCTION FUND	HOME GRANT	DIS- ASTER RE- COVERY GRANT	TAX INCREMENT FINANCING FUND	TXDOT STEP GRANT	INDUSTRIAL DEVELOP- MENT FUND	2011 TXCDBG STREET GRANT	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 24 204	\$ 10	\$ 10	\$ 10	\$ 10	\$ 7 504	\$ -	\$ 365 584
<u>9 000</u>	<u>37 299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102 799</u>
<u>\$ 33 204</u>	<u>\$ 37 309</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 7 504</u>	<u>\$ -</u>	<u>\$ 468 383</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6 000
9 000	-	-	-	-	-	-	65 500
<u>-</u>	<u>92 148</u>	<u>10</u>	<u>11 750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266 701</u>
<u>9 000</u>	<u>92 148</u>	<u>10</u>	<u>11 750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338 201</u>
<u>24 204</u>	<u>(54 839)</u>	<u>-</u>	<u>(11 740)</u>	<u>10</u>	<u>7 504</u>	<u>-</u>	<u>130 182</u>
<u>24 204</u>	<u>(54 839)</u>	<u>-</u>	<u>(11 740)</u>	<u>10</u>	<u>7 504</u>	<u>-</u>	<u>130 182</u>
<u>\$ 33 204</u>	<u>\$ 37 309</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 7 504</u>	<u>\$ -</u>	<u>\$ 468 383</u>

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2013

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECH- NOLOGY FUND	COURT SECURITY FUND	POLICE DEPT. FORFEI- TURE FUND
Revenues:						
Taxes	\$ -	\$ -	\$ 243 187	\$ -	\$ -	\$ -
Grants and contributions	-	52 500	200	-	-	-
Fines and fees	-	-	-	18 534	4 402	-
Other	42 875	6 793	1 843	12	21	501
TOTAL REVENUES	<u>42 875</u>	<u>59 293</u>	<u>245 230</u>	<u>18 546</u>	<u>4 423</u>	<u>501</u>
Expenditures:						
Public safety	-	-	-	19 274	7 213	-
Community services	42 875	-	118 989	-	-	-
Streets and drainage	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>42 875</u>	<u>-</u>	<u>118 989</u>	<u>19 274</u>	<u>7 213</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>59 293</u>	<u>126 241</u>	<u>(728)</u>	<u>(2 790)</u>	<u>501</u>
Other Financing Sources (Uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	(254 500)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(254 500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>59 293</u>	<u>(128 259)</u>	<u>(728)</u>	<u>(2 790)</u>	<u>501</u>
Fund balance, beginning of year	22	(213 080)	411 620	9 752	13 576	15 136
FUND BALANCE, END OF YEAR	<u>\$ 22</u>	<u>\$ (153 787)</u>	<u>\$ 283 361</u>	<u>\$ 9 024</u>	<u>\$ 10 786</u>	<u>\$ 15 637</u>

See independent auditors' report.

AIRPORT CONST- RUCTION FUND	HOME GRANT	DIS- ASTER RE- COVERY GRANT	TAX INCREMENT FINANCING FUND	TXDOT STEP GRANT	INDUSTRIAL DEVELOP- MENT FUND	2011 TXCDBG STREET GRANT	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ 48 772	\$ -	\$ -	\$ -	\$ 291 959
24 204	745 716	-	-	808 522	-	10 000	1 641 142
-	-	-	-	-	-	-	22 936
-	-	-	-	-	11	-	52 056
<u>24 204</u>	<u>745 716</u>	<u>-</u>	<u>48 772</u>	<u>808 522</u>	<u>11</u>	<u>10 000</u>	<u>2 008 093</u>
-	-	-	-	-	-	-	26 487
-	684 013	548	-	-	-	-	846 425
-	-	-	-	1 063 255	-	-	1 063 255
-	-	-	47 997	-	-	-	47 997
<u>-</u>	<u>684 013</u>	<u>548</u>	<u>47 997</u>	<u>1 063 255</u>	<u>-</u>	<u>-</u>	<u>1 984 164</u>
<u>24 204</u>	<u>61 703</u>	<u>(548)</u>	<u>775</u>	<u>(254 733)</u>	<u>11</u>	<u>10 000</u>	<u>23 929</u>
-	14 400	548	-	254 733	-	-	269 681
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(254 500)</u>
<u>-</u>	<u>14 400</u>	<u>548</u>	<u>-</u>	<u>254 733</u>	<u>-</u>	<u>-</u>	<u>15 181</u>
24 204	76 103	-	775	-	11	10 000	39 110
<u>-</u>	<u>(130 942)</u>	<u>-</u>	<u>(12 515)</u>	<u>10</u>	<u>7 493</u>	<u>(10 000)</u>	<u>91 072</u>
<u>\$ 24 204</u>	<u>\$ (54 839)</u>	<u>\$ -</u>	<u>\$ (11 740)</u>	<u>\$ 10</u>	<u>\$ 7 504</u>	<u>\$ -</u>	<u>\$ 130 182</u>

CITY OF CENTER, TEXAS
 SCHEDULE OF REVENUES
 Year Ended September 30, 2013

	<u>WATER AND SEWER ENTERPRISE FUND</u>
Operating Revenues:	
Charges for Service:	
Water charges	\$ 2 330 161
Sewer charges	695 743
TOTAL	<u>3 025 904</u>
Taps and Connections:	
Water taps and connections	4 695
Sewer taps and connections	1 800
TOTAL	<u>6 495</u>
Miscellaneous Revenue:	
Administrative fees	4 920
Penalties	42 439
Reconnection fees	14 792
Miscellaneous receipts	38 336
TOTAL	<u>100 487</u>
TOTAL OPERATING REVENUES	\$ <u><u>3 132 886</u></u>
Nonoperating Revenues:	
Income from investments	\$ <u>3 124</u>
TOTAL NONOPERATING REVENUES	\$ <u><u>3 124</u></u>

See independent auditors' report.

CITY OF CENTER, TEXAS
 SCHEDULE OF EXPENSES AND OPERATING TRANSFERS
 Year Ended September 30, 2013

	WATER AND SEWER ENTERPRISE FUND
Operating Expenses:	
Nondepartmental:	
Payroll	\$ 2 551
Supplies	13 165
Contractual services	13 854
Sundry charges	6 107
TOTAL	35 677
Public Works:	
Payroll	137 128
Supplies	2 261
Contractual services	4 726
Utilities	9 097
Sundry charges	948
Maintenance	3 939
Capital outlay	499
TOTAL	158 598
Water Production:	
Payroll	395 422
Supplies	248 628
Contractual services	91 846
Utilities	249 375
Sundry charges	10 299
Maintenance	71 301
Capital outlay	43 939
TOTAL	1 110 810
Water Distribution:	
Payroll	170 155
Supplies	3 457
Contractual services	7 038
Utilities	1 644
Sundry charges	1 637
Maintenance	85 375
Capital outlay	26 891
TOTAL	296 197
Sewer Collection:	
Payroll	119 100
Supplies	2 271
Contractual services	88 440
Utilities	19 239
Sundry charges	930
Maintenance	35 509
Capital outlay	6 250
TOTAL	271 739

CITY OF CENTER, TEXAS
 SCHEDULE OF EXPENSES AND OPERATING TRANSFERS- CONTINUED
 Year Ended September 30, 2013

	WATER AND SEWER ENTERPRISE FUND
Sewer Treatment:	
Payroll	206 724
Supplies	33 262
Contractual services	44 517
Utilities	62 225
Sundry charges	14 265
Maintenance	96 762
Capital outlay	28 739
TOTAL	<u>486 494</u>
Depreciation:	
Depreciation	732 890
TOTAL OPERATING EXPENSES	\$ <u>3 092 405</u>
Nonoperating Expenses:	
Interest and fiscal fees	\$ <u>72 022</u>
TOTAL NONOPERATING EXPENSES	\$ <u>72 022</u>

See independent auditors' report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS
INSURANCE COVERAGE
September 30, 2013
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/12 to 10/01/13	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/12 to 10/01/13	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/12 to 10/01/13	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/12 to 10/01/13	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/12 to 10/01/13	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/12 to 10/01/13	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/12 to 10/01/13	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/12 to 10/01/13	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/12 to 10/01/13	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/12 to 10/01/13	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/12 to 10/01/13	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/12 to 10/01/13	\$ 1 000 000

* Renewed at 10/01/2013

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS
September 30, 2013
"UNAUDITED"

The following schedule of rates was in effect for year ended September 30:

Water Rates:

A. Monthly Minimum Charge:

Meter Size	Residential/ Commercial	Small Industrial/ Manufacturer 1 st 200,000 Gallons Incl.	Wholesale 1 st 50,000 Gallons Incl.	Large Industrial Manufacturer 1 st 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges Same Facility
5/8	\$ 9.38				
3/4	\$ 9.38				
1	\$13.27				
1.5	\$19.89				
2	\$26.50	\$ 638	\$ 188	\$10 560	\$ 38
3	\$39.72	\$ 706	\$ 256	\$10 692	\$ 105
4	\$52.99	\$ 837	\$ 387	\$10 956	\$ 235
6	\$79.44	\$1 069	\$ 619	\$11 440	\$ 470
8		\$1 424	\$ 974	\$12 166	\$ 822
10		\$1 893	\$1 443	\$13 123	\$1 292
Sprinklers	\$13.27				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.10
Small industrial/manufacturer	\$ 2.60
Wholesale	\$ 2.70
Large industrial/manufacturer	\$ 1.65
Over 1.75M/day or 30M/month	\$ 2.05
Over 2M/day or 40M/month	\$ 2.55

C. Outside City Limits:

Rates are double the rates expressed in A and B above.

D. Bulk Water Sales:

Water purchased in bulk quantities shall be billed at a charge based on \$9.00 per thousand gallons metered.

Sewer Rates:

Residential:

Inside City Limits:

Minimum	\$8.65 plus ½ of Water
Maximum	\$24.50

Commercial:

Minimum	\$8.65 plus ½ of Water
Maximum	None

Fixed Rates (Tyson office account)

\$100 per month

Outside City Limits:

The rate for services furnished outside the City limits shall be double the rate for the same service supplied inside the City limits.

Sewer Disposal

\$0.06 per gallon

At September 30, 2013, the records of the City indicated the following system connections:

Water System	2 479
Sewer System	2 479

See independent auditors' report.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Center, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Center, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Center, Texas' basic financial statements, and have issued our report thereon dated April 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Center, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Center, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Center, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Center, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 14, 2014



AXLEY & RODE, LLP

CERTIFIED PUBLIC ACCOUNTANTS • SINCE 1949

CROCKETT - JASPER - LIVINGSTON - LUFKIN - NACOGDOCHES

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Center
Center, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Center, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Center, Texas' major federal programs for the year ended September 30, 2013. City of Center, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Center, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Center, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Center, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, City of Center, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of City of Center, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Center, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Center, Texas' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lufkin, Texas
April 14, 2014


CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CENTER, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2013

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant Deficiency (s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Program
14.239	Home Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF CENTER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
There were no prior audit findings.		

CITY OF CENTER, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2013

None required for the current year.

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
U.S. Department of Housing and Urban Development:			
Passed Through Texas Department of Rural Community Affairs:			
Home Investment Partnership	14.239	1001391	\$ 509 379
Home Investment Partnership	14.239	1001267	<u>236 337</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>745 716</u>
U.S. Department of Justice:			
Community Policing Grant	16.710	N/A	65 202
Equitable Sharing Program	16.922	N/A	<u>1 786</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>66 988</u>
U.S. Department of Transportation:			
Passed through Texas Department of Transportation:			
Airport Improvement Program	20.106	N/A	8 109
Highway Planning and Construction	20.205	N/A	<u>808 522</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>816 631</u>
U.S. Department of Homeland Security:			
Passed through Governor's Office:			
State Homeland Security Program	97.073	N/A	<u>95 240</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>95 240</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ <u><u>1 724 575</u></u>

See independent auditors' report and the accompanying notes to this schedule.

CITY OF CENTER, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Center, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of the general purpose financial statements.