

CITY OF CENTER
Center, Texas

ANNUAL FINANCIAL REPORT

September 30, 2015

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CITY OF CENTER, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2015

GOVERNING BODY

Honorable David Chadwick, Mayor

CITY COUNCIL

James W. Forbes - At-Large

Leigh Porterfield - At Large

Joyce Johnson - District 1

Jerry Lathan - District 2

Howell Howard - District 3

Charles Rushing - District 4 (Mayor Pro-tem)

OTHER PRINCIPAL OFFICIALS

Chad Nehring City Manager
Jim Gibson Asst. City Manager
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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.. 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, 2015, 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, 44-47 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report on page 69 - 70 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lufkin, Texas
April 11, 2016


CERTIFIED PUBLIC ACCOUNTANTS



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, 2015.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$25,702,505 (*net position*).
- Government activities change in net position increased \$976,606 to \$12,866,454.
- The City's governmental funds reported combined ending fund balances of \$2,147,030 an increase of \$134,678 from the prior year.
- The fund balance for the general fund was \$1,464,517 or 27% of total general fund expenditures and increased \$104,518 during this fiscal year.
- The Water and Sewer Fund operating revenues exceeded expenses resulting in operating income of \$581,066 and the fund generated an increase in net position of \$335,717 resulting in the net position of the Utility Fund to \$12,826,051.
- The combined non-major governmental funds experienced an increase in fund balance of \$30,160 to \$682,513.
- Adoption of GASB statement 68, resulted in a decrease of \$2,771,921 in net position to recognize the pension liability.

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 deferred outflows and liabilities and deferred inflows, 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. 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 after the notes to financial statements on page 48 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 50-60 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 and deferred outflows exceeded liabilities and deferred inflows by \$25,702,505 at the close of fiscal year 2015. This represents an increase of \$1,312,323 from the 2014 restated net position of \$24,390,182.

By far the largest portion of the City's assets, 87%, 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 acquisition and construction of assets through the Capital Projects Fund.

City of Center's Combined Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3 102 690	\$ 2 780 668	\$ 3 627 280	\$ 3 480 220	\$ 6 729 970	\$ 6 260 888
Capital assets (net of depreciation)	20 729 922	20 584 095	12 363 299	12 727 384	33 093 221	33 311 479
Total Assets	<u>23 832 612</u>	<u>23 364 763</u>	<u>15 990 579</u>	<u>16 207 604</u>	<u>39 823 191</u>	<u>39 572 367</u>
Deferred outflow	315 251	-	103 991	-	419 242	-
Long-term liabilities outstanding	9 706 640	8 231 719	2 704 386	2 117 901	12 411 026	10 349 620
Other liabilities	1 316 440	1 224 076	554 133	901 808	1 870 573	2 125 884
Total Liabilities	<u>11 023 080</u>	<u>9 455 795</u>	<u>3 258 519</u>	<u>3 019 709</u>	<u>14 281 599</u>	<u>12 475 504</u>
Deferred inflow	258 329	-	-	-	258 329	-
Net Position:						
Invested in capital assets, net of related debt	12 242 711	11 731 703	10 274 785	10 142 810	22 517 496	21 874 513
Restricted	682 513	524 348	2 578 410	2 321 417	3 260 923	2 845 765
Unrestricted	(58 770)	1 676 157	(17 144)	723 668	(75 914)	2 399 825
Total Net Position	<u>\$ 12 866 454</u>	<u>\$ 13 932 208</u>	<u>\$ 12 836 051</u>	<u>\$ 13 187 895</u>	<u>\$ 25 702 505</u>	<u>\$ 27 120 103</u>

An additional portion of the City's net position, \$3,260,923 (12.0%), represents resources that are subject to external restrictions on how they may be used.

Values for newly constructed, major infrastructure (i.e. streets, drainage) are now included in the value of capital assets.

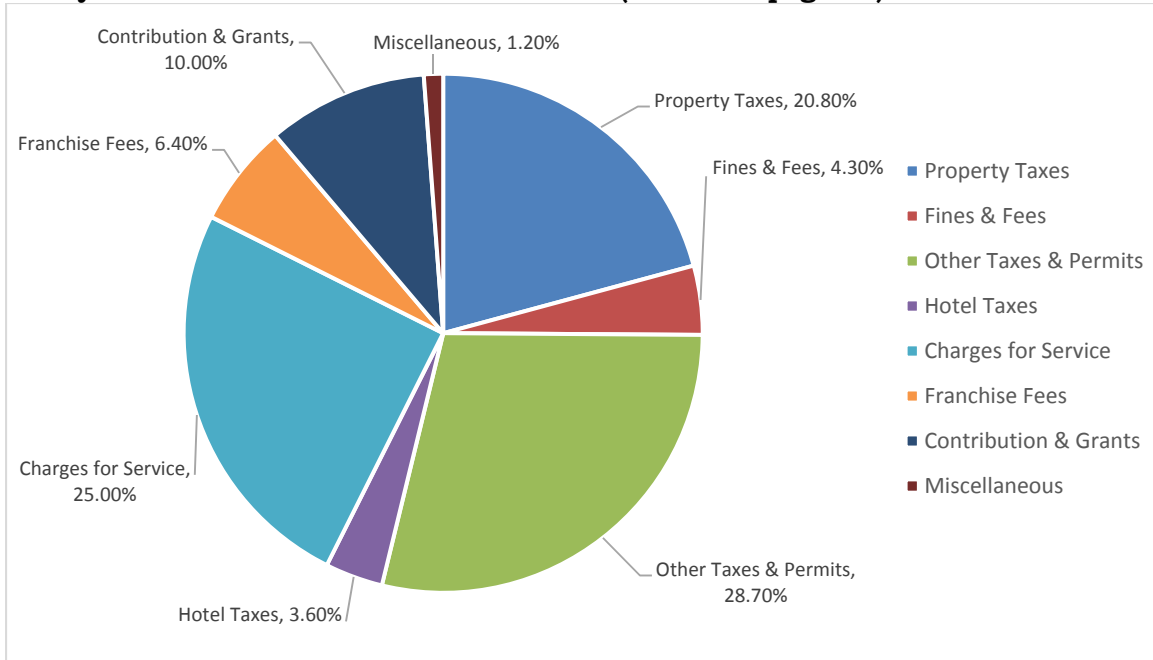
City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for services	\$ 1 677 605	\$ 1 667 454	\$ 3 689 121	\$ 3 380 003	\$ 5 366 726	\$ 5 047 457
Operating grants and contributions	103 448	35 066	-	-	103 448	35 066
Capital grants and contributions	585 338	1 030 556	-	20 000	585 338	1 050 556
General Revenues:						
Property taxes	1 404 453	1 321 767	-	-	1 404 453	1 321 767
Other taxes	2 599 162	2 567 832	-	-	2 599 162	2 567 832
Other	342 312	414 844	9 715	1 656	352 027	414 844
Total Revenues	6 712 318	7 037 519	3 698 836	3 401 659	10 411 154	10 439 178
Expenses:						
General government	801 900	815 520	-	-	801 900	815 520
Public safety	2 336 189	2 347 744	-	-	2 336 189	2 347 744
Community services	1 199 744	1 202 586	-	-	1 199 744	1 202 586
Streets and drainage	662 859	721 445	-	-	662 859	721 445
Sanitation	1 139 330	1 111 226	-	-	1 139 330	1 111 226
Inspections	124 990	133 160	-	-	124 990	133 160
Interest on long-term debt	249 041	325 456	-	-	249 041	325 456
Bond issue cost and fees	-	-	-	-	-	-
Water and sewer	-	-	3 161 058	2 885 828	3 161 058	2 885 828
Total Expenses	6 514 053	6 757 137	3 161 058	2 885 828	9 675 111	9 642 965
Transfers	778 341	66 643	(202 061)	(66 643)	576 280	-
Increase (decrease) in net position	976 606	370 621	335 717	582 474	1 312 323	953 095
Net Position, Ending	\$ 12 866 454	\$ 13 932 208	\$ 12 836 051	\$ 13 187 895	\$ 25 702 505	\$ 27 120 103

Governmental Activities. Governmental activities increased the City of Center's net position by \$976,606. Key elements of this increase are as follows:

- Governmental Revenues decreased \$325,201 from prior year revenues;
 - Decrease in realized Capital grant and contributions (\$445,218)
 - Increases in Operating Grants (\$68,382) and increases in Taxes (\$114,016)
- Governmental Expenses decreased \$243,084 from prior year expenses;
 - Decrease in General Government expenses of \$13,620
 - Decrease in Public Safety of \$11,555 related to decreased operational expenses
 - Decrease in Streets & Drainage of \$58,586 from concluding TXDoT Sidewalk project and MLK Drive reconstruction
 - Decrease in Interest on Debt and Bond Issuance Costs totaling \$76,415

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



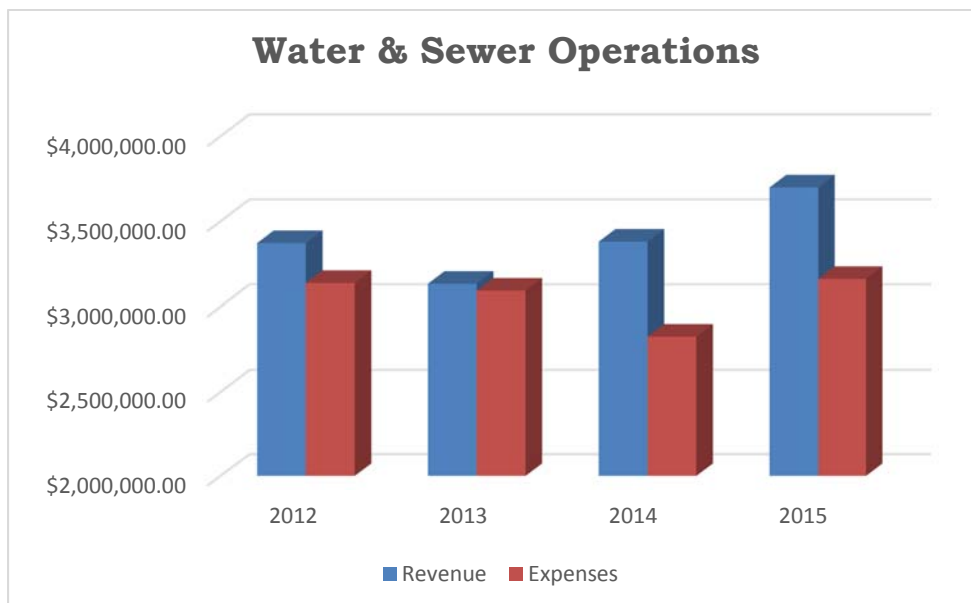
Business-Type Activities. Business-type activities increased the total government's net position by \$335,717. Key elements of this increase are as follows:

- Revenues increased \$297,177 from the prior year to \$3,698,836
 - Charges for services increased \$309,118
- Expenses increased \$275,230 from prior year to \$3,161,058
- Transfers out increased \$135,418 from prior year to \$202,061

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 \$581,066.
- Including non-operating expenses, primarily costs of debt, Change in Net Position is \$335,717.

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 is \$(17,144), decreased by \$1,888,892 for dedicated capital and debt reserve. The increase in net position for Water and Sewer Utility totaled \$335,717. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

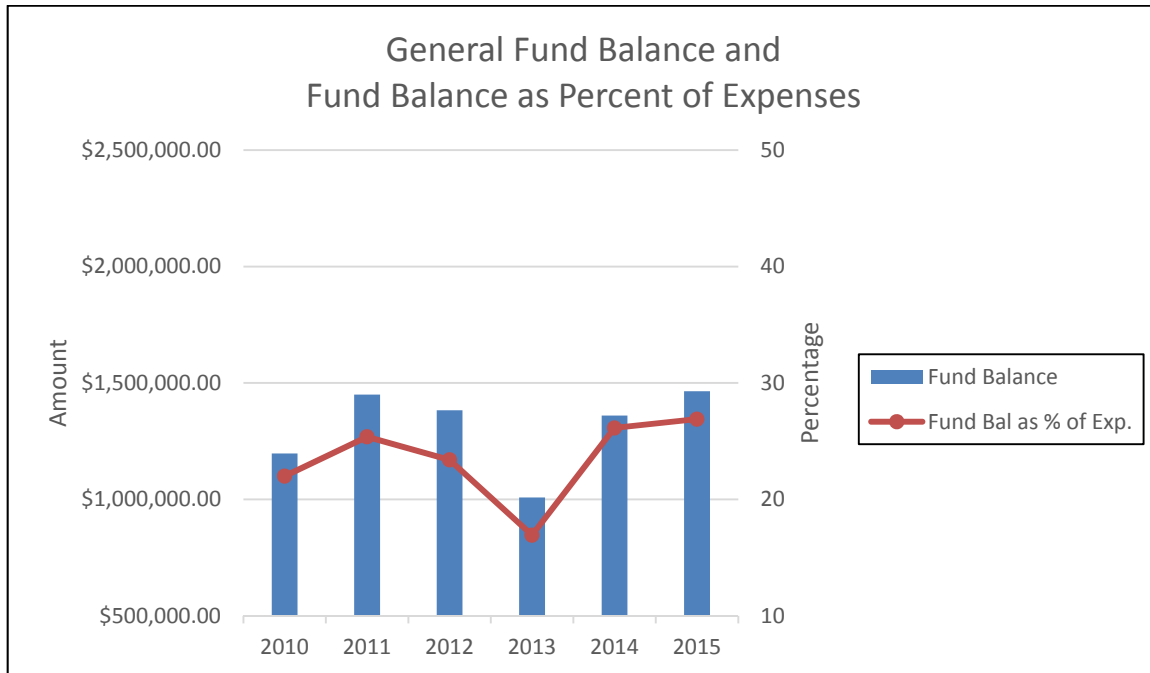
Financial Analysis of the Government's Funds

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 \$2,147,030, an increase of \$134,678 from the prior year. Approximately 68% of this total amount, \$1,464,517, 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 spending because it has already been committed and dedicated to 1) pay debt service, 2) for perpetual trust 3) for capital projects or 4) grant 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 \$1,464,517. The fund balance of the City's general fund increased by \$104,518 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 26.9% 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 44-47. Budget amendments approved in the current year increased budgeted revenues by \$81,000 and budgeted expenditures by \$14,100.

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues increased from the original budget by \$245,699 and increased from the final amended budget by \$165,699. Total expenditures increased from the original budget by \$6,540 and from the final amended budget by \$7,560. After transfers to and from other funds the funds experienced an increase in the fund balance of \$104,518.

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 \$33,093,221 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$33,311,479. 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 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 43 872	\$ 11 233	\$ 638 805	\$ 592 783	\$ 682 677	\$ 604 016
Buildings	7 505 066	7 726 045	-	-	7 505 066	7 726 045
Improvements other than buildings	3 085 683	3 192 537	-	-	3 085 683	3 192 537
Machinery and equipment	889 574	884 329	850 653	791 498	1 740 227	1 675 827
Buildings and systems	-	-	10 810 381	11 098 407	10 810 381	11 098 407
Infrastructure	8 835 634	7 789 943	-	-	8 835 634	7 789 943
Construction in progress	370 093	980 008	63 460	244 697	433 553	1 224 705
Total	\$ 20 729 922	\$ 20 584 095	\$ 12 363 299	\$ 12 727 384	\$ 33 093 221	\$ 33 311 479

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

General Fund:

- o Drainage Improvements - \$37,250
- o Vehicles - Recycling Truck - \$22,865
- o Land - Highway 7 by the Airport - \$32,639

Utility Fund:

- o Water Production Vehicle - \$16,749
- o Sewer Collection Vehicle - \$13,009
- o Vac Truck - \$101,212
- o Highway 7 Water Line - \$16,114
- o Roughrider Drive Water Line - \$18,911
- o Land - Highway 7 by the Airport - \$32,639
- o Land - Southside Sewer Project Land Acquisition - \$14,383

Additional information on the City of Center's capital assets can be found in note 3. C. on page 33 - 34 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$8,930,000, a decrease from last year's total bonded debt of \$9,807,000. 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. In 2014, a four-year loan was added for Police video and computer equipment. This year, 2015 Tax Notes were added to complete several CIP projects.

City of Center's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 6 900 000	\$ 7 335 000	\$ 2 030 000	\$ 2 472 000	\$ 8 930 000	\$ 9 807 000
Compensated absences	97 345	100 259	36 706	29 387	134 051	129 646
Notes payable	1 250 877	1 296 212	58 514	112 574	1 309 391	1 408 786
Total	\$ 8 248 222	\$ 8 731 471	\$ 2 125 220	\$ 2 613 961	\$ 10 373 442	\$ 11 345 432

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 34-36 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of August, 2015 for Shelby County, according to Texas Workforce Commission statistics, is 5.4%. The unemployment rates for August 2015, according to the Texas Workforce Commission, are 4.4% for the State of Texas and 5.2% for the Deep East Texas Region.
- The state sales tax receipts, including only the 1¼% for governmental purposes for the current fiscal year, totaled \$1,879,768 an increase of \$18,578 or 1.0% from the previous year (\$1,861,190). This 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 stabilizing relative to state and national indices and trends.

All of these factors were considered in preparing the City of Center's budget for the 2016 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, 2015

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
ASSETS				
Cash and cash equivalents	\$ 2 122 816	\$ 442 696	\$ 2 565 512	\$ 2 047 326
Receivables (net)	814 543	547 978	1 362 521	326 245
Due from other governments	144 686	-	144 686	86 811
Inventories	20 645	58 196	78 841	-
Restricted Assets:				
Cash and cash equivalents	-	2 578 410	2 578 410	-
Capital assets (net of accumulated depreciation)	20 729 922	12 363 299	33 093 221	-
TOTAL ASSETS	<u>23 832 612</u>	<u>15 990 579</u>	<u>39 823 191</u>	<u>2 460 382</u>
DEFERRED OUTFLOWS				
Prepaid expense	-	-	-	3 713
Deferred outflow - Pension	80 240	26 469	106 709	-
Deferred outflow - Subsequent contribution	235 011	77 522	312 533	-
TOTAL DEFERRED OUTFLOWS	<u>315 251</u>	<u>103 991</u>	<u>419 242</u>	<u>3 713</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>24 147 863</u>	<u>16 094 570</u>	<u>40 242 433</u>	<u>2 464 095</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	231 162	220 510	451 672	-
Accrued liabilities	105 669	23 183	128 852	-
Accrued interest payable	34 546	9 760	44 306	-
Premium on bond issue	204 443	-	204 443	-
Customer deposits payable	-	154 457	154 457	-
Due within one year	740 620	146 223	886 843	-
Noncurrent Liabilities:				
Due in more than one year	9 706 640	2 704 386	12 411 026	-
TOTAL LIABILITIES	<u>11 023 080</u>	<u>3 258 519</u>	<u>14 281 599</u>	<u>-</u>
DEFERRED INFLOWS				
Unavailable revenues	258 329	-	258 329	-
TOTAL DEFERRED INFLOWS	<u>258 329</u>	<u>-</u>	<u>258 329</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>11 281 409</u>	<u>3 258 519</u>	<u>14 539 928</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	12 242 711	10 274 785	22 517 496	-
Restricted for:				
Debt service	168 532	-	2 057 424	-
Grants	294 326	-	394 326	-
Capital projects	-	2 578 410	689 518	-
Perpetual care	219 655	-	179 012	-
Unrestricted	(58 770)	(17 144)	(75 914)	2 464 095
TOTAL NET POSITION	<u>\$ 12 866 454</u>	<u>\$ 12 836 051</u>	<u>\$ 25 702 505</u>	<u>\$ 2 464 095</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, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 801 900	\$ 75 000	\$ -	\$ -
Public safety	2 336 189	-	83 448	-
Community services	1 199 744	275 791	-	156 030
Streets and drainage	662 859	-	-	429 308
Sanitation	1 139 330	1 326 814	20 000	-
Inspections	124 990	-	-	-
Interest on long-term debt	249 041	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	6 514 053	1 677 605	103 448	585 338
Business-Type Activities:				
Water and sewer fund	3 161 058	3 689 121	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	3 161 058	3 689 121	-	-
 TOTAL PRIMARY GOVERNMENT	 \$ 9 675 111	\$ 5 366 726	\$ 103 448	\$ 585 338
 Component Units:				
Economic Development	\$ 106 935	\$ -	\$ -	\$ -
Economic Development				
Street Improvement	28 840	-	-	-
TOTAL COMPONENT UNITS	\$ 135 775	\$ -	\$ -	\$ -
 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				
Prior period adjustment				
NET POSITION - BEGINNING (RESTATED)				
NET POSITION - ENDING				

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

<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>			<u>COMPONENT UNITS</u>
<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>		<u>ECONOMIC</u>
<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTALS</u>	<u>DEVELOPMENT</u>
			<u>CORPORATIONS</u>
\$ (726 900)	\$ -	\$ (726 900)	\$ -
(2 252 741)	-	(2 252 741)	-
(767 923)	-	(767 923)	-
(233 551)	-	(233 551)	-
207 484	-	207 484	-
(124 990)	-	(124 990)	-
<u>(249 041)</u>	<u>-</u>	<u>(249 041)</u>	<u>-</u>
<u>(4 147 662)</u>	<u>-</u>	<u>(4 147 662)</u>	<u>-</u>
<u>-</u>	<u>528 063</u>	<u>528 063</u>	<u>-</u>
<u>-</u>	<u>528 063</u>	<u>528 063</u>	<u>-</u>
<u>(4 147 662)</u>	<u>528 063</u>	<u>(3 619 599)</u>	<u>-</u>
-	-	-	(106 935)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(28 840)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(135 775)</u>
1 404 453	-	1 404 453	-
2 599 162	-	2 599 162	1 121 581
4 828	4 445	9 273	14 473
337 484	5 270	342 754	-
<u>778 341</u>	<u>(202 061)</u>	<u>576 280</u>	<u>(576 280)</u>
<u>5 124 268</u>	<u>(192 346)</u>	<u>4 931 922</u>	<u>559 774</u>
<u>976 606</u>	<u>335 717</u>	<u>1 312 323</u>	<u>423 999</u>
13 932 208	13 187 895	27 120 103	2 040 096
<u>(2 042 360)</u>	<u>(687 561)</u>	<u>(2 729 921)</u>	<u>-</u>
<u>11 889 848</u>	<u>12 500 334</u>	<u>24 390 182</u>	<u>2 040 096</u>
\$ <u>12 866 454</u>	\$ <u>12 836 051</u>	\$ <u>25 702 505</u>	\$ <u>2 464 095</u>

CITY OF CENTER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 1 348 000	\$ 774 816	\$ 2 122 816
Receivables (Net of Uncollectibles):			
Taxes	181 936	-	181 936
Accounts	185 820	133 942	319 762
Court fines receivable	210 079	-	210 079
Governmental agencies	144 686	-	144 686
Sundry	102 766	-	102 766
Due from other funds	94 204	500	94704
Inventories	20 645	-	20 645
TOTAL ASSETS	<u>\$ 2 288 136</u>	<u>\$ 909 258</u>	<u>\$ 3 197 394</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 230 871	\$ 291	\$ 231 162
Accrued liabilities	105 669	-	105 669
Due to other funds	500	94 204	94 704
TOTAL LIABILITIES	<u>337 040</u>	<u>94 495</u>	<u>431 535</u>
Deferred Inflows:			
Unearned revenue	486 579	132 250	618 829
TOTAL DEFERRED INFLOWS	<u>486 579</u>	<u>132 250</u>	<u>618 829</u>
Fund Balances:			
Restricted for:			
Debt service	-	168 532	168 532
Grants	-	294 326	294 326
Other purposes	-	219 655	219 655
Unassigned:			
General fund	1 464 517	-	1 464 517
TOTAL FUND BALANCES	<u>1 464 517</u>	<u>682 513</u>	<u>2 147 030</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2 288 136</u>	<u>\$ 909 258</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.			20 729 922
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			276 500
Long-term liabilities, including bonds and pensions, are not due and payable in the current period and, therefore, are not reported in the funds			<u>(10 286 998)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 12 866 454</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, 2015

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:			
General property taxes	\$ 881 627	\$ 511 043	\$ 1 392 670
Other local taxes and permits	2 331 257	258 634	2 589 891
Fines and fees	245 187	42 871	288 058
Charges for services	1 674 615	-	1 674 615
Contributions and grants	25 476	647 611	673 087
Miscellaneous	34 287	43 099	77 386
TOTAL REVENUES	5 192 449	1 503 258	6 695 707
Expenditures:			
General government	939 957	-	939 957
Public safety	2 212 396	30 490	2 242 886
Community services	613 790	355 047	968 837
Streets and drainage	376 728	816 330	1 193 058
Sanitation	1 157 226	-	1 157 226
Inspections	133 193	-	133 193
Debt Service:			
Principal	-	460 000	460 000
Interest and fiscal charges	-	249 041	249 041
TOTAL EXPENDITURES	5 433 290	1 910 908	7 344 198
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(240 841)	(407 650)	(648 491)
Other Financing Sources (Uses):			
Interest income	-	4 828	4 828
Transfers in	453 174	622 482	1 075 656
Transfers (out)	(107 815)	(189 500)	(297 315)
TOTAL OTHER FINANCING SOURCES (USES)	345 359	437 810	783 169
NET CHANGE IN FUND BALANCES	104 518	30 160	134 678
Fund balances at beginning of year	1 359 999	610 353	1 970 352
Prior period adjustment	-	42 000	42 000
FUND BALANCES AT BEGINNING OF YEAR RESTATED	1 359 999	652 353	2 012 352
FUND BALANCES AT END OF YEAR	\$ 1 464 517	\$ 682 513	\$ 2 147 030

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, 2015

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

Net change in fund balances - Total governmental funds	\$	134 678
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.		145 827
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		11 783
The issuance of long-term debt (e.g., bonds, notes, and pension) 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.		<u>684 318</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u><u>976 606</u></u>

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

CITY OF CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 442 696
Receivables (Net):	
Accounts	536 646
Sundry	11 332
Inventories	58 196
TOTAL CURRENT ASSETS	1 048 870
Noncurrent Assets:	
Restricted cash	2 578 410
Capital Assets:	
Land	638 805
Utility systems	27 069 068
Equipment	3 279 386
Construction in progress	63 460
Less accumulated depreciation	(18 687 420)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	12 363 299
TOTAL NONCURRENT ASSETS	14 941 709
TOTAL ASSETS	15 990 579
DEFERRED OUTFLOWS	
Deferred outflow - Pension	26 469
Deferred outflow - Subsequent contributions	77 522
TOTAL DEFERRED OUTFLOWS	103 991
TOTAL ASSETS AND DEFERRED OUTFLOWS	16 094 570
LIABILITIES	
Current Liabilities:	
Accounts payable	220 510
Accrued expense	23 183
Debt payable - Current	146 223
Accrued interest payable	9 760
Customer deposits payable	154 457
TOTAL CURRENT LIABILITIES	554 133
Noncurrent Liabilities:	
Compensated absences	36 706
Pension liability	725 389
Long term debt payable	1 942 291
TOTAL NONCURRENT LIABILITIES	2 704 386
TOTAL LIABILITIES	3 258 519
NET POSITION	
Investment in capital assets, net of related debt	10 274 785
Restricted for capital projects	2 578 410
Unrestricted	(17 144)
TOTAL NET POSITION	\$ 12 836 051

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, 2015

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
Operating Revenues:	
Charges for service	\$ 3 599 469
Taps and connections	9 900
Miscellaneous	79 752
TOTAL OPERATING REVENUES	3 689 121
Operating Expenses:	
Nondepartmental	90 989
Public works	135 261
Water production	1 264 579
Water distribution	340 757
Sewer collection	152 522
Sewer treatment	517 089
Depreciation	606 858
TOTAL OPERATING EXPENSES	3 108 055
OPERATING INCOME	581 066
Nonoperating Revenues (Expenses):	
Income from investments	4 445
Other revenue	5 270
Interest and fiscal fees	(53 003)
TOTAL NONOPERATING REVENUES (EXPENSES)	(43 288)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	537 778
Operating transfers in (out)	(202 061)
TOTAL NET OPERATING TRANSFERS	(202 061)
CHANGE IN NET POSITION	335 717
Beginning net position	13 187 895
Prior period adjustment	(687 561)
BEGINNING NET POSITION, RESTATED	12 500 334
NET POSITION, END OF YEAR	\$ 12 836 051

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, 2015

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
Cash Flows from Operating Activities:	
Received from customers	\$ 3 614 335
Payments to suppliers	(1 464 641)
Payments to employees	(999 019)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1 150 675
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	(202 061)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(202 061)
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(336 992)
Principal paid on debt	(496 060)
Interest paid on debt	(53 003)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(886 055)
Cash Flows from Investing Activities:	
Interest on investments	4 445
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4 445
NET INCREASE IN CASH AND CASH EQUIVALENTS	67 004
Cash at beginning of year	2 954 102
CASH AT END OF YEAR	\$ 3 021 106

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating income (loss)	\$ 581 066
Adjustments:	
Depreciation	606 858
Changes in:	
Accounts receivable	(91 956)
Inventory	11 900
Deferred charges	(103 991)
Accounts payable	89 659
Accrued expense	3 657
Accrued compensated absences	7 319
Pension liability	37 828
Customer deposits	8 335
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 1 150 675

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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, 2015

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, 2015

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, 2015

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.

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, 2015

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.

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.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Fund Equity:

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" 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. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

10. 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.

11. Subsequent Events:

Management has evaluated subsequent events through April 11, 2016, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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).

B. City Fund Balance Policy:

The City of Center recognizes the importance of maintaining an appropriate level of Unassigned Fund Balance. After evaluating the City's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the City establishes the following goals regarding the Unassigned Fund Balance of the General Fund for the City of Center, Texas.

Fund balance will be calculated by taking the total General Fund expenditure budget and deducting the Solid Waste and Airport departments. The rationale is that both of these departments receive a commensurate amount of funding from their own operations. The city collects revenues to fund the Solid Waste provider contract which is approximately equal. The City now receives as much revenue from airport fuel sales to make the Center Municipal Airport self-sustaining.

The goal for this policy is that the City would retain in reserves a minimum of 20% and 25% optimally. This equates to 45 to 90 days of operating reserves which would allow the City to continue providing services without receiving additional funding.

Once the City achieves its goal of an appropriate level of Unassigned Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, including without limitation, additional capital improvement needs or tax rate stabilization or reduction purposes. For example, by applying excess fund balances towards payment of capital improvement expenses, the City will reduce the need to incur long-term debt and will avoid creating an operating fund gap for subsequent fiscal years.

This policy has been adopted by the City to recognize the financial importance of a stable and sufficient level of the Unassigned Fund Balance. However, the City, reserves the right to appropriate funds from the Unassigned Fund Balance for emergencies and other unanticipated requirements the City believes to be in the best interest of the City.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

FUND BALANCE ANALYSIS

	2015
Beginning fund balance	\$ 1 359 999
Total general fund revenues and transfers	5 645 623
Total general fund expenditures and transfers	5 541 105
ENDING GENERAL FUND BALANCE	\$ 1 464 517
Solid waste expense	\$ 1 157 226
Airport expense	241 659
SUBTOTAL	1 398 885
General fund expenditures	5 541 105
ADJUSTED GENERAL FUND EXPENDITURES	\$ 4 142 220
Required Fund Balance	\$ $\frac{20\%}{828\ 444}$ \$ $\frac{25\%}{1\ 035\ 305}$

Year to Date Fund Balance calculation represents 35.4% of adjusted General Fund Expenditures and 26.4% of non-adjusted General Fund Expenditures.

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, 2015 are classified in the accompanying financial statements as follows:

Primary Government:	
Unrestricted cash and investments	\$ 2 565,512
Restricted cash and investments	2 578 410
Component Units:	
Cash and investments	2 047 326
TOTAL CASH AND INVESTMENTS	\$ 7 191 248

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

Primary Government:	
Cash on hand	\$ 10 156
Deposits with financial institutions	3 759 318
Investments in LOGIC	1 374 448
Component Units:	
Deposits with financial institutions	859 802
Investments in LOGIC	1 187 524
TOTAL CASH AND INVESTMENTS	\$ 7 191 248

At September 30, 2015, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$1,850,555 and \$859,802, 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, 2015

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, 2015, the City had the following investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 1 374 448	46
Component units - LOGIC	1 187 524	46
	\$ 2 561 972	

Although Local Government Investment Cooperative had a weighted average maturity of 55 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 Agriculture 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, 2015 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2015.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2014	\$ 268 885	\$ 268 885
Loan payments received	-	(42 875)
Loans paid	(42 875)	-
Balance at September 30, 2015	\$ 226 010	\$ 226 010

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 108 334
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	
TOTAL	\$ 226 010

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Future requirements are as follows:

<u>YEAR</u>	<u>PAYABLE/ RECEIVABLE</u>
2016	\$ 42 876
2017	42 876
2018	42 876
2019	42 876
2020	42 876
2021	11 630
	<u>\$ 226 010</u>

C. Capital Assets

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

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 980 008	\$ 1 029 515	\$ (1 639 430)	\$ 370 093
Land	<u>11 233</u>	<u>32 639</u>	<u>-</u>	<u>43 872</u>
TOTAL ASSETS NOT BEING DEPRECIATED	<u>991 241</u>	<u>1 062 154</u>	<u>(1 639 430)</u>	<u>413 965</u>
Capital Assets, Being Depreciated:				
Buildings	9 240 197	-	-	9 240 197
Improvements other than buildings	3 992 547	15 708	-	4 008 255
Vehicles and equipment	2 252 456	156 605	-	2 409 061
Infrastructure	<u>10 994 203</u>	<u>1 618 546</u>	<u>-</u>	<u>12 612 749</u>
TOTAL ASSETS BEING DEPRECIATED	<u>26 479 403</u>	<u>1 790 859</u>	<u>-</u>	<u>28 270 262</u>
Less Accumulated Depreciation For:				
Buildings	1 514 152	220 979	-	1 735 131
Improvements other than buildings	800 009	122 563	-	922 572
Vehicles and equipment	1 368 125	151 362	-	1 519 487
Infrastructure	<u>3 204 261</u>	<u>572 854</u>	<u>-</u>	<u>3 777 115</u>
TOTAL ACCUMULATED DEPRECIATION	<u>6 886 547</u>	<u>1 067 758</u>	<u>-</u>	<u>7 954 305</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>19 592 856</u>	<u>723 101</u>	<u>-</u>	<u>20 315 957</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 20 584 097</u>	<u>\$ 1 785 255</u>	<u>\$ (1 639 430)</u>	<u>\$ 20 729 922</u>

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2015

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	\$ 46 022	\$ -	\$ 638 805
Construction in progress	244 697	48 450	(229 687)	63 460
TOTAL ASSETS NOT BEING DEPRECIATED	837 480	94 472	(229 687)	702 265
Capital Assets, Being Depreciated:				
Buildings and systems	26 839 381	229 687	-	27 069 068
Vehicles and equipment	3 130 116	149 270	-	3 279 386
TOTAL ASSETS BEING DEPRECIATED	29 969 497	378 957	-	30 348 454
Less Accumulated Depreciation For:				
Buildings and systems	15 740 974	517 713	-	16 258 687
Vehicles and equipment	2 338 619	90 114	-	2 428 733
TOTAL ACCUMULATED DEPRECIATION	18 079 603	607 827	-	18 687 420
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	11 889 894	(228 870)	-	11 661 034
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 12 727 374	\$ (134 398)	\$ (229 687)	\$ 12 363 299

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

Governmental Activities:

General government	\$ 23 075
Public safety	146 538
Community services	404 938
Sanitation	4 369
Street and drainage	488 839
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 1 067 758

Business-Type Activities:

Water	\$ 490 260
Sewer	117 567
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	\$ 607 827

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:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 7 335 000	\$ -	\$ 435 000	\$ 6 900 000	\$ 445 000
Note payable	1 296 212	-	45 335	1 250 877	295 620
Compensated absences	100 259	-	2 914	97 345	-
Pension liability	2 084 360	114 678	-	2 199 038	-
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 10 815 831	\$ 114 678	\$ 483 249	\$ 10 447 260	\$ 740 620
Business-Type Activities:					
General obligation bonds	\$ 2 472 000	\$ -	\$ 442 000	\$ 2 030 000	\$ 90 000
Notes payable	112 574	-	54 060	58 514	56 223
Compensated absences	29 387	7 319	-	36 706	-
Pension liability	687 561	37 828	-	725 389	-
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 3 301 522	\$ 45 147	\$ 496 060	\$ 2 850 609	\$ 146 223

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Bonds payable at September 30, 2015 are comprised of the following individual issues:

General Obligation Debt:

\$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)	\$ 835 000
\$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)	740 000
\$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)	3 596 314
\$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, 2014 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)	2 030 000
\$1,760,000, 2014 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)	1 560 000
	<u>\$ 8 930 000</u>

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

<u>YEAR ENDING SEPTEMBER</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
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
2019	490 000	170 375	90 000	39 875
2020	490 000	159 025	90 000	39 043
Thereafter	4 545 000	881 775	1 580 000	342 218
TOTAL	<u>\$ 6 900 000</u>	<u>\$ 1 802 516</u>	<u>\$ 2 030 000</u>	<u>\$ 542 989</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%	\$ 58 514
\$450,000 loan from the City of Center Economic Development Corporation to be paid in 10 annual installments, with an interest rate of 3%	318 812
\$105,036 loan from Cop Sync to be paid in annual installments of \$28,930, with an interest rate of 3.99%	57 065
\$875,000 tax anticipation note to be paid in annual installments of \$170,000 to \$190,000 through August 2020, with interest of 2.75%	875 000
	<u>\$ 1 309 391</u>

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2016	\$ 295 800	\$ 33 560	\$ 56 223	\$ 2 341
2017	246 716	19 478	2 291	92
2018	212 615	14 203	-	-
2019	213 925	10 085	-	-
2020	235 212	5 928	-	-
Thereafter	46 609	1 398	-	-
TOTAL	\$ 1 250 877	\$ 84 652	\$ 58 514	\$ 2 433

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	\$ 1 399 810	\$ 1 060 572	\$ 2 460 382
Deferred Outflows:			
Prepaid expense	3 713	-	3 713
TOTAL ASSETS AND DEFERRED OUTFLOWS	1 403 523	1 060 572	2 464 095
Liabilities:			
Accounts payable and other current liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
Net Position:			
Unrestricted	1 403 523	1 060 572	2 464 095
TOTAL NET POSITION	\$ 1 403 523	\$ 1 060 572	\$ 2 464 095

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2015

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	\$ 37 530	\$ -	\$ -	\$ -	\$ (37 530)	\$ -	\$ (37 530)
Operating expenses	<u>69 405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69 405)</u>	<u>-</u>	<u>(69 405)</u>
TOTAL	<u>106 935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106 935)</u>	<u>-</u>	<u>(106 935)</u>
Center Street Improvements for Economic Development Corporation:							
Operating expenses	<u>28 840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28 840)</u>	<u>(28 840)</u>
TOTAL	<u>28 840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28 840)</u>	<u>(28 840)</u>
 TOTAL COMPONENT UNITS	 <u>\$ 135 775</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>(106 935)</u>	 <u>(28 840)</u>	 <u>(135 775)</u>
		General Revenues:					
			Sales tax		373 863	747 718	1 121 581
			Interest income		12 568	1 905	14 473
			Transfer		<u>(48 450)</u>	<u>(527 830)</u>	<u>(576 280)</u>
			TOTAL GENERAL REVENUE		<u>337 981</u>	<u>221 793</u>	<u>559 774</u>
			Change in net position		231 046	192 953	423 999
			Net position - Beginning		<u>1 172 477</u>	<u>867 619</u>	<u>2 040 096</u>
			NET POSITION - ENDING		<u>\$ 1 403 523</u>	<u>\$ 1 060 572</u>	<u>\$ 2 464 095</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE 4 - OTHER INFORMATION - CONTINUED

B. Pension Plan

Plan Description

The City of Center participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

Employees Covered by Benefit Terms:

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

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	14
Active employees	68
	<hr style="width: 100%; border: 0.5px solid black;"/>
	121

Contributions

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE 4 - OTHER INFORMATION - CONTINUED

Employees for the City of Center were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Center were 15.44% and 16.60% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$312,533, and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE 4 - OTHER INFORMATION - CONTINUED

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
TOTAL	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2013	\$ 11 528 368	\$ 8 756 447	\$ 2 771 921
Changes for the Year:			
Service cost	443 966	-	443 966
Interest	804 999	-	804 999
Change of benefit terms	-	-	-
Difference between expected and actual experience	21 180	-	21 180
Changes of assumptions	-	-	-
Contributions - Employer	-	424 581	(424 581)
Contributions - Employee	-	197 742	(197 742)
Net investment income	-	500 976	(500 976)
Benefit payments, including refunds of employee	(500 735)	(500 735)	-
Administrative expense	-	(5 230)	5 230
Other changes	-	(430)	430
NET CHANGES	769 410	616 904	152 506
Balance at December 31, 2014	\$ 12 297 778	\$ 9 373 351	\$ 2 924 427

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2015

NOTE 4 - OTHER INFORMATION - CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

		1% DECREASE IN DISCOUNT RATE (6.0%)		DISCOUNT RATE (7.0%)		1% INCREASE IN DISCOUNT RATE (8.0%)
Net pension liability	\$	4 901 271	\$	2 924 427	\$	1 328 057

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the city recognized pension expense of \$470,378.

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<u>DEFERRED OUTFLOWS OF RESOURCES</u>		<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual economic experience	\$	17 129	\$	-
Changes in actuarial assumptions		-		-
Difference between projected and actual investment earnings		89 580		-
Contributions subsequent to the measurement date		312 533		-
TOTAL	\$	<u>419 242</u>	\$	<u>-</u>

\$419,242 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDED DECEMBER 31,</u>		<u>PENSION EXPENSE AMOUNT</u>
2015	\$	26 446
2016		26 446
2017		26 446
2018		26 446
2019		925
Thereafter		-
Total	\$	<u>106 709</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015

NOTE 4 - OTHER INFORMATION - CONTINUED

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.

D. Prior Period Adjustment

With the implementation of new GASB standards, the prior period pension liability is recognized, the adjustment for this resulted in a decrease in Net Position of \$2,471,921. Also, pledges received in prior periods were deferred subsequent to the collection, therefore, prior period fund balance was overstated by \$42,000.

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, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 815 000	\$ 815 000	\$ 831 095	\$ 16 095
Delinquent taxes	30 000	30 000	28 075	(1 925)
Penalties, interest and cost	25 000	25 000	22 457	(2 543)
TOTAL GENERAL PROPERTY TAXES	<u>870 000</u>	<u>870 000</u>	<u>881 627</u>	<u>11 627</u>
Other Local Taxes and Permits:				
City sales taxes	1 844 050	1 844 050	1 869 671	25 621
Franchise taxes	445 000	445 000	440 558	(4 442)
Mixed drink taxes	4 000	4 000	4 198	198
License and permit fees	8 450	8 450	16 830	8 380
TOTAL OTHER LOCAL TAXES AND PERMITS	<u>2 301 500</u>	<u>2 301 500</u>	<u>2 331 257</u>	<u>29 757</u>
Fines and Fees:				
Municipal court fines	175 000	177 500	197 436	19 936
Court cost fees	32 800	35 300	47 751	12 451
TOTAL FINES AND FEES	<u>207 800</u>	<u>212 800</u>	<u>245 187</u>	<u>32 387</u>
Charges For Service:				
Solid waste	1 310 600	1 310 600	1 327 264	16 664
Administration	-	75 000	75 000	-
Airport fuel	175 000	175 000	170 520	(4 480)
Airport hangar lease	21 200	21 200	35 704	14 504
Recreation fees	2 000	2 000	1 000	(1 000)
Building rental	50 050	50 050	65 127	15 077
TOTAL CHARGES FOR SERVICES	<u>1 558 850</u>	<u>1 633 850</u>	<u>1 674 615</u>	<u>40 765</u>
Contributions and Grants:				
Grant proceeds	4 000	4 000	25 476	21 476
TOTAL CONTRIBUTIONS AND GRANTS	<u>4 000</u>	<u>4 000</u>	<u>25 476</u>	<u>21 476</u>
Miscellaneous Revenue:				
Interest income	2 500	2 500	3 907	1 407
Miscellaneous receipts	2 100	2 100	30 380	28 280
TOTAL MISCELLANEOUS REVENUE	<u>4 600</u>	<u>4 600</u>	<u>34 287</u>	<u>29 687</u>
TOTAL REVENUES	<u>4 946 750</u>	<u>5 026 750</u>	<u>5 192 449</u>	<u>165 699</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Expenditures:				
General Government:				
City Hall:				
Payroll	627 200	627 200	641 593	(14 393)
Supplies	13 600	13 600	13 088	512
Contractual services	22 500	22 500	15 451	7 049
Utilities	18 500	18 500	16 010	2 490
Sundry charges	14 600	14 600	17 361	(2 761)
Maintenance	5 300	5 300	1 980	3 320
Capital outlay	1 000	1 000	3 416	(2 416)
TOTAL CITY HALL	<u>702 700</u>	<u>702 700</u>	<u>708 899</u>	<u>(6 199)</u>
Nondepartmental:				
Payroll	2 700	2 700	649	2 051
Supplies	2 700	2 700	7 846	(5 146)
Contractual services	178 700	178 700	180 212	(1 512)
Utilities	-	-	7 782	(7 782)
Sundry charges	70 225	70 225	34 569	35 656
Capital outlay	6 500	6 500	-	6 500
TOTAL NONDEPARTMENTAL	<u>260 825</u>	<u>260 825</u>	<u>231 058</u>	<u>29 767</u>
TOTAL GENERAL GOVERNMENT	<u>963 525</u>	<u>963 525</u>	<u>939 957</u>	<u>23 568</u>
Public Safety:				
Police Department:				
Payroll	1 466 600	1 480 700	1 439 514	41 186
Supplies	30 950	30 950	23 887	7 063
Contractual services	75 500	75 500	79 122	(3 622)
Utilities	38 200	38 200	39 783	(1 583)
Sundry charges	15 200	15 200	15 626	(426)
Maintenance	86 200	86 200	98 884	(12 684)
Capital outlay	41 925	41 925	36 596	5 329
TOTAL POLICE DEPARTMENT	<u>1 754 575</u>	<u>1 768 675</u>	<u>1 733 412</u>	<u>35 263</u>
Fire Department:				
Payroll	368 650	368 650	380 722	(12 072)
Supplies	8 800	8 800	8 035	765
Contractual services	11 400	11 400	7 834	3 566
Utilities	16 500	16 500	16 333	167
Sundry charges	11 900	11 900	4 028	7 872
Maintenance	35 100	35 100	29 824	5 276
Capital outlay	25 500	25 500	10 748	14 752
TOTAL FIRE DEPARTMENT	<u>477 850</u>	<u>477 850</u>	<u>457 524</u>	<u>20 326</u>
Animal Control Department:				
Supplies	3 250	3 250	4 359	(1 109)
Contractual services	13 000	13 000	14 198	(1 198)
Utilities	200	200	247	(47)
Sundry charges	2 500	2 500	2 456	44
Maintenance	1 000	1 000	200	800
Capital outlay	1 000	1 000	-	1 000
TOTAL ANIMAL CONTROL DEPARTMENT	<u>20 950</u>	<u>20 950</u>	<u>21 460</u>	<u>(510)</u>
TOTAL PUBLIC SAFETY	<u>2 253 375</u>	<u>2 267 475</u>	<u>2 212 396</u>	<u>55 079</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Community Services:				
Airport Department:				
Payroll	48 050	48 050	50 518	(2 468)
Supplies	1 900	1 900	1 439	461
Contractual services	1 900	1 900	12 145	(10 245)
Utilities	12 650	12 650	12 856	(206)
Sundry charges	156 600	156 600	117 204	39 396
Maintenance	9 800	9 800	9 357	443
Capital outlay	4 000	4 000	38 140	(34 140)
TOTAL AIRPORT DEPARTMENT	<u>234 900</u>	<u>234 900</u>	<u>241 659</u>	<u>(6 759)</u>
Cemetery Department:				
Supplies	300	300	-	300
Contractual services	25 000	25 000	19 520	5 480
Maintenance	1 000	1 000	6 764	(5 764)
TOTAL CEMETERY DEPARTMENT	<u>26 300</u>	<u>26 300</u>	<u>26 284</u>	<u>16</u>
Parks Department:				
Payroll	41 800	41 800	49 879	(8 079)
Supplies	3 100	3 100	4 573	(1 473)
Contractual services	29 200	29 200	25 386	3 814
Utilities	15 000	15 000	9 304	5 696
Sundry charges	-	-	213	(213)
Maintenance	15 600	15 600	10 853	4 747
Capital outlay	-	-	17 245	(17 245)
TOTAL PARKS DEPARTMENT	<u>104 700</u>	<u>104 700</u>	<u>117 453</u>	<u>(12 753)</u>
Civic Center Department:				
Payroll	84 700	84 700	97 632	(12 932)
Supplies	6 450	6 450	8 066	(1 616)
Contractual services	10 500	10 500	8 144	2 356
Utilities	22 800	22 800	20 844	1 956
Sundry charges	5 750	5 750	3 064	2 686
Maintenance	11 300	11 300	14 426	(3 126)
Capital outlay	4 250	4 250	793	3 457
TOTAL CIVIC CENTER DEPARTMENT	<u>145 750</u>	<u>145 750</u>	<u>152 969</u>	<u>(7 219)</u>
Community Facilities Department:				
Supplies	700	700	305	395
Contractual services	59 550	59 550	58 175	1 375
Utilities	13 500	13 500	12 596	904
Sundry charges	2 200	2 200	-	2 200
Maintenance	4 500	4 500	4 349	151
TOTAL COMMUNITY FACILITIES DEPARTMENT	<u>80 450</u>	<u>80 450</u>	<u>75 425</u>	<u>5 025</u>
TOTAL COMMUNITY SERVICES	<u>592 100</u>	<u>592 100</u>	<u>613 790</u>	<u>(21 690)</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	178 250	178 250	162 124	16 126
Supplies	13 200	13 200	12 879	321
Contractual services	8 000	8 000	4 172	3 828
Utilities	75 500	75 500	75 039	461
Sundry charges	1 700	1 700	612	1 088
Maintenance	77 200	77 200	84 652	(7 452)
Capital outlay	5 000	5 000	37 250	(32 250)
TOTAL STREETS DEPARTMENT	<u>358 850</u>	<u>358 850</u>	<u>376 728</u>	<u>(17 878)</u>
TOTAL STREETS AND DRAINAGE	<u>358 850</u>	<u>358 850</u>	<u>376 728</u>	<u>(17 878)</u>
Sanitation:				
Sanitation Department:				
Contractual services	1 105 000	1 105 000	1 130 178	(25 178)
Sundry charges	10 500	10 500	702	9 798
Maintenance	-	-	3 481	(3 481)
Capital outlay	-	-	22 865	(22 865)
TOTAL SANITATION DEPARTMENT	<u>1 115 500</u>	<u>1 115 500</u>	<u>1 157 226</u>	<u>(41 726)</u>
TOTAL SANITATION	<u>1 115 500</u>	<u>1 115 500</u>	<u>1 157 226</u>	<u>(41 726)</u>
Inspection Services:				
Inspection Department:				
Payroll	119 200	119 200	117 988	1 212
Supplies	4 000	4 000	1 185	2 815
Contractual services	2 500	2 500	2 700	(200)
Utilities	5 800	5 800	4 533	1 267
Sundry charges	2 700	2 700	2 050	650
Maintenance	8 900	8 900	4 737	4 163
Capital outlay	300	300	-	300
TOTAL INSPECTION DEPARTMENT	<u>143 400</u>	<u>143 400</u>	<u>133 193</u>	<u>10 207</u>
TOTAL INSPECTION SERVICES	<u>143 400</u>	<u>143 400</u>	<u>133 193</u>	<u>10 207</u>
TOTAL EXPENDITURES	<u>5 426 750</u>	<u>5 440 850</u>	<u>5 433 290</u>	<u>7 560</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(480 000)</u>	<u>(414 100)</u>	<u>(240 841)</u>	<u>173 259</u>
Other Financing Sources (Uses):				
Operating transfers in	480 000	414 100	453 174	39 074
Operating transfers (out)	-	-	(107 815)	(107 815)
TOTAL OTHER FINANCING SOURCES (USES)	<u>480 000</u>	<u>414 100</u>	<u>345 354</u>	<u>(68 741)</u>
CHANGE IN FUND BALANCE	-	-	104 518	104 518
Fund balance at beginning of year	1 359 999	1 359 999	1 359 999	-
FUND BALANCE AT END OF YEAR	<u>\$ 1 359 999</u>	<u>\$ 1 359 999</u>	<u>\$ 1 464 517</u>	<u>\$ 104 518</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Year Ended September 30, 2015

	2014
Total Pension Liability:	
Service cost	\$ 443 966
Interest (on the total pension liability)	804 999
Changes of benefit terms	-
Difference between expected and actual experience	21 180
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(500 735)
NET CHANGE IN TOTAL PENSION LIABILITY	769 410
Total pension liability - Beginning	11 528 368
TOTAL PENSION LIABILITY - ENDING	12 297 778
 Plan Fiduciary Net Position:	
Contributions - Employer	424 581
Contributions - Employee	197 742
Net investment income	500 976
Benefit payments, including refunds of employee contributions	(500 735)
Administrative	(5 230)
Other	(430)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	616 904
Plan fiduciary net position - Beginning	8 756 447
PLAN FIDUCIARY NET POSITION - ENDING	9 373 351
 NET PENSION LIABILITY - ENDING	\$ 2 924 427
 Plan fiduciary net position as a percentage of total pension liability	76.22%
Covered employee payroll	\$ 2 824 891
Net pension liability as a percentage of covered employee payroll	103.52%

SCHEDULE OF CONTRIBUTIONS

	2014
Actuarially determine contribution	
Contributions in relation to the actuarially determined contribution	\$ 312 533
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
 Covered employee payroll	\$ 2 824 891
Contributions as a percentage of covered employee payroll	11.06%

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.

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.

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

Debt Service Fund

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

Permanent Funds

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.

Animal Welfare 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 Animal Welfare.

Capital Project Fund

Capital Project Fund - To account for the accumulation of major construction cost within the governmental funds.

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2015

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUND
ASSETS			
Cash and cash equivalents	\$ 166 840	\$ 388 321	\$ 40 370
Receivables	1 692	132 250	-
Due from other funds	-	500	-
TOTAL ASSETS	\$ 168 532	\$ 521 071	\$ 40 370
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 291	\$ -
Due to other funds	-	94 204	-
TOTAL LIABILITIES	-	94 495	-
Deferred Inflows:			
Unearned revenue	-	132 250	-
TOTAL DEFERRED INFLOWS	-	132 250	-
Fund Balances:			
Restricted for grants	-	294 326	-
Restricted for debt service	168 532	-	-
Other restrictions	-	-	40 370
TOTAL FUND BALANCES	168 532	294 326	40 370
TOTAL LIABILITIES AND FUND BALANCES	\$ 168 532	\$ 521 071	\$ 40 370

See independent auditors' report.

<u>PERMANENT FUND</u>		
<u>CEMETERY ENDOWMENT FUND</u>	<u>ANIMAL WELFARE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
\$ 138 642	\$ 40 643	\$ 774 816
-	-	133 942
-	-	500
<u>\$ 138 642</u>	<u>\$ 40 643</u>	<u>\$ 909 258</u>
\$ -	\$ -	\$ 291
-	-	94 204
-	-	94 495
-	-	132 250
-	-	132 250
-	-	294 326
-	-	168 532
<u>138 642</u>	<u>40 643</u>	<u>219 655</u>
<u>138 642</u>	<u>40 643</u>	<u>682 513</u>
<u>\$ 138 642</u>	<u>\$ 40 643</u>	<u>\$ 909 258</u>

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2015

	<u>DEBT SERVICE FUND</u>	<u>NONMAJOR SPECIAL REVENUE FUNDS</u>	<u>CAPITAL PROJECT FUND</u>
Revenues:			
Taxes	\$ 511 043	\$ 258 634	\$ -
Grants and contributions	-	607 110	-
Fines and fees	-	42 871	-
Interest	1 065	2 187	44
Other	-	43 099	-
TOTAL REVENUES	<u>512 108</u>	<u>953 901</u>	<u>44</u>
Expenditures:			
Public safety	-	30 490	-
Community services	-	355 047	-
Streets and drainage	-	816 330	-
Debt Service:			
Principal	435 000	25 000	-
Interest and fiscal charges	245 818	3 223	-
TOTAL EXPENDITURES	<u>680 818</u>	<u>1 230 090</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(168 710)</u>	<u>(276 189)</u>	<u>44</u>
Other Financing Sources (Uses):			
Operating transfers in	121 287	501 195	-
Operating transfers (out)	-	(189 500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>121 287</u>	<u>311 695</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(47 423)</u>	<u>35 506</u>	<u>44</u>
Fund balance at beginning of year	215 955	216 820	40 326
Prior period adjustment	-	42 000	-
FUND BALANCE AT BEGINNING OF YEAR, RESTATED	<u>215 955</u>	<u>258 820</u>	<u>40 326</u>
FUND BALANCES AT END OF YEAR	<u>\$ 168 532</u>	<u>\$ 342 576</u>	<u>\$ 40 370</u>

See independent auditors' report.

<u>PERMANENT FUND</u>		<u>TOTAL</u>
<u>CEMETERY</u>	<u>ANIMAL</u>	<u>NONMAJOR</u>
<u>ENDOWMENT</u>	<u>WELFARE</u>	<u>GOVERNMENTAL</u>
<u>FUND</u>	<u>FUND</u>	<u>FUNDS</u>
\$ -	\$ -	\$ 769 677
12	40 489	647 611
-	-	42 871
1 378	154	4 828
-	-	43 099
<u>1 390</u>	<u>40 643</u>	<u>1 508 086</u>
-	-	30 490
-	-	355 047
-	-	816 330
-	-	460 000
-	-	249 041
<u>-</u>	<u>-</u>	<u>1 910 908</u>
<u>1 390</u>	<u>40 643</u>	<u>(402 822)</u>
-	-	622 482
-	-	(189 500)
-	-	432 982
<u>1 390</u>	<u>40 643</u>	<u>30 160</u>
137 252	-	610 353
-	-	42 000
<u>137 252</u>	<u>-</u>	<u>652 353</u>
<u>\$ 138 642</u>	<u>\$ 40 643</u>	<u>\$ 682 513</u>

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2015

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
ASSETS					
Cash and cash equivalents	\$ 22	\$ 10	\$ 180 179	\$ 7 299	\$ (276)
Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	\$ <u>22</u>	\$ <u>10</u>	\$ <u>180 179</u>	\$ <u>7 299</u>	\$ <u>(276)</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 291	\$ -
Due to other funds	-	93 994	-	-	-
TOTAL LIABILITIES	-	93 994	-	291	-
Deferred Inflows:					
Unearned revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-	-	-
Fund Balance:					
Restricted	22	(93 984)	180 179	7 008	(276)
TOTAL FUND BALANCE	<u>22</u>	<u>(93 984)</u>	<u>180 179</u>	<u>7 008</u>	<u>(276)</u>
TOTAL LIABILITIES FUND BALANCE	\$ <u>22</u>	\$ <u>10</u>	\$ <u>180 179</u>	\$ <u>7 299</u>	\$ <u>(276)</u>

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	DISASTER RECOVERY GRANT	TAX INCREMENT FINANCING FUND	TDA DOWNTOWN REVITALIZATION GRANT
\$ 23 344	\$ 2 057	\$ 10	\$ 10	\$ 13 362	\$ 100
-	-	-	-	-	-
-	500	-	-	-	-
<u>\$ 23 344</u>	<u>\$ 2 557</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 13 362</u>	<u>\$ 100</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	10	-	100
-	-	-	10	-	100
-	-	-	-	-	-
-	-	-	-	-	-
23 344	2 557	10	-	13 362	-
23 344	2 557	10	-	13 362	-
<u>\$ 23 344</u>	<u>\$ 2 557</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 13 362</u>	<u>\$ 100</u>

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET - CONTINUED
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2015

	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND	TCF CENTER MOTORS FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS				
Cash and cash equivalents	\$ 7 520	\$ 141 261	\$ 13 423	\$ 388 321
Receivables	-	132 250	-	132 250
Due from other funds	-	-	-	500
TOTAL ASSETS	\$ 7 520	\$ 273 511	\$ 13 423	\$ 521 071
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 291
Due to other funds	-	-	100	94 204
TOTAL LIABILITIES	-	-	100	94 495
Deferred Inflows:				
Unearned revenue	-	132 250	-	132 250
TOTAL DEFERRED INFLOWS	-	132 250	-	132 250
Fund Balance:				
Restricted	7 520	141 261	13 323	294 326
TOTAL FUND	7 520	141 261	13 323	294 326
TOTAL LIABILITIES FUND BALANCE	\$ 7 520	\$ 273 511	\$ 13 423	\$ 521 071

See independent auditors' report.

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2015

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
Revenues:					
Taxes	\$ -	\$ 5 519	\$ 238 152	\$ -	\$ -
Grants and contributions	-	-	-	-	-
Fines and fees	-	-	-	22 420	4 066
Interest	-	-	-	-	15
Other	42 875	-	211	13	-
TOTAL REVENUES	<u>42 875</u>	<u>5 519</u>	<u>238 363</u>	<u>22 433</u>	<u>4 081</u>
Expenditures:					
Public safety	-	-	-	23 108	7 382
Community services	42 875	-	30 660	-	-
Streets and drainage	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	<u>42 875</u>	<u>-</u>	<u>30 660</u>	<u>23 108</u>	<u>7 382</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>5 519</u>	<u>207 703</u>	<u>(675)</u>	<u>(3 301)</u>
Other Financing Sources (Uses):					
Operating transfers in	-	(8 499)	-	-	(9 100)
Operating transfers (out)	-	-	(189 500)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(8 499)</u>	<u>(189 500)</u>	<u>-</u>	<u>(9 100)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(2 980)</u>	<u>18 203</u>	<u>(675)</u>	<u>(12 401)</u>
Fund balance, beginning of year	22	(133 004)	161 976	7 683	12 125
Prior period adjustment	-	42 000	-	-	-
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>22</u>	<u>(91 004)</u>	<u>161 976</u>	<u>7 683</u>	<u>12 125</u>
FUND BALANCE, END OF YEAR	\$ <u>22</u>	\$ <u>93 984</u>	\$ <u>180 179</u>	\$ <u>7 008</u>	\$ <u>(276)</u>

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	DISASTER RECOVERY GRANT	TAX INCREMENT FINANCING FUND	TDA DOWNTOWN REVITALIZATION GRANT
\$ -	\$ -	\$ -	\$ -	\$ 14 963	\$ -
-	97 304	-	149 557	-	-
16 385	-	-	-	-	-
14	5	-	-	-	-
-	-	-	-	-	-
<u>16 399</u>	<u>97 309</u>	<u>-</u>	<u>149 557</u>	<u>14 963</u>	<u>-</u>
-	-	-	-	-	-
-	118 363	160	154 733	-	-
-	-	-	-	-	-
-	-	-	-	28 223	-
<u>-</u>	<u>118 363</u>	<u>160</u>	<u>154 733</u>	<u>28 223</u>	<u>-</u>
<u>16 399</u>	<u>(21 054)</u>	<u>(160)</u>	<u>(5 176)</u>	<u>(13 260)</u>	<u>-</u>
-	-	160	5 176	13 204	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>160</u>	<u>5 176</u>	<u>13 204</u>	<u>-</u>
<u>16 399</u>	<u>(21 054)</u>	<u>-</u>	<u>-</u>	<u>(56)</u>	<u>-</u>
6 945	23 611	10	-	13 418	-
-	-	-	-	-	-
<u>6 945</u>	<u>23 611</u>	<u>10</u>	<u>-</u>	<u>13 418</u>	<u>-</u>
<u>\$ 23 344</u>	<u>\$ 2 557</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 13 362</u>	<u>\$ -</u>

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2015

	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND	TCF CENTER MOTORS FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 258 634
Grants and contributions	-	53 250	306 999	607 110
Fines and fees	-	-	-	42 871
Interest	9	2 144	-	2 187
Other	-	-	-	43 099
TOTAL REVENUES	9	55 394	306 999	953 901
Expenditures:				
Public safety	-	-	-	30 490
Community services	-	8 256	-	355 047
Streets and drainage	-	-	816 330	816 330
Debt service	-	-	-	28 223
TOTAL EXPENDITURES	-	8 256	816 330	1 230 090
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9	47 138	(509 331)	(276 189)
Other Financing Sources (Uses):				
Operating transfers in	-	(22 400)	522 654	501 195
Operating transfers (out)	-	-	-	(189 500)
TOTAL OTHER FINANCING SOURCES (USES)	-	(22 400)	522 654	311 695
NET CHANGE IN FUND BALANCE	9	24 738	13 323	35 506
Fund balance, beginning of year	7 511	116 523	-	216 820
Prior period adjustment	-	-	-	42 000
FUND BALANCE, BEGINNING OF YEAR, RESTATED	7 511	16 523	-	258 820
FUND BALANCE, END OF YEAR	\$ 7 520	\$ 141 261	\$ 13 323	\$ 342 576

See independent auditors' report.

CITY OF CENTER, TEXAS
 SCHEDULE OF REVENUES
 Year Ended September 30, 2015

	<u>WATER AND SEWER ENTERPRISE FUND</u>
Operating Revenues:	
Charges for Service:	
Water charges	\$ 2 755 349
Sewer charges	844 120
TOTAL	<u>3 599 469</u>
Taps and Connections:	
Water taps and connections	8 000
Sewer taps and connections	1 900
TOTAL	<u>9 900</u>
Miscellaneous Revenue:	
Administrative fees	5 910
Penalties	44 993
Reconnection fees	16 200
Miscellaneous receipts	12 649
TOTAL	<u>79 752</u>
TOTAL OPERATING REVENUES	\$ <u><u>3 689 121</u></u>
Nonoperating Revenues:	
Other revenue	\$ 5 270
Income from investments	4 445
TOTAL NONOPERATING REVENUES	\$ <u><u>9 715</u></u>

See independent auditors' report.

CITY OF CENTER, TEXAS
 SCHEDULE OF EXPENSES AND OPERATING TRANSFERS
 Year Ended September 30, 2015

	WATER AND SEWER PROPRIETARY FUND
Operating Expenses:	
Nondepartmental:	
Supplies	\$ 12 840
Contractual services	19 600
Sundry charges	98
Capital outlay	58 451
TOTAL	90 989
Public Works:	
Payroll	107 396
Supplies	8 262
Contractual services	4 393
Utilities	9 512
Sundry charges	3 052
Maintenance	2 564
Capital outlay	82
TOTAL	135 261
Water Production:	
Payroll	384 220
Supplies	339 503
Contractual services	132 006
Utilities	277 432
Sundry charges	11 930
Maintenance	99 859
Capital outlay	19 629
TOTAL	1 264 579
Water Distribution:	
Payroll	172 428
Supplies	5 998
Contractual services	28 692
Utilities	2 689
Sundry charges	548
Maintenance	85 106
Capital outlay	45 296
TOTAL	340 757
Sewer Collection:	
Payroll	86 836
Supplies	4 611
Contractual services	5 433
Utilities	24 243
Sundry charges	275
Maintenance	30 412
Capital outlay	712
TOTAL	152 522

CITY OF CENTER, TEXAS
 SCHEDULE OF EXPENSES - CONTINUED
 Year Ended September 30, 2015

	WATER AND SEWER PROPRIETARY FUND
Sewer Treatment:	
Payroll	199 335
Supplies	35 716
Contractual services	75 142
Utilities	62 078
Sundry charges	43 960
Maintenance	88 535
Capital outlay	12 323
TOTAL	517 089
Depreciation:	
Depreciation	606 858
TOTAL OPERATING EXPENSES	\$ 3 108 055
Nonoperating Expenses:	
Interest expense	\$ 53 003
TOTAL NONOPERATING EXPENSES	\$ 53 003
Transfers:	
Transfer Out	\$ 202 061
TOTAL TRANSFERS	\$ 202 061

See independent auditors' report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS
INSURANCE COVERAGE
September 30, 2015
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/14 to 10/01/15	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/14 to 10/01/15	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/14 to 10/01/15	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/14 to 10/01/15	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/14 to 10/01/15	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/14 to 10/01/15	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/14 to 10/01/15	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/14 to 10/01/15	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/14 to 10/01/15	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/14 to 10/01/15	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/14 to 10/01/15	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/14 to 10/01/15	\$ 1 000 000

* Renewed at 10/01/2015

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS
September 30, 2015
"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	\$10.50				
3/4	\$10.50				
1	\$15.00				
1.5	\$22.50				
2	\$30.00	\$ 725	\$ 215	\$11 250	\$ 42.50
3	\$45.00	\$ 800	\$ 290	\$11 500	\$ 120.00
4	\$60.00	\$ 950	\$ 440	\$11 750	\$ 275.00
6	\$90.00	\$1 200	\$ 700	\$12 250	\$ 525.00
8		\$1 600	\$1 100	\$13 000	\$ 925.00
10		\$2 150	\$1 625	\$14 000	\$1 450.00
Sprinklers	\$17.50				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.50
Small industrial/manufacturer	\$ 3.00
Wholesale	\$ 2.00
Large industrial/manufacturer	\$ 1.75
Over 1.75M/day or 30M/month	\$ 2.20
Over 2M/day or 40M/month	\$ 2.75

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 \$10.00 per thousand gallons metered.

Sewer Rates:

Residential:

Inside City Limits:

Minimum	\$11.00 plus ½ of Water
Maximum	\$32.50

Commercial:

Minimum	\$12.00 plus ½ of Water
Maximum	None

Fixed Rates (Tyson office account)

\$200 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, 2015, the records of the City indicated the following system connections:

Water System	2 449
Sewer System	2 449

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, 2015, 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 11, 2016.

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 11, 2016

CITY OF CENTER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

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

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, 2015

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

CITY OF CENTER, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2015

None required for the current year.