

CITY OF CENTER
Center, Texas

ANNUAL FINANCIAL REPORT

September 30, 2016

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CITY OF CENTER, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2016

GOVERNING BODY

Honorable David Chadwick, Mayor

CITY COUNCIL

Leigh Porterfield - At Large

Joyce Johnson - District 1

Jerry Lathan - District 2

Howell Howard - District 3

Charles Rushing - District 4

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2016, 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, budgetary comparison information, and the schedule of changes in net pension liability and related ratios 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 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 March 27, 2017, 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 68 - 69 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
March 27, 2017


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, 2016.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$25,803,266 (*net position*).
- Government activities change in net position increased \$385,066 to \$13,192,980.
- The City's governmental funds reported combined ending fund balances of \$2,571,816 an increase of \$424,786 from the prior year of \$2,147,030.
- The fund balance for the general fund was \$1,286,531 or 28.01% of total general fund expenditures and decreased \$177,986 during this fiscal year.
- The Water and Sewer Fund operating revenues exceeded expenses resulting in operating income of \$65,097 and the fund generated a decrease in net position of \$355,769 resulting in the net position of the Utility Fund to \$12,538,822.
- The combined non-major governmental funds experienced a decrease in fund balance of \$82,462 to \$826,796.
- The 4B Street Improvements for Economic Development is shown as a component unit of the City. The annual street program is recorded as an expense in the Governmental Funds so that the asset can be recorded.

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 \$25,803,265 at the close of fiscal year 2016. This represents an increase of \$100,760 from the 2015 restated net position of \$25,702,505.

By far the largest portion of the City's assets (\$19,251,937), 76%, 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3 800 149	\$ 3 102 690	\$ 6 588 050	\$ 3 627 280	\$ 10 388 200	\$ 6 729 970
Capital assets (net of depreciation)	20 886 758	20 729 922	12 029 788	12 363 299	32 916 546	33 093 221
Total Assets	<u>24 686 907</u>	<u>23 832 612</u>	<u>18 617 838</u>	<u>15 990 579</u>	<u>43 304 746</u>	<u>39 823 191</u>
Deferred outflow	<u>711 995</u>	<u>315 251</u>	<u>239 521</u>	<u>103 991</u>	<u>951 516</u>	<u>419 242</u>
Long-term liabilities outstanding	10 401 850	9 706 640	5 624 770	2 704 386	16 026 620	12 411 026
Other liabilities	1 493 004	1 316 440	574 773	554 133	2 067 777	1 870 573
Total Liabilities	<u>11 894 854</u>	<u>11 023 080</u>	<u>6 199 543</u>	<u>3 258 519</u>	<u>18 094 397</u>	<u>14 281 599</u>
Deferred inflow	<u>311 068</u>	<u>258 329</u>	<u>47 531</u>	<u>-</u>	<u>358 599</u>	<u>258 329</u>
Net Position:						
Invested in capital assets, net of related debt	12 180 609	12 242 711	7 071 328	10 274 785	19 251 937	22 517 496
Restricted	1 285 285	682 513	5 390 249	2 578 410	6 675 534	3 260 923
Unrestricted	(272 914)	(58 770)	148 708	(17 144)	(124 205)	(75 914)
Total Net Position	<u>\$ 13 192 980</u>	<u>\$ 12 866 454</u>	<u>\$ 12 610 285</u>	<u>\$ 12 836 051</u>	<u>\$ 25 803 266</u>	<u>\$ 25 702 505</u>

An additional portion of the City's net position, \$6 675 534 (26%), 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.

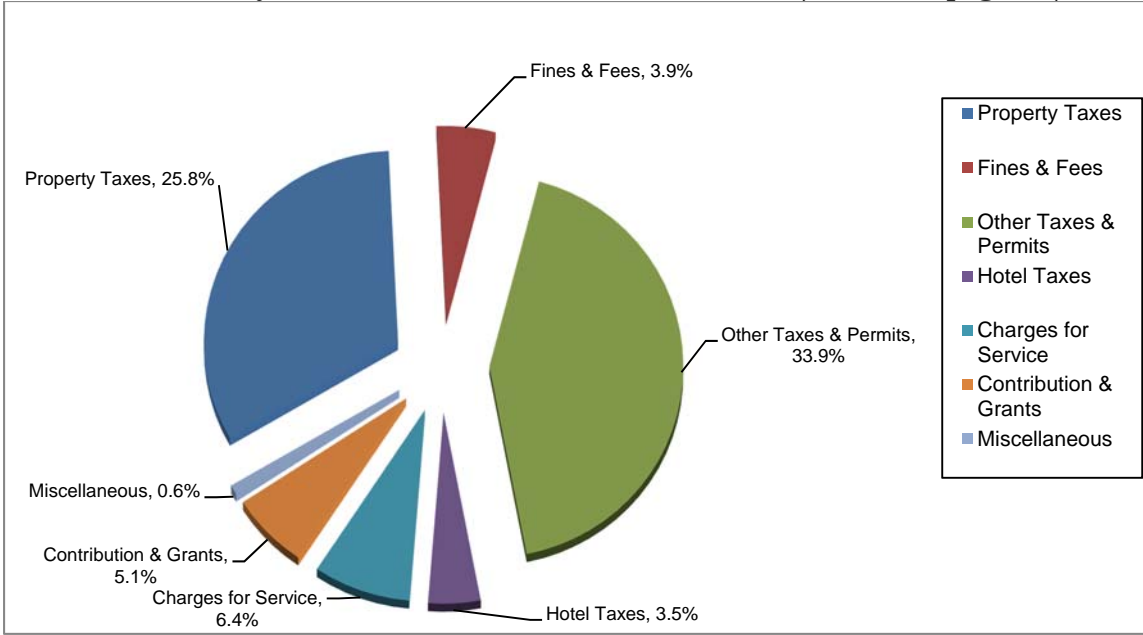
City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services	\$ 384 667	\$ 1 677 605	\$ 5 078 543	\$ 3 689 121	\$ 5 463 210	\$ 5 366 726
Operating grants and contributions	15 596	103 448	-	-	15 596	103 448
Capital grants and contributions	321 763	585 338	-	-	321 763	585 338
General Revenues:						
Property taxes	1 639 184	1 404 453	-	-	1 639 184	1 404 453
Other taxes	2 384 704	2 599 162	-	-	2 384 704	2 599 162
Other	431 173	342 312	10 786	9 715	441 959	352 027
Total Revenues	<u>5 177 087</u>	<u>6 712 318</u>	<u>5 089 329</u>	<u>3 698 836</u>	<u>10 266 416</u>	<u>10 411 154</u>
Expenses:						
General government	1 113 669	801 900	-	-	1 113 669	801 900
Public safety	2 468 867	2 336 189	-	-	2 468 867	2 336 189
Community services	1 297 606	1 199 744	-	-	1 297 606	1 199 744
Streets and drainage	955 707	662 859	-	-	955 707	662 859
Sanitation	-	1 139 330	1 151 852	-	1 151 852	1 139 330
Public works	-	-	-	-	-	-
Inspections	109 613	124 990	-	-	109 613	124 990
Interest on long-term debt	234 615	249 041	-	-	234 615	249 041
Water and sewer	-	-	3 634 352	3 161 058	3 634 352	3 161 058
Total Expenses	<u>6 180 140</u>	<u>6 514 053</u>	<u>4 786 204</u>	<u>3 161 058</u>	<u>10 966 344</u>	<u>9 675 111</u>
Transfers	1 388 120	778 341	(560 698)	(202 061)	827 422	576 280
Increase (decrease) in net position	385 066	976 606	(284 306)	335 717	100 761	1 312 323
Net Position, Ending	<u>\$ 13 192 980</u>	<u>\$ 12 866 454</u>	<u>\$ 12 610 285</u>	<u>\$ 12 836 051</u>	<u>\$ 25 803 266</u>	<u>\$ 25 702 505</u>

Governmental Activities. Governmental activities increased the City of Center's net position by \$122,051. Key elements of this increase are as follows:

- Governmental Revenues decreased \$1,535,231 from prior year revenues;
 - Decrease in realized Charges for Service (\$1,292,938) due to creation of Sanitation Fund in Business Type Activities
 - Decreases in Operating Grants (\$87,852) and increases in Taxes (\$263,575)
 - Decreases in Other Taxes (\$214,458)
- Governmental Expenses decreased \$307,180 from prior year expenses;
 - Increase in General Government expenses of \$311,769
 - Increase in Public Safety of \$132,678 related to increased operational expenses
 - Increase in Streets & Drainage of \$292,848
 - Decrease in Interest on Debt and Bond Issuance Costs totaling \$22,109

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



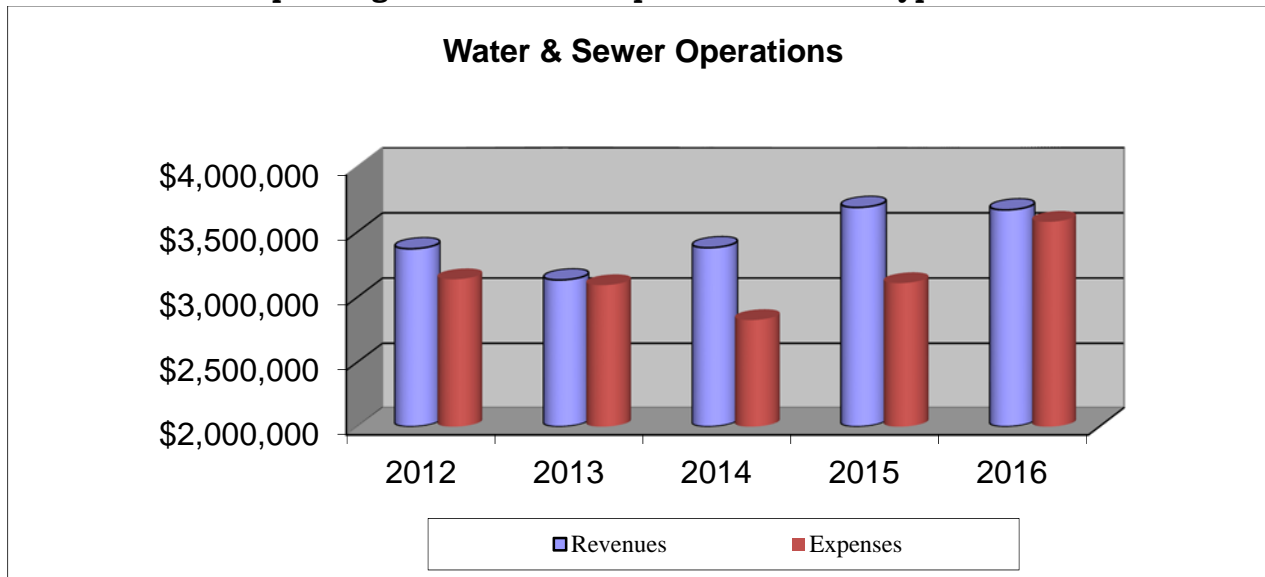
Business-Type Activities. Business-type activities decreased the total government's net position by \$284,306. Key elements of this change are as follows:

- Revenues increased \$1,390,493 from the prior year to \$5,089,329
 - Charges for services increased \$1,389,422 mostly from Sanitation Services
- Expenses increased \$1,625,146 from prior year to \$4,786,204
- Transferred Sanitation to Business-Type Activities increasing expenses \$1,151,852

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 \$321,508.
- Including non-operating expenses, primarily costs of debt, Change in Net Position is (\$284,306) offset by a prior year adjustment of \$58,540 to \$12,610,285.

Operating Revenues and Expenses - Business-type Activities



As a component of Total Net Position, the Unrestricted Net Position of the Proprietary Funds at the end of the current fiscal year is \$148,708, increasing mostly from the addition of the Sanitation and Vehicle Replacement Fund. The decrease in net position for Business-Type Activities totaled \$284,306. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

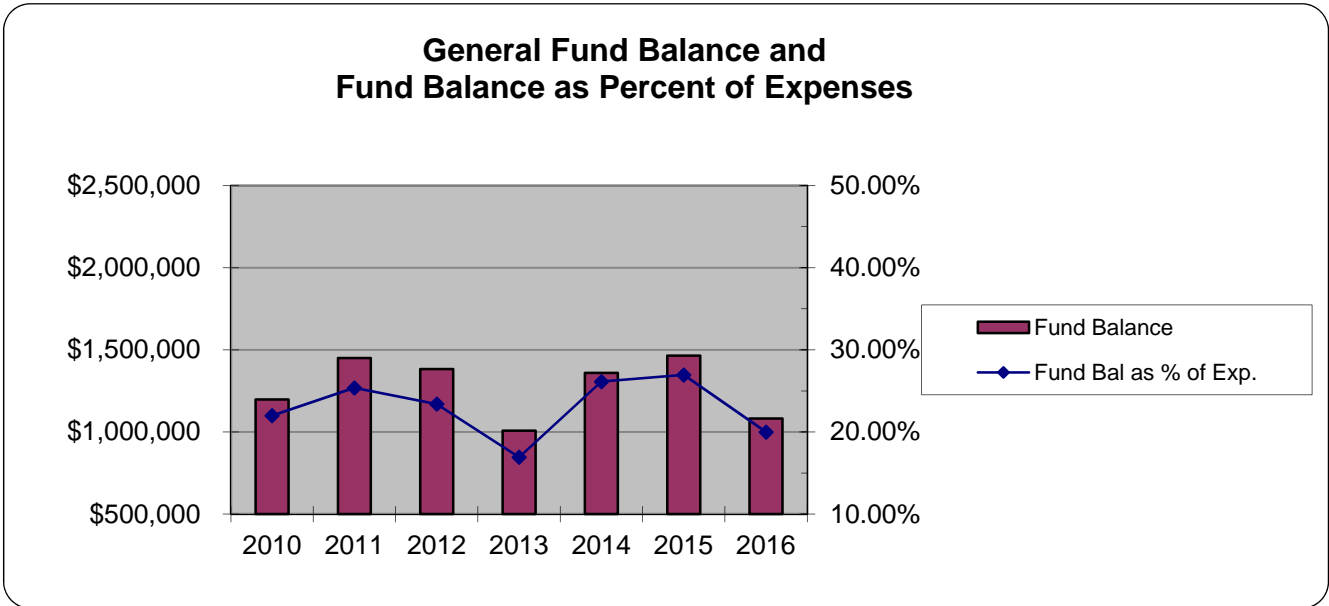
Financial Analysis of the Government's Funds

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 \$2,571,816, an increase of \$424,786 from the prior year. Approximately 46% of this total amount, \$1,286,531, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining 54% 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 \$1,286,532. The fund balance of the City's general fund decreased by \$96,162 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 30% 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 decreased budgeted revenues by \$1,255,400 and budgeted expenditures by \$1,148,200 mostly due to the creation of the Sanitation Fund.

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues decreased from the original budget by \$1,263,047 and decreased from the final amended budget by \$10,747. Total expenditures decreased from the original budget by \$1,151,776 and decreased from the final amended budget by \$154,975. After transfers to and from other funds, namely the creation of the Vehicle Replacement Fund, and Sanitation Fund the general fund experienced a decrease in the fund balance of \$177,985.

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 \$32,916,546 (net of accumulated depreciation) at the end of the current fiscal year decreasing from last year's amount of \$33,093,221. 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 43 872	\$ 43 872	\$ 638 805	\$ 638 805	\$ 682 677	\$ 682 677
Buildings	7 280 819	7 505 066	-	-	7 280 819	7 505 066
Improvements other than buildings	2 967 461	3 085 683	-	-	2 967 461	3 085 683
Machinery and equipment	720 600	889 574	813 826	850 653	1 534 426	1 740 227
Buildings and systems	-	-	10 244 980	10 810 381	10 244 980	10 810 381
Infrastructure	8 941 712	8 835 634	-	-	8 941 712	8 835 634
Construction in progress	932 294	370 093	332 177	63 460	1 264 471	433 553
Total	\$ <u>20 886 757</u>	\$ <u>20 729 922</u>	\$ <u>12 029 788</u>	\$ <u>12 363 299</u>	\$ <u>32 916 546</u>	\$ <u>33 093 221</u>

Long-Term Debt. At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$12 395 000, an increase from last year's total bonded debt of \$8,930,000. This increase is the result of the issuance of Certificates of Obligation in 2016. 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. In 2013, a four-year loan was added for Police video and computer equipment.

City of Center's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 7 455 000	\$ 6 900 000	\$ 4 940 000	\$ 2 030 000	\$ 12 395 000	\$ 8 930 000
Compensated absences	90 109	97 345	32 694	36 706	122 803	134 051
Notes payable	1 034 083	1 250 877	-	58 514	1 034 083	1 309 391
Total	\$ <u>8 579 192</u>	\$ <u>8 248 222</u>	\$ <u>4 972 694</u>	\$ <u>2 125 220</u>	\$ <u>13 551 886</u>	\$ <u>10 373 442</u>

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 2016.

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, 2016 for Shelby County, according to Texas Workforce Commission statistics, is 6.5%. The unemployment rates for August 2016, according to the Texas Workforce Commission, are 5.0% for the State of Texas and 6.6% for the Deep East Texas Region.
- The City's total state sales tax receipts, including the 1¼% for governmental purposes and the two Economic Development Corporations, for the current fiscal year, totaled \$3 069 326 an increase of \$81 807 or 2.7% from the previous year (\$1,879,768). 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 2017 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, 2016

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
ASSETS				
Cash and cash equivalents	\$ 3 301 112	\$ 423 384	\$ 3 724 496	\$ 1 746 326
Receivables (net)	325 277	709 312	1 034 589	506 126
Due from other governments	149 339	-	149 339	89 604
Inventories	24 421	65 105	89 526	-
Restricted Assets:				
Cash and cash equivalents	-	5 390 249	5 390 249	-
Capital assets (net of accumulated depreciation)	20 886 758	12 029 788	32 916 546	46 083
TOTAL ASSETS	<u>24 686 907</u>	<u>18 617 838</u>	<u>43 304 745</u>	<u>2 388 139</u>
DEFERRED OUTFLOWS				
Deferred outflow - Pension	443 533	150 571	594 104	-
Deferred outflow - Subsequent contribution	268 462	88 950	357 412	-
TOTAL DEFERRED OUTFLOWS	<u>711 995</u>	<u>239 521</u>	<u>951 516</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>25 398 902</u>	<u>18 857 359</u>	<u>44 256 261</u>	<u>2 388 139</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	452 692	174 100	626 792	-
Accrued liabilities	112 597	33 155	145 752	-
Accrued interest payable	32 665	22 591	55 256	-
Premium on bond issue	184 401	-	184 401	-
Customer deposits payable	-	157 427	157 427	-
Due within one year	710 649	187 500	898 149	-
Noncurrent Liabilities:				
Due in more than one year	10 401 850	5 624 770	16 026 620	-
TOTAL LIABILITIES	<u>11 894 854</u>	<u>6 199 543</u>	<u>18 094 397</u>	<u>-</u>
DEFERRED INFLOWS				
Deferred inflows - Pension	139 138	47 531	186 669	-
Unavailable revenues	171 930	-	171 930	-
TOTAL DEFERRED INFLOWS	<u>311 068</u>	<u>47 531</u>	<u>358 599</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>12 205 922</u>	<u>6 247 074</u>	<u>18 452 996</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	12 180 609	7 071 328	19 251 937	46 083
Restricted for:				
Debt service	165 322	-	165 322	-
Grants	300 524	-	300 524	-
Capital projects	639 951	5 390 249	6 030 200	-
Perpetual care	179 488	-	179 488	-
Unrestricted	(272 914)	148 708	(124 206)	2 342 056
TOTAL NET POSITION	<u>\$ 13 192 980</u>	<u>\$ 12 610 285</u>	<u>\$ 25 803 265</u>	<u>\$ 2 388 139</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, 2016

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1 113 669	\$ 5 232	\$ -	\$ -
Public safety	2 468 867	9 193	8 596	-
Community services	1 297 606	313 341	7 000	57 726
Streets and drainage	955 770	-	-	264 037
Sanitation	-	38 775	-	-
Public works	-	-	-	-
Inspections	109 613	18 126	-	-
Interest on long-term debt	234 615	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	6 180 140	384 667	15 596	321 763
Business-Type Activities:				
Water and sewer fund	3 661 085	3 670 280	-	-
Sanitation fund	1 151 852	1 408 263	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	4 812 937	5 078 543	-	-
 TOTAL PRIMARY GOVERNMENT	\$ 10 993 077	\$ 5 463 210	\$ 15 596	\$ 321 763
 Component Units:				
Economic Development	\$ 381 807	\$ -	\$ -	\$ -
Economic Development				
Street Improvement	38 339	-	-	-
TOTAL COMPONENT UNITS	\$ 420 146	\$ -	\$ -	\$ -
 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.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	ECONOMIC DEVELOPMENT CORPORATIONS
\$ (1 108 437)	\$ -	\$ (1 108 437)	\$ -
(2 451 078)	-	(2 451 078)	-
(919 539)	-	(919 539)	-
(691 733)	-	(691 824)	-
38 775	-	38 775	-
-	-	-	-
(91 487)	-	(91 487)	-
<u>(234 615)</u>	<u>-</u>	<u>(234 615)</u>	<u>-</u>
<u>(5 458 114)</u>	<u>-</u>	<u>(5 458 114)</u>	<u>-</u>
-	9 195	9 195	-
<u>-</u>	<u>256 411</u>	<u>256 411</u>	<u>-</u>
<u>-</u>	<u>265 606</u>	<u>265 606</u>	<u>-</u>
<u>(5 458 114)</u>	<u>265 606</u>	<u>(5 192 508)</u>	<u>-</u>
-	-	-	(381 807)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(38 339)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(420 146)</u>
1 639 184	-	1 639 184	-
2 384 704	-	2 384 704	1 153 791
23 244	8 568	31 812	16 221
407 929	2 218	410 147	1 600
<u>1 388 120</u>	<u>(560 698)</u>	<u>827 422</u>	<u>(827 422)</u>
<u>5 843 181</u>	<u>(549 912)</u>	<u>5 293 269</u>	<u>344 190</u>
<u>385 066</u>	<u>(284 306)</u>	<u>100 761</u>	<u>(75 956)</u>
12 866 454	12 836 051	25 702 505	2 464 095
<u>(58 540)</u>	<u>58 540</u>	<u>-</u>	<u>-</u>
<u>12 807 914</u>	<u>12 894 591</u>	<u>25 702 505</u>	<u>2 464 095</u>
\$ <u>13 192 980</u>	\$ <u>12 610 285</u>	\$ <u>25 803 266</u>	\$ <u>2 388 139</u>

CITY OF CENTER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2016

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 1 258 848	\$ 1 010 260	\$ 726 958	\$ 2 996 066
Receivables (Net of Uncollectibles):				
Taxes	184 810	-	-	184 810
Accounts	-	-	86 192	86 192
Court fines receivable	8 441	-	-	8 441
Governmental agencies	149 339	-	-	149 339
Sundry	45 834	-	-	45 834
Due from other funds	89 442	-	13 646	103 088
Inventories	24 421	-	-	24 421
TOTAL ASSETS	<u>\$ 1 761 135</u>	<u>\$ 1 010 260</u>	<u>\$ 826 796</u>	<u>\$ 3 598 191</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 90 192	\$ 357 063	\$ 5 437	\$ 452 692
Accrued liabilities	110 414	-	2 183	112 597
Due to other funds	500	13 246	89 342	103 088
TOTAL LIABILITIES	<u>201 106</u>	<u>370 309</u>	<u>96 962</u>	<u>668 377</u>
Deferred Inflows:				
Unearned revenue	273 498	-	84 500	357 998
TOTAL DEFERRED INFLOWS	<u>273 498</u>	<u>-</u>	<u>84 500</u>	<u>357 998</u>
Fund Balances:				
Restricted for:				
Debt service	-	-	165 322	165 322
Grants	-	-	300 524	300 524
Other purposes	-	639 951	179 488	819 439
Unassigned:				
General fund	1 286 531	-	-	1 286 531
TOTAL FUND BALANCES	<u>1 286 531</u>	<u>639 951</u>	<u>645 334</u>	<u>2 571 816</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1 761 135</u>	<u>\$ 1 010 260</u>	<u>\$ 826 796</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.	20 886 758
An internal service fund is used for equipment acquisition and replacement. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	305 046
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	186 068
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>(10 756 708)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 13 192 980</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, 2016

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 976 893	\$ -	\$ -	\$ 976 893
Other local taxes and permits	2 384 704	-	836 723	3 221 427
Fines and fees	258 017	-	14 843	272 860
Charges for services	306 267	-	144 600	450 867
Contributions and grants	19 072	221 248	121 878	362 198
Miscellaneous	-	-	44 030	44 030
TOTAL REVENUES	3 944 953	221 248	1 162 074	5 328 275
Expenditures:				
General government	1 128 774	-	-	1 128 774
Public safety	2 247 654	-	21 777	2 269 431
Community services	653 640	186 542	244 207	1 084 389
Streets and drainage	455 063	213 536	913 284	1 581 883
Public works	-	-	-	-
Inspections	107 194	-	-	107 194
Debt Service:				
Principal	-	-	633 659	633 659
Interest and fiscal charges	-	-	236 496	236 496
TOTAL EXPENDITURES	4 592 325	400 078	2 049 423	7 041 826
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(647 372)	(178 830)	(887 349)	(1 713 551)
Other Financing Sources (Uses):				
Debt proceeds	-	1 000 000	7 707	1 007 707
Interest income	7 176	8 181	7 841	23 198
Transfers in	669 261	-	1 089 092	1 758 353
Transfers (out)	(207 050)	(229 770)	(214 100)	(650 920)
TOTAL OTHER FINANCING SOURCES (USES)	469 387	778 411	890 540	2 138 338
NET CHANGE IN FUND BALANCES	(177 986)	599 581	3 191	424 786
Fund balances at beginning of year	1 464 517	40 370	642 143	2 147 030
FUND BALANCES AT END OF YEAR	\$ 1 286 531	\$ 639 951	\$ 645 334	\$ 2 571 816

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, 2016

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

Net change in fund balances - Total governmental funds	\$	424 786
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.		215 376
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(174 432)
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.		305 046
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>(385 710)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>385 066</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, 2016

	BUSINESS-TYPE ACTIVITIES			EQUIPMENT REPLACEMENT FUND
	WATER AND SEWER FUND	SANITATION FUND	TOTAL	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 500 446	\$ (77 062)	\$ 423 384	\$ -
Investments	-	-	-	305 046
Receivables (Net):				
Accounts	467 104	235 567	702 671	-
Sundry	6 641	-	6 641	-
Inventories	65 105	-	65 105	-
TOTAL CURRENT ASSETS	<u>1 039 296</u>	<u>158 505</u>	<u>1 197 801</u>	<u>305 046</u>
Noncurrent Assets:				
Restricted cash	5 390 249	-	5 390 249	-
Capital Assets:				
Land	638 805	-	638 805	-
Utility systems	27 108 668	-	27 108 668	-
Equipment	3 333 836	55 682	3 389 518	-
Construction in progress	332 177	-	332 177	-
Less accumulated depreciation	(19 402 158)	(37 222)	(19 439 380)	-
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>12 011 328</u>	<u>18 460</u>	<u>12 029 788</u>	<u>-</u>
TOTAL NONCURRENT ASSETS	<u>17 401 577</u>	<u>18 460</u>	<u>17 420 037</u>	<u>-</u>
TOTAL ASSETS	<u>18 440 873</u>	<u>176 965</u>	<u>18 617 838</u>	<u>305 046</u>
DEFERRED OUTFLOWS				
Deferred outflow - Pension	150 571	-	150 571	-
Deferred outflow - Subsequent contributions	88 950	-	88 950	-
TOTAL DEFERRED OUTFLOWS	<u>239 521</u>	<u>-</u>	<u>239 521</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>18 680 394</u>	<u>176 965</u>	<u>18 857 359</u>	<u>305 046</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	68 598	105 502	174 100	-
Accrued expense	33 155	-	33 155	-
Debt payable - Current	187 500	-	187 500	-
Accrued interest payable	22 591	-	22 591	-
Customer deposits payable	157 427	-	157 427	-
TOTAL CURRENT LIABILITIES	<u>469 271</u>	<u>105 502</u>	<u>574 773</u>	<u>-</u>
Noncurrent Liabilities:				
Compensated absences	32 694	-	32 694	-
Pension liability	839 576	-	839 576	-
Long term debt payable	4 752 500	-	4 752 500	-
TOTAL NONCURRENT LIABILITIES	<u>5 624 770</u>	<u>-</u>	<u>5 624 770</u>	<u>-</u>
TOTAL LIABILITIES	<u>6 094 041</u>	<u>105 502</u>	<u>6 199 543</u>	<u>-</u>
DEFERRED INFLOWS				
Deferred inflow - Pension	47 531	-	47 531	-
TOTAL DEFERRED INFLOWS	<u>47 531</u>	<u>-</u>	<u>47 531</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>6 141 572</u>	<u>105 502</u>	<u>6 247 074</u>	<u>-</u>
NET POSITION				
Investment in capital assets, net of related debt	7 071 328	-	7 071 328	-
Restricted for capital projects	5 390 249	-	5 390 249	-
Unrestricted	77 245	71 463	148 708	305 046
TOTAL NET POSITION	<u>\$ 12 538 822</u>	<u>\$ 71 463</u>	<u>\$ 12 610 285</u>	<u>\$ 305 046</u>

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, 2016

	BUSINESS-TYPE ACTIVITIES			EQUIPMENT REPLACEMENT FUND
	WATER AND SEWER FUND	SANITATION FUND	TOTAL	
Operating Revenues:				
Charges for service	\$ 3 572 728	\$ 1 408 263	\$ 4 980 991	\$ -
Taps and connections	9 436	-	9 436	-
Miscellaneous	88 116	-	88 116	-
TOTAL OPERATING REVENUES	<u>3 670 280</u>	<u>1 408 263</u>	<u>5 078 543</u>	<u>-</u>
Operating Expenses:				
Nondepartmental	45 855	-	45 855	-
Public works	166 476	-	166 476	-
Water production	1 283 684	-	1 283 684	-
Water distribution	413 919	-	413 919	-
Sewer collection	229 450	-	229 450	-
Sewer treatment	751 061	-	751 061	-
Sanitation	-	1 145 999	1 145 999	-
Depreciation	714 738	5 853	720 591	-
TOTAL OPERATING EXPENSES	<u>3 605 183</u>	<u>1 151 852</u>	<u>4 757 035</u>	<u>-</u>
OPERATING INCOME	<u>65 097</u>	<u>256 411</u>	<u>321 508</u>	<u>-</u>
Nonoperating Revenues (Expenses):				
Income from investments	8 568	-	8 568	-
Other revenue	2 218	-	2 218	-
Interest and fiscal fees	(55 902)	-	(55 902)	46
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(45 116)</u>	<u>-</u>	<u>(45 116)</u>	<u>46</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	<u>19 981</u>	<u>256 411</u>	<u>276 392</u>	<u>46</u>
Operating transfers in (out)	(375 750)	(184 948)	(560 698)	305 000
TOTAL NET OPERATING TRANSFERS	<u>(375 750)</u>	<u>(184 948)</u>	<u>(560 698)</u>	<u>305 000</u>
CHANGE IN NET POSITION	<u>(355 769)</u>	<u>71 463</u>	<u>(284 306)</u>	<u>305 046</u>
Beginning net position	12 836 051	-	12 836 051	-
Prior period adjustment	58 540	-	58 540	-
BEGINNING NET POSITION, RESTATED	<u>12 894 591</u>	<u>-</u>	<u>12 894 591</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 12 538 822</u>	<u>\$ 71 463</u>	<u>\$ 12 610 285</u>	<u>\$ 305 046</u>

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, 2016

	BUSINESS-TYPE ACTIVITIES			EQUIPMENT REPLACEMENT FUND
	WATER AND SEWER FUND	SANITATION FUND	TOTAL	
Cash Flows from Operating Activities:				
Received from customers	\$ 3 747 483	\$ 1 172 696	\$ 4 920 179	\$ -
Payments to suppliers	(1 909 163)	(1 040 497)	(2 949 660)	-
Payments to employees	(1 107 955)	-	(1 107 955)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>730 365</u>	<u>132 199</u>	<u>862 564</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities:				
Advances (to) and from other funds	-	(24 313)	(24 313)	-
Operating transfers in (out)	(375 750)	(184 948)	(560 698)	305 000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(375 750)</u>	<u>(209 261)</u>	<u>(585 011)</u>	<u>305 000</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(304 227)	-	(304 227)	-
Bond proceeds	3 000 000	-	3 000 000	-
Principal paid on debt	(148 514)	-	(148 514)	-
Interest paid on debt	(43 071)	-	(43 071)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>2 504 188</u>	<u>-</u>	<u>2 504 188</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest on investments	8 568	-	8 568	46
Royalties	2 218	-	2 218	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>10 786</u>	<u>-</u>	<u>10 786</u>	<u>46</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2 869 589	(77 062)	2 792 527	305 046
Cash at beginning of year	<u>3 021 106</u>	<u>-</u>	<u>3 021 106</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 5 890 695</u>	<u>\$ (77 062)</u>	<u>\$ 5 813 633</u>	<u>\$ 305 046</u>

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating income (loss)	\$ 65 097	\$ 256 411	\$ 321 508	\$ -
Adjustments:				
Depreciation	714 738	5 853	720 591	-
Changes in:				
Accounts receivable	74 233	(235 567)	(161 334)	-
Inventory	(6 909)	-	(6 909)	-
Deferred charges	(87 999)	-	(87 999)	-
Accounts payable	(151 912)	105 502	(46 410)	-
Accrued expense	9 972	-	9 972	-
Accrued compensated absences	(4 012)	-	(4 012)	-
Pension liability	114 187	-	114 187	-
Customer deposits	2 970	-	2 970	-
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	<u>\$ 730 365</u>	<u>\$ 132 199</u>	<u>\$ 862 564</u>	<u>\$ -</u>

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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, 2016

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 bond activities.

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, 2016

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.

Sanitation Fund - This fund accounts for the provision of sanitation 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, 2016

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, 2016

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:

Land/land improvement		Any Amount
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, 2016

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 March 27, 2017, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

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 Airport departments. The rationale is this department receive a commensurate amount of funding from its own operations. 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, 2016

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

FUND BALANCE ANALYSIS

	<u>2016</u>
Beginning fund balance	\$ 1 464 517
Total general fund revenues and transfers	4 621 390
Total general fund expenditures and transfers	<u>4 799 375</u>
ENDING GENERAL FUND BALANCE	<u>\$ 1 286 532</u>
Airport expense	(227 966)
General fund expenditures	<u>4 592 325</u>
ADJUSTED GENERAL FUND EXPENDITURES	<u>\$ 4 364 359</u>
Required Fund Balance	\$ <u>20%</u> 914 282 \$ <u>25%</u> 1 142 852

Actual Fund Balance calculation represents 29.48% of adjusted General Fund Expenditures and 28.01% 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, 2016 are classified in the accompanying financial statements as follows:

Primary Government:	
Unrestricted cash and investments	\$ 3 724 496
Restricted cash and investments	5 390 249
Component Units:	
Cash and investments	<u>1 746 326</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 10 861 073</u>

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

Primary Government:	
Cash on hand	\$ 1 805
Deposits with financial institutions	3 609 459
Investments in LOGIC	5 503 481
Component Units:	
Deposits with financial institutions	850 035
Investments in LOGIC	<u>896 291</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 10 861 073</u>

At September 30, 2016, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$9,221,994 and \$1,746,890, 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, 2016

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, 2016, the City had the following investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 5 503 481	54
Component units - LOGIC	896 291	54
	\$ 6 399 772	

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, 2016 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2016.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2015	\$ 226 010	\$ 226 010
Loan payments received	-	(42 875)
Loans paid	(42 875)	-
Balance at September 30, 2016	\$ 183 135	\$ 183 135

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 83 334
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	99 801
TOTAL	\$ 183 135

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Future requirements are as follows:

YEAR	PAYABLE/ RECEIVABLE
2017	\$ 42 877
2018	42 876
2019	42 876
2020	42 876
2021	11 630
	\$ 183 135

C. Capital Assets

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

	BEGINNING BALANCE	INCREASES	DECREASES	TRANSFER	ENDING BALANCE
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Construction in progress	\$ 370 093	\$ 1 320 611	\$ 758 410	\$ -	\$ 932 294
Land	43 872	-	-	-	43 872
TOTAL ASSETS NOT BEING DEPRECIATED	413 965	1 320 611	758 410	-	976 166
Capital Assets, Being Depreciated:					
Buildings	9 240 197	-	32 500	-	9 207 697
Improvements other than buildings	4 008 255	-	-	-	4 008 255
Vehicles and equipment	2 409 062	-	109 921	55 682	2 243 459
Infrastructure	12 612 749	699 960	-	-	13 312 709
TOTAL ASSETS BEING DEPRECIATED	28 270 262	699 960	142 421	55 682	28 772 120
Less Accumulated Depreciation For:					
Buildings	1 735 131	224 247	32 500	-	1 926 878
Improvements other than buildings	922 573	118 221	-	-	1 040 794
Vehicles and equipment	1 519 486	144 663	109 921	31 369	1 522 859
Infrastructure	3 777 115	593 882	-	-	4 370 997
TOTAL ACCUMULATED DEPRECIATION	7 954 304	1 081 013	142 421	31 369	8 861 528
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	20 315 958	(381 053)	-	24 313	19 910 592
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 20 729 923	\$ 939 557	\$ 758 410	\$ 24 313	\$ 20 886 757

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

	BEGINNING BALANCE	INCREASES	DECREASES	TRANSFER	ENDING BALANCE
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 638 805	\$ -	\$ -	\$ -	\$ 638 805
Construction in progress	63 460	268 717	-	-	332 177
TOTAL ASSETS NOT BEING DEPRECIATED	<u>702 265</u>	<u>268 717</u>	<u>-</u>	<u>-</u>	<u>970 982</u>
Capital Assets, Being Depreciated:					
Buildings and systems	27 069 068	39 600	-	-	27 108 668
Vehicles and equipment	3 279 386	54 450	-	55 682	3 389 518
TOTAL ASSETS BEING DEPRECIATED	<u>30 348 454</u>	<u>94 050</u>	<u>-</u>	<u>55 682</u>	<u>30 498 186</u>
Less Accumulated Depreciation For:					
Buildings and systems	16 258 687	605 000	-	-	16 863 687
Vehicles and equipment	2 428 733	115 591	-	31 369	2 575 693
TOTAL ACCUMULATED DEPRECIATION	<u>18 687 420</u>	<u>720 591</u>	<u>-</u>	<u>31 369</u>	<u>19 439 380</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>11 661 034</u>	<u>(626 541)</u>	<u>-</u>	<u>24 313</u>	<u>11 058 806</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ <u>12 363 299</u>	\$ <u>(357 824)</u>	\$ <u>-</u>	\$ <u>24 313</u>	\$ <u>12 029 788</u>

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

Governmental Activities:	
General government	\$ 23 512
Public safety	160 883
Community services	386 103
Street and drainage	510 515
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1 081 013</u>

Business-Type Activities:	
Water	\$ 502 992
Sewer	211 746
Sanitation	5 853
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 720 591</u>

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	\$ 6 900 000	\$ 1 000 000	\$ (445 000)	\$ 7 455 000	\$ 487 500
Note payable	1 250 877	-	(216 794)	1 034 083	223 149
Compensated absences	97 345	-	(7 236)	90 109	-
Pension liability	2 199 038	334 269	-	2 533 307	-
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 10 447 260</u>	<u>\$ 1 334 269</u>	<u>\$ (669 030)</u>	<u>\$ 11 112 499</u>	<u>\$ 710 649</u>
Business-Type Activities:					
General obligation bonds	\$ 2 030 000	\$ 3 000 000	\$ (90 000)	\$ 4 940 000	\$ 187 500
Notes payable	58 514	-	(58 514)	-	-
Compensated absences	36 706	-	(4 012)	32 694	-
Pension liability	725 389	114 187	-	839 576	-
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 2 850 609</u>	<u>\$ 3 114 187</u>	<u>\$ (152 526)</u>	<u>\$ 5 812 270</u>	<u>\$ 187 500</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Bonds payable at September 30, 2016 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)	\$ 735 000
\$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)	560 000
\$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)	1 940 000
\$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)	1 395 000
\$4,000,000, 2016 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$130,000 to \$265,000 through August 15, 2036, interest at 2.49 percent (Liability recorded in governmental activities and business-type activities)	4 000 000
	<u>\$ 12 395 000</u>

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

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	\$ 455 000	\$ 197 347	\$ 220 000	\$ 180 685
2018	475 000	184 175	245 000	156 538
2019	490 000	170 375	255 000	151 325
2020	490 000	159 025	255 000	145 543
2021	500 000	149 625	260 000	139 513
Thereafter	4 045 000	732 150	4 705 000	1 127 905
TOTAL	<u>\$ 7 455 000</u>	<u>\$ 1 592 697</u>	<u>\$ 4 940 000</u>	<u>\$ 1 901 509</u>

Notes Payable:

\$450,000 loan from the City of Center Economic Development Corporation to be paid in 10 annual installments, with an interest rate of 3%	\$ 300 153
\$105,036 loan from Cop Sync to be paid in annual installments of \$28,930, with an interest rate of 3.99%	28 930
\$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%	705 000
	<u>\$ 1 034 083</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES	
	PRINCIPAL	INTEREST
2017	\$ 223 149	\$ 21 889
2018	189 795	17 279
2019	190 389	13 846
2020	211 001	10 395
2021	21 631	6 592
Thereafter	198 118	27 666
TOTAL	\$ 1 034 083	\$ 97 667

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	\$ 1 420 325	\$ 967 814	\$ 2 388 139
Deferred Outflows:			
Prepaid expense	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1 420 325	\$ 967 814	\$ 2 388 139
Liabilities:			
Accounts payable and other current liabilities	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
Net Position:			
Investment in capital assets Unrestricted	46 083 1 374 242	- 967 814	46 083 2 342 056
TOTAL NET POSITION	\$ 1 420 325	\$ 967 814	\$ 2 388 139

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

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	\$ 286 325	\$ -	\$ -	\$ -	\$ (286 325)	\$ -	\$ (286 325)
Operating expenses	<u>95 482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95 482)</u>	<u>-</u>	<u>(95 482)</u>
TOTAL	<u>381 807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(381 807)</u>	<u>-</u>	<u>(381 807)</u>
Center Street Improvements for Economic Development Corporation:							
Operating expenses	<u>38 339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38 339)</u>	<u>(38 339)</u>
TOTAL	<u>38 339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38 339)</u>	<u>(38 339)</u>
TOTAL COMPONENT UNITS	<u>\$ 420 146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(381 807)</u>	<u>(38 339)</u>	<u>(420 146)</u>
		General Revenues:					
			Sales tax		384 597	769 194	1 153 791
			Interest income		12 412	3 809	16 221
			Other income		1 600	-	1 600
			Transfer		<u>-</u>	<u>(827 422)</u>	<u>(827 422)</u>
			TOTAL GENERAL REVENUE		<u>398 609</u>	<u>(54 419)</u>	<u>344 190</u>
			CHANGE IN NET POSITION		16 802	(92 758)	(75 956)
			Net position - Beginning		<u>1 403 523</u>	<u>1 060 572</u>	<u>2 464 095</u>
			NET POSITION - ENDING		<u>\$ 1 420 325</u>	<u>\$ 967 814</u>	<u>\$ 2 388 139</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

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

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>71</u>
	<u>133</u>

Contributions

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

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 16.60% and 15.88% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$357,412, and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50 to 10.5% per year (including inflation)
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period 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 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. 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, 2016

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, 2014	\$ 12 297 778	\$ 9 373 351	\$ 2 924 427
Changes for the Year:			
Service cost	463 237	-	463 237
Interest	860 379	-	860 379
Change of benefit terms	-	-	-
Difference between expected and actual experience	(191 770)	-	(191 770)
Changes of assumptions	(39 880)	-	(39 880)
Contributions - Employer	-	439 335	(439 335)
Contributions - Employee	-	199 181	(199 181)
Net investment income	-	13 834	(13 834)
Benefit payments, including refunds of employee	(476 550)	(476 550)	-
Administrative expense	-	(8 424)	8 424
Other changes	-	(416)	416
NET CHANGES	615 416	166 960	448 456
Balance at December 31, 2015	\$ 12 913 194	\$ 9 540 311	\$ 3 372 883

CITY OF CENTER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

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 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

		1% DECREASE IN DISCOUNT RATE (5.75%)		DISCOUNT RATE (6.75%)		1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$	5 373 595	\$	3 372 883	\$	1 753 398

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, 2016, the city recognized pension expense of \$587,065.

At September 30, 2016, 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	\$	13 078	\$	154 533
Changes in actuarial assumptions		-		32 136
Difference between projected and actual investment earnings		581 026		-
Contributions subsequent to the measurement date		357 412		-
TOTAL	\$	<u>951 516</u>	\$	<u>186 669</u>

\$357,412 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDED DECEMBER 31,</u>		<u>PENSION EXPENSE AMOUNT</u>
2017	\$	109 926
2018		109 926
2019		109 926
2020		84 405
2021		(6 748)
Thereafter		-
Total	\$	<u>407 435</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

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.

NOTE 5 - PRIOR PERIOD ADJUSTMENT

The City has determined that construction in progress was recorded in governmental activities in prior year that was construction for the water and sewer fund. In the Government-Wide statements, construction in progress was overstated due to the inclusion of the asset transaction and the Proprietary Statements were understated. An adjustment occurred as a result of the reclassification of the asset to the correct fund. The restatements had a corresponding effect on net position; the governmental activities net position decreased by \$58,540 and the water and sewer business-type activities increased by \$58,540.

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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 887 000	\$ 895 000	\$ 901 860	\$ 6 860
Delinquent taxes	32 000	32 000	43 135	11 135
Penalties, interest and cost	22 000	22 000	31 898	9 898
TOTAL GENERAL PROPERTY TAXES	<u>941 000</u>	<u>949 000</u>	<u>976 893</u>	<u>27 893</u>
Other Local Taxes and Permits:				
City sales taxes	1 890 500	1 912 600	1 923 014	10 414
Franchise taxes	453 900	453 900	438 513	(15 387)
Mixed drink taxes	5 300	5 300	4 404	(896)
License and permit fees	18 100	18 100	18 773	673
TOTAL OTHER LOCAL TAXES AND PERMITS	<u>2 367 800</u>	<u>2 389 900</u>	<u>2 384 704</u>	<u>(5 196)</u>
Fines and Fees:				
Municipal court fines	185 000	185 000	213 340	28 340
Court cost fees	14 000	14 000	6 305	(7 695)
Fines and fees	22 300	22 300	38 372	16 072
TOTAL FINES AND FEES	<u>221 300</u>	<u>221 300</u>	<u>258 017</u>	<u>36 717</u>
Charges For Service:				
Solid waste	1 377 400	65 000	41 910	(23 090)
Administration	2 000	-	100 240	100 240
Airport fuel	190 100	190 100	65 973	(124 127)
Airport hangar lease	27 500	27 500	24 567	(2 933)
Civic Center	52 700	52 700	59 842	7 142
Building rental	16 100	18 100	13 735	(4 365)
TOTAL CHARGES FOR SERVICES	<u>1 665 800</u>	<u>353 400</u>	<u>306 267</u>	<u>(47 133)</u>
Contributions and Grants:				
Grant proceeds	7 000	7 000	19 072	12 072
TOTAL CONTRIBUTIONS AND GRANTS	<u>7 000</u>	<u>7 000</u>	<u>19 072</u>	<u>12 072</u>
Miscellaneous Revenue:				
Miscellaneous receipts	5 100	35 100	-	(35 100)
TOTAL MISCELLANEOUS REVENUE	<u>5 100</u>	<u>35 100</u>	<u>-</u>	<u>(35 100)</u>
TOTAL REVENUES	<u>5 208 000</u>	<u>3 955 700</u>	<u>3 944 953</u>	<u>(10 747)</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Expenditures:				
General Government:				
City Hall:				
Payroll	672 300	672 300	657 386	14 914
Supplies	14 600	14 600	19 285	(4 685)
Contractual services	33 800	33 800	29 299	4 501
Utilities	10 000	10 000	14 296	(4 296)
Sundry charges	16 600	16 600	15 740	860
Maintenance	4 300	4 300	3 768	532
Capital outlay	2 500	2 500	3 930	(1 430)
TOTAL CITY HALL	<u>754 100</u>	<u>754 100</u>	<u>743 704</u>	<u>10 396</u>
Nondepartmental:				
Payroll	2 700	2 700	(6 694)	9 394
Supplies	2 700	2 700	1 662	1 038
Contractual services	175 700	175 700	174 225	1 475
Utilities	15 600	15 600	12 625	2 975
Sundry charges	76 400	76 400	109 447	(33 047)
Capital outlay	6 500	44 550	-	44 550
TOTAL NONDEPARTMENTAL	<u>279 600</u>	<u>317 650</u>	<u>291 265</u>	<u>26 385</u>
Municipal Court:				
Payroll	49 000	49 000	41 880	7 120
Supplies	800	800	2 186	(1 386)
Contractual services	58 700	58 700	48 095	10 605
Sundry charges	1 600	1 600	1 644	(44)
Maintenance	300	300	-	300
TOTAL MUNICIPAL COURT	<u>110 400</u>	<u>110 400</u>	<u>93 805</u>	<u>16 595</u>
TOTAL GENERAL GOVERNMENT	<u>1 144 100</u>	<u>1 182 150</u>	<u>1 128 774</u>	<u>53 376</u>
Public Safety:				
Police Department:				
Payroll	1 521 050	1 521 050	1 493 536	27 514
Supplies	34 450	34 450	45 240	(10 790)
Contractual services	15 800	15 800	16 259	(459)
Utilities	38 900	38 900	44 640	(5 740)
Sundry charges	16 500	16 500	14 684	1 816
Maintenance	85 400	85 400	86 167	(767)
Capital outlay	85 000	110 000	73 972	36 028
TOTAL POLICE DEPARTMENT	<u>1 797 100</u>	<u>1 822 100</u>	<u>1 774 498</u>	<u>47 602</u>
Fire Department:				
Payroll	381 200	381 200	383 598	(2 398)
Supplies	9 100	9 100	9 778	(678)
Contractual services	11 100	11 100	6 359	4 741
Utilities	19 300	19 300	18 154	1 146
Sundry charges	12 300	12 300	4 461	7 839
Maintenance	35 600	35 600	22 308	13 292
Capital outlay	17 000	17 000	2 428	14 572
TOTAL FIRE DEPARTMENT	<u>485 600</u>	<u>485 600</u>	<u>447 086</u>	<u>38 514</u>
Animal Control Department:				
Supplies	4 100	4 100	3 726	374
Contractual services	13 500	13 500	15 685	(2 185)
Utilities	300	300	573	(273)
Sundry charges	2 600	2 600	4 924	(2 324)
Maintenance	1 000	1 000	1 162	(162)
TOTAL ANIMAL CONTROL DEPARTMENT	<u>21 500</u>	<u>21 500</u>	<u>26 070</u>	<u>(4 570)</u>
TOTAL PUBLIC SAFETY	<u>2 304 200</u>	<u>2 329 200</u>	<u>2 247 654</u>	<u>81 546</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Community Services:				
Airport Department:				
Payroll	51 500	51 500	49 665	1 835
Supplies	1 850	1 850	1 544	306
Contractual services	2 100	23 350	30 746	(5 396)
Utilities	12 150	12 150	12 502	(352)
Sundry charges	156 400	156 400	38 053	118 347
Maintenance	9 100	9 100	11 660	(2 560)
Capital outlay	21 000	54 100	83 796	(29 696)
TOTAL AIRPORT DEPARTMENT	<u>254 100</u>	<u>310 450</u>	<u>227 966</u>	<u>82 484</u>
Cemetery Department:				
Supplies	200	200	3	197
Contractual services	22 000	22 000	19 677	2 323
Maintenance	500	500	960	(460)
TOTAL CEMETERY DEPARTMENT	<u>22 700</u>	<u>22 700</u>	<u>20 640</u>	<u>2 060</u>
Parks Department:				
Payroll	62 600	62 600	72 963	(10 363)
Supplies	4 100	4 100	4 845	(745)
Contractual services	35 200	35 200	25 399	9 801
Utilities	9 700	9 700	11 157	(1 457)
Sundry charges	-	-	875	(875)
Maintenance	18 100	18 100	25 105	(7 005)
Capital outlay	1 000	1 000	-	1 000
TOTAL PARKS DEPARTMENT	<u>130 700</u>	<u>130 700</u>	<u>140 344</u>	<u>(9 644)</u>
Civic Center Department:				
Payroll	93 600	93 600	106 228	(12 628)
Supplies	6 900	6 900	7 505	(605)
Contractual services	16 200	16 200	21 928	(5 728)
Utilities	20 150	20 150	22 193	(2 043)
Sundry charges	7 500	7 500	5 633	1 867
Maintenance	12 250	17 250	15 419	1 831
Capital outlay	7 000	7 000	3 367	3 633
TOTAL CIVIC CENTER DEPARTMENT	<u>163 600</u>	<u>168 600</u>	<u>182 273</u>	<u>(13 673)</u>
Community Facilities Department:				
Supplies	900	900	-	900
Contractual services	64 200	64 200	61 560	2 640
Utilities	13 500	13 500	12 850	650
Sundry charges	1 200	1 200	-	1 200
Maintenance	6 750	6 750	8 007	(1 257)
TOTAL COMMUNITY FACILITIES DEPARTMENT	<u>86 550</u>	<u>86 550</u>	<u>82 417</u>	<u>4 133</u>
TOTAL COMMUNITY SERVICES	<u>657 650</u>	<u>719 000</u>	<u>653 640</u>	<u>65 360</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	134 400	134 400	182 145	(47 745)
Supplies	9 200	9 200	9 472	(272)
Contractual services	13 500	13 500	14 613	(1 113)
Utilities	79 300	79 300	83 646	(4 346)
Sundry charges	1 700	1 700	658	1 042
Maintenance	74 700	101 700	90 989	10 711
Capital outlay	33 500	33 500	73 540	(40 040)
TOTAL STREETS DEPARTMENT	<u>346 300</u>	<u>373 300</u>	<u>455 063</u>	<u>(81 763)</u>
TOTAL STREETS AND DRAINAGE	<u>346 300</u>	<u>373 300</u>	<u>455 063</u>	<u>(81 763)</u>
Sanitation:				
Sanitation Department:				
Contractual services	1 138 000	-	-	-
Sundry charges	10 200	-	-	-
TOTAL SANITATION DEPARTMENT	<u>1 148 200</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SANITATION	<u>1 148 200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Inspection Services:				
Inspection Department:				
Payroll	122 500	122 500	93 442	29 058
Supplies	3 700	3 700	934	2 766
Contractual services	2 500	2 500	2 661	(161)
Utilities	4 050	4 050	3 340	710
Sundry charges	3 200	3 200	1 542	1 658
Maintenance	7 700	7 700	5 275	2 425
TOTAL INSPECTION DEPARTMENT	<u>143 650</u>	<u>143 650</u>	<u>107 194</u>	<u>36 456</u>
TOTAL INSPECTION SERVICES	<u>143 650</u>	<u>143 650</u>	<u>107 194</u>	<u>36 456</u>
TOTAL EXPENDITURES	<u>5 744 100</u>	<u>4 747 300</u>	<u>4 592 325</u>	<u>154 975</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(536 100)</u>	<u>(791 600)</u>	<u>(647 372)</u>	<u>144 228</u>
Other Financing Sources (Uses):				
Interest income	2 500	2 500	7 176	4 676
Operating transfers in	538 600	989 100	669 261	(319 839)
Operating transfers (out)	-	(200 000)	(207 050)	(7 050)
TOTAL OTHER FINANCING SOURCES (USES)	<u>541 100</u>	<u>791 600</u>	<u>469 387</u>	<u>(322 213)</u>
CHANGE IN FUND BALANCE	5 000	-	(177 985)	(177 985)
Fund balance at beginning of year	<u>1 464 517</u>	<u>1 464 517</u>	<u>1 464 517</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 1 469 517</u>	<u>\$ 1 464 517</u>	<u>\$ 1 286 532</u>	<u>\$ (177 985)</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2014	2015
Total Pension Liability:		
Service cost	\$ 443 966	\$ 463 237
Interest (on the total pension liability)	804 999	860 379
Changes of benefit terms	-	-
Difference between expected and actual experience	21 180	(191 770)
Change of assumptions	-	(39 880)
Benefit payments, including refunds of employee contributions	(500 735)	(476 550)
NET CHANGE IN TOTAL PENSION LIABILITY	769 410	615 416
Total pension liability - Beginning	11 528 368	12 297 778
TOTAL PENSION LIABILITY - ENDING	12 297 778	12 913 194
 Plan Fiduciary Net Position:		
Contributions - Employer	424 581	439 335
Contributions - Employee	197 742	199 181
Net investment income	500 976	13 834
Benefit payments, including refunds of employee contributions	(500 735)	(476 550)
Administrative	(5 230)	(8 424)
Other	(430)	(416)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	616 904	166 960
Plan fiduciary net position - Beginning	8 756 447	9 373 351
PLAN FIDUCIARY NET POSITION - ENDING	9 373 351	9 540 311
 NET PENSION LIABILITY - ENDING	\$ 2 924 427	\$ 3 372 883
 Plan fiduciary net position as a percentage of total pension liability	76.22%	73.88%
Covered employee payroll	\$ 2 824 891	\$ 2 845 439
Net pension liability as a percentage of covered employee payroll	103.52%	118.54%

SCHEDULE OF CONTRIBUTIONS

	2014	2015
Actuarially determine contribution		
Contributions in relation to the actuarially determined contribution	\$ 312 533	\$ 357 412
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -
 Covered employee payroll	\$ 2 824 891	\$ 2 845 439
Contributions as a percentage of covered employee payroll	11.06%	12.56%

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.

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.

Logic Park Fund - To account for the construction of park facilities.

Recreation Fund - To account for recreational activities for the citizens of Center.

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

Airport Construction Fund - To account for construction and activity related to airport capital asset improvements.

TCF Center Motors Fund - To account for grant for renovation of infrastructure related to Center Motor Company.

Street Improvement Fund - To account for contributions of the Street Economic Development Corporation for city street improvements.

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.

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2016

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
ASSETS		
Cash and cash equivalents	\$ 163 630	\$ 383 840
Receivables	1 692	84 500
Due from other funds	-	13 646
TOTAL ASSETS	\$ 165 322	\$ 481 986
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 5 437
Due to other funds	-	89 342
Accrued expenses	-	2 183
TOTAL LIABILITIES	-	96 962
Deferred Inflows:		
Deferred revenue	-	84 500
TOTAL DEFERRED INFLOWS	-	84 500
TOTAL LIABILITIES AND DEFERRED INFLOWS	-	181 462
Fund Balances:		
Restricted for grants	-	300 524
Restricted for debt service	165 322	-
Other restrictions	-	-
TOTAL FUND BALANCES	165 322	300 524
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 165 322	\$ 481 986

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	\$ 40 846	\$ 726 958
-	-	86 192
-	-	13 646
<u>\$ 138 642</u>	<u>\$ 40 846</u>	<u>\$ 826 796</u>
\$ -	\$ -	\$ 5 437
-	-	89 342
-	-	2 183
<u>-</u>	<u>-</u>	<u>96 962</u>
-	-	84 500
-	-	84 500
-	-	181 462
-	-	300 524
-	-	165 322
138 642	40 846	179 488
<u>138 642</u>	<u>40 846</u>	<u>645 334</u>
<u>\$ 138 642</u>	<u>\$ 40 846</u>	<u>\$ 826 796</u>

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2016

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
Revenues:		
Taxes	\$ 578 921	\$ 257 802
Grants and contributions	-	121 878
Fines and fees	-	14 843
Charges for services	-	144 600
Other	-	44 030
TOTAL REVENUES	578 921	583 153
Expenditures:		
Public safety	-	21 777
Community services	-	244 207
Streets and drainage	-	913 284
Debt Service:		
Principal	615 000	18 659
Interest and fiscal charges	226 932	9 564
TOTAL EXPENDITURES	841 932	1 207 491
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(263 011)	(624 338)
Other Financing Sources (Uses):		
Debt proceeds	7 707	-
Interest	2 016	5 622
Operating transfers in	250 078	839 014
Operating transfers (out)	-	(214 100)
TOTAL OTHER FINANCING SOURCES (USES)	259 801	630 536
NET CHANGE IN FUND BALANCE	(3 210)	6 198
Fund balance at beginning of year	168 532	294 326
FUND BALANCES AT END OF YEAR	\$ 165 322	\$ 300 524

See independent auditors' report.

<u>PERMANENT FUND</u>		
<u>CEMETERY ENDOWMENT FUND</u>	<u>ANIMAL WELFARE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
\$ -	\$ -	\$ 836 723
-	-	121 878
-	-	14 843
-	-	144 600
-	-	44 030
<u>-</u>	<u>-</u>	<u>1 162 074</u>
-	-	21 777
-	-	244 207
-	-	913 284
-	-	633 659
-	-	236 496
<u>-</u>	<u>-</u>	<u>2 049 423</u>
-	-	(887 349)
-	-	7 707
-	203	7 841
-	-	1 089 092
-	-	(214 100)
<u>-</u>	<u>203</u>	<u>890 540</u>
-	203	3 191
<u>138 642</u>	<u>40 643</u>	<u>642 143</u>
\$ <u>138 642</u>	\$ <u>40 846</u>	\$ <u>645 334</u>

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2016

	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	\$ 184 931	\$ (4 736)	\$ (276)
Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	\$ <u>22</u>	\$ <u>10</u>	\$ <u>184 931</u>	\$ <u>(4 736)</u>	\$ <u>(276)</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 76	\$ -
Due to other funds	-	89 232	-	-	-
Accrued expenses	-	-	-	-	-
TOTAL LIABILITIES	-	89 232	-	76	-
Deferred Inflows:					
Deferred revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	-	89 232	-	76	-
Fund Balance:					
Restricted	22	(89 222)	184 931	(4 812)	(276)
TOTAL FUND BALANCE	22	(89 222)	184 931	(4 812)	(276)
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ <u>22</u>	\$ <u>10</u>	\$ <u>184 931</u>	\$ <u>(4 736)</u>	\$ <u>(276)</u>

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	DISASTER RECOVERY GRANT	TAX INCREMENT FINANCING FUND	TDA DOWNTOWN REVITALIZATION GRANT	INDUSTRIAL DEVELOPMENT FUND
\$ 23 344	\$ 2 057	\$ 10	\$ 10	\$ 11 710	\$ -	\$ 7 555
-	-	-	-	-	-	-
-	500	-	-	-	-	-
<u>\$ 23 344</u>	<u>\$ 2 557</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 11 710</u>	<u>\$ -</u>	<u>\$ 7 555</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	10	-	-	-
-	-	-	-	-	-	-
-	-	-	10	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	10	-	-	-
<u>23 344</u>	<u>2 557</u>	<u>10</u>	<u>-</u>	<u>11 710</u>	<u>-</u>	<u>7 555</u>
<u>23 344</u>	<u>2 557</u>	<u>10</u>	<u>-</u>	<u>11 710</u>	<u>-</u>	<u>7 555</u>
<u>\$ 23 344</u>	<u>\$ 2 557</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 11 710</u>	<u>\$ -</u>	<u>\$ 7 555</u>

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET - CONTINUED
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2016

		LOGIC PARK FUND	TCF CENTER MOTORS FUND	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS						
Cash and cash equivalents	\$	156 690	\$ 129	\$ 2 384	\$ -	\$ 383 840
Receivables		84 500	-	-	-	84 500
Due from other funds		<u>13 146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13 646</u>
TOTAL ASSETS	\$	<u>254 336</u>	\$ <u>129</u>	\$ <u>2 384</u>	\$ <u>-</u>	\$ <u>481 986</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
Liabilities:						
Accounts payable	\$	-	\$ -	\$ 5 361	\$ -	\$ 5 437
Due to other funds		-	100	-	-	89 342
Accrued expenses		<u>-</u>	<u>-</u>	<u>2 183</u>	<u>-</u>	<u>2 183</u>
TOTAL LIABILITIES		<u>-</u>	<u>100</u>	<u>7 544</u>	<u>-</u>	<u>96 962</u>
Deferred Inflows:						
Deferred revenue		<u>84 500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84 500</u>
TOTAL DEFERRED INFLOWS		<u>84 500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84 500</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS		<u>84 500</u>	<u>100</u>	<u>7 544</u>	<u>-</u>	<u>181 462</u>
Fund Balance:						
Restricted		<u>169 836</u>	<u>29</u>	<u>(5 160)</u>	<u>-</u>	<u>300 524</u>
TOTAL FUND BALANCE		<u>169 836</u>	<u>29</u>	<u>(5 160)</u>	<u>-</u>	<u>300 524</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$	<u>254 336</u>	\$ <u>129</u>	\$ <u>2 384</u>	\$ <u>-</u>	\$ <u>481 986</u>

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, 2016

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
Revenues:					
Taxes	\$ -	\$ -	\$ 242 823	\$ -	\$ -
Grants and contributions	-	-	1 560	-	-
Fines and fees	-	-	-	14 843	-
Charges for services	-	-	-	-	-
Other	42 875	-	1 041	114	-
TOTAL REVENUES	<u>42 875</u>	<u>4 762</u>	<u>245 424</u>	<u>14 957</u>	<u>-</u>
Expenditures:					
Public safety	-	-	-	21 777	-
Community services	42 875	-	51 572	-	-
Streets and drainage	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	<u>42 875</u>	<u>-</u>	<u>51 572</u>	<u>21 777</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>4 762</u>	<u>193 852</u>	<u>(6 820)</u>	<u>-</u>
Other Financing Sources (Uses):					
Interest	-	4 762	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	(189 100)	(5 000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(189 100)</u>	<u>(5 000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	4 762	4 752	(11 820)	-
Fund balance, beginning of year	<u>22</u>	<u>(93 984)</u>	<u>180 179</u>	<u>7 008</u>	<u>(276)</u>
FUND BALANCE, END OF YEAR	<u>\$ 22</u>	<u>\$ (89 222)</u>	<u>\$ 184 931</u>	<u>\$ (4 812)</u>	<u>\$ (276)</u>

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	DISASTER RECOVERY GRANT	TAX INCREMENT FINANCING FUND	TDA DOWNTOWN REVITALIZATION GRANT	INDUSTRIAL DEVELOPMENT FUND
\$ -	\$ -	\$ -	\$ -	\$ 14 979	\$ -	\$ -
-	-	-	-	-	3 000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	14 979	3 000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	3 000	-
-	-	-	-	28 223	-	-
-	-	-	-	28 223	3 000	-
-	-	-	-	(13 244)	-	-
-	-	-	-	-	-	35
-	-	-	-	11 592	-	-
-	-	-	-	-	-	-
-	-	-	-	11 592	-	35
-	-	-	-	(1 652)	-	35
23 344	2 557	10	-	13 362	-	7 520
\$ 23 344	\$ 2 557	\$ 10	\$ -	\$ 11 710	\$ -	\$ 7 555

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, 2016

	LOGIC PARK FUND	TCF CENTER MOTORS FUND	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 257 802
Grants and contributions	47 750	69 568	-	-	121 878
Fines and fees	-	-	-	-	14 843
Charges for services	-	-	144 600	-	144 600
Other	-	-	-	-	44 030
TOTAL REVENUES	<u>47 750</u>	<u>69 568</u>	<u>144 600</u>	<u>-</u>	<u>583 153</u>
Expenditures:					
Public safety	-	-	-	-	21 777
Community services	-	-	149 760	-	244 207
Streets and drainage	-	82 862	-	827 422	913 284
Debt service	-	-	-	-	28 223
TOTAL EXPENDITURES	<u>-</u>	<u>82 862</u>	<u>149 760</u>	<u>827 422</u>	<u>1 207</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>47 750</u>	<u>(13 294)</u>	<u>(5 160)</u>	<u>(827 422)</u>	<u>(624 338)</u>
Other Financing Sources (Uses):					
Interest	825	-	-	-	5 622
Operating transfers in	-	-	-	827 422	839 014
Operating transfers (out)	(20 000)	-	-	-	(214 100)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(19 175)</u>	<u>-</u>	<u>-</u>	<u>827 422</u>	<u>630 536</u>
NET CHANGE IN FUND BALANCE	28 575	(13 294)	(5 160)	-	6 198
Fund balance, beginning of year	<u>141 261</u>	<u>13 323</u>	<u>-</u>	<u>-</u>	<u>294 326</u>
FUND BALANCE, END OF YEAR	<u>\$ 169 836</u>	<u>\$ 29</u>	<u>\$ (5 160)</u>	<u>\$ -</u>	<u>\$ 300 524</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES - PROPRIETARY FUNDS
Year Ended September 30, 2016

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for Service:			
Water charges	\$ 2 744 244	\$ -	\$ 2 744 244
Sewer charges	828 484	-	828 484
Sanitation charges	-	1 408 263	1 408 263
TOTAL	3 572 728	1 408 263	4 980 991
Taps and Connections:			
Water taps and connections	8 386	-	8 386
Sewer taps and connections	1 050	-	1 050
TOTAL	9 436	-	9 436
Miscellaneous Revenue:			
Administrative fees	5 625	-	5 625
Penalties	44 222	-	44 222
Reconnection fees	25 275	-	25 275
Miscellaneous receipts	12 994	-	12 994
TOTAL	88 116	-	88 116
TOTAL OPERATING REVENUES	\$ 3 670 280	\$ 1 408 263	\$ 5 078 543
Nonoperating Revenues:			
Other revenue	\$ 2 218	\$ -	\$ 2 218
Income from investments	8 568	-	8 568
TOTAL NONOPERATING REVENUES	\$ 10 786	\$ -	\$ 10 786

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS
Year Ended September 30, 2016

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Expenses:			
Nondepartmental:			
Supplies	\$ 15 704	\$ -	\$ 15 704
Contractual services	20 368	-	20 368
Sundry charges	9 783	-	9 783
TOTAL	45 855	-	45 855
Public Works:			
Payroll	142 490	-	142 490
Supplies	2 767	-	2 767
Contractual services	2 855	-	2 855
Utilities	7 184	-	7 184
Sundry charges	2 100	-	2 100
Maintenance	567	-	567
Capital outlay	8 513	-	8 513
TOTAL	166 476	-	166 476
Water Production:			
Payroll	442 575	-	442 575
Supplies	251 685	-	251 685
Contractual services	161 035	-	161 035
Utilities	249 646	-	249 646
Sundry charges	15 441	-	15 441
Maintenance	108 026	-	108 026
Capital outlay	55 276	-	55 276
TOTAL	1 283 684	-	1 283 684
Water Distribution:			
Payroll	211 081	-	211 081
Supplies	5 071	-	5 071
Contractual services	21 888	-	21 888
Utilities	1 930	-	1 930
Sundry charges	1 159	-	1 159
Maintenance	92 862	-	92 862
Capital outlay	79 928	-	79 928
TOTAL	413 919	-	413 919
Sewer Collection:			
Payroll	112 131	-	112 131
Supplies	9 719	-	9 719
Contractual services	7 355	-	7 355
Utilities	25 377	-	25 377
Sundry charges	421	-	421
Maintenance	64 110	-	64 110
Capital outlay	10 337	-	10 337
TOTAL	229 450	-	229 450

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS - CONTINUED
Year Ended September 30, 2016

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Sewer Treatment:			
Payroll	231 826	-	231 826
Supplies	41 789	-	41 789
Contractual services	306 556	-	306 556
Utilities	65 794	-	65 794
Sundry charges	17 843	-	17 843
Maintenance	54 535	-	54 535
Capital outlay	32 718	-	32 718
TOTAL	751 061	-	751 061
Sanitation:			
Contractual services	-	1 142 081	1 142 081
Maintenance	-	2 991	2 991
Sundry charges	-	927	927
TOTAL	-	1 145 999	1 145 999
Depreciation:			
Depreciation	714 738	5 853	720 591
TOTAL OPERATING EXPENSES	\$ 3 605 183	\$ 1 151 852	\$ 4 757 035
Nonoperating Expenses:			
Interest expense	\$ 55 902	\$ -	\$ 55 902
TOTAL NONOPERATING EXPENSES	\$ 55 902	\$ -	\$ 55 902

See independent auditors' report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS
INSURANCE COVERAGE
September 30, 2016
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/15 to 10/01/16	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/15 to 10/01/16	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/15 to 10/01/16	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/15 to 10/01/16	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/15 to 10/01/16	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/15 to 10/01/16	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/15 to 10/01/16	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/15 to 10/01/16	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/15 to 10/01/16	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/15 to 10/01/16	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/15 to 10/01/16	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/15 to 10/01/16	\$ 1 000 000

* Renewed at 10/01/2016

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS
September 30, 2016
"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	\$11.00				
3/4	\$11.00				
1	\$15.50				
1.5	\$23.00				
2	\$31.00	\$ 750	\$ 225	\$11 550	\$ 44.00
3	\$46.50	\$ 825	\$ 300	\$11 850	\$ 125.00
4	\$62.00	\$ 975	\$ 450	\$12 100	\$ 285.00
6	\$93.00	\$1 250	\$ 725	\$12 600	\$ 540.00
8		\$1 650	\$1 150	\$13 400	\$ 950.00
10		\$2 200	\$1 675	\$14 400	\$1 500.00
Sprinklers	\$18.00				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.60
Small industrial/manufacturer	\$ 3.00
Wholesale	\$ 3.00
Large industrial/manufacturer	\$ 1.80
Over 1.75M/day or 30M/month	\$ 2.25
Over 2M/day or 40M/month	\$ 3.00

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	\$12.00 plus ½ of Water
Maximum	\$35.50

Commercial:

Minimum	\$13.00 plus ½ of Water
Maximum	None

Fixed Rates (Tyson office account)

\$225 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, 2016, the records of the City indicated the following system connections:

Water System	2 434
Sewer System	2 030

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, 2016, 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 March 27, 2017.

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
March 27, 2017

CITY OF CENTER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

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, 2016

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

CITY OF CENTER, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2016

None required for the current year.