

CITY OF CENTER
Center, Texas
ANNUAL FINANCIAL REPORT
September 30, 2014

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CITY OF CENTER, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2014

GOVERNING BODY

Honorable David Chadwick, Mayor

CITY COUNCIL

James W. Forbes - At-Large

Leigh Porterfield - At Large

Joyce Johnson - District 1

Jerry Lathan - District 2

Howell Howard - District 3

Charles Rushing - District 4 (Mayor Pro-tem)

OTHER PRINCIPAL OFFICIALS

Chad Nehring..... City Manager
Jim GibsonAsst. 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of retirement funding progress, and the budgetary comparison information on pages 6-13, 42-45 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center, Texas' basic financial statements. The introductory section, the supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and compliance section are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

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



Lufkin, Texas
April 13, 2015



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, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$27,120,103 (*net position*). Of this amount, 9% or \$2,399,825 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- Government activities change in net position increased \$125,203 to \$13,932,208.
- The City's governmental funds reported combined ending fund balances of \$1,970,352 an increase of \$492,068 from the prior year.
- The fund balance for the general fund was \$1,359,999 or 26% of total general fund expenditures and increased \$351,891 during this fiscal year.
- The Utility Fund operating revenues exceeded expenses resulting in operating income of \$555,010 and the fund generated a net profit of \$582,474 resulting in the net position of the Utility Fund increasing by \$82,474 to \$13,187,895.
- The combined non-major governmental funds experienced an increase in fund balance of \$92,725 to \$570,027.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$27,120,103 at the close of fiscal year 2014. This represents an increase of \$719,103 from the 2013 net position of \$26,401,000.

By far the largest portion of the City's assets, 88%, reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less the outstanding balance of related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This year's net position values indicate increases because of use of debt proceeds for the purchase, acquisition and construction of assets through the Capital Projects Fund.

City of Center's Combined Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2 780 668	2 892 969	\$ 3 480 220	3 194 152	\$ 6 260 888	6 087 121
Capital assets (net of depreciation)	20 584 095	20 211 913	12 727 384	12 939 683	33 311 479	33 151 596
Total Assets	23 364 763	23 104 882	16 207 604	16 133 835	39 572 367	39 238 717
Long-term liabilities outstanding	8 231 719	7 714 335	2 117 901	2 611 542	10 349 620	10 325 877
Other liabilities	1 224 076	1 583 542	901 808	928 298	2 125 884	2 511 840
Total Liabilities	9 455 795	9 297 877	3 019 709	3 539 840	12 475 504	12 837 717
Net Position:						
Invested in capital assets, net of related debt	11 731 703	12 003 950	10 142 810	9 867 128	21 874 513	21 871 078
Restricted	524 348	477 302	2 321 417	2 263 866	2 845 765	2 741 168
Unrestricted	1 676 157	1 325 753	723 668	463 001	2 399 825	1 788 754
Total Net Position	\$ 13 932 208	13 807 005	\$ 13 187 895	12 593 995	\$ 27 120 103	26 401 000

An additional portion of the City's net position, \$2,845,765 (10.4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,399,825, may be used to meet the government's ongoing obligations to citizens and creditors.

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

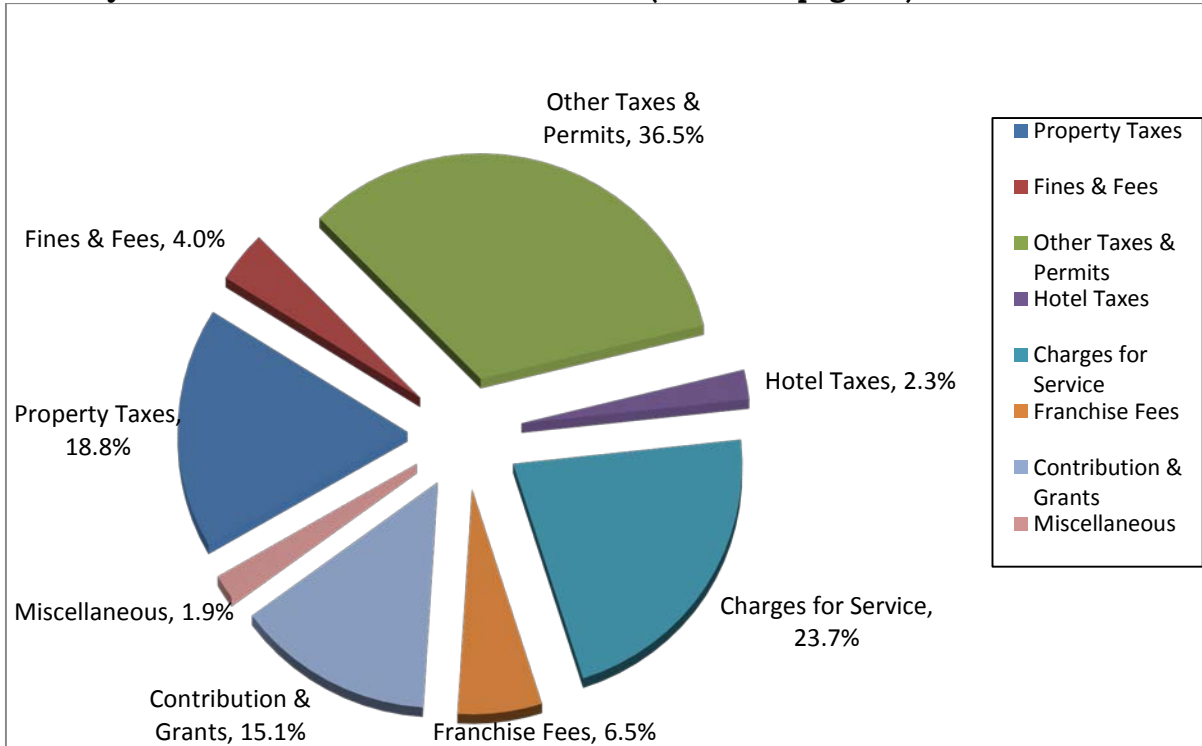
City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for services	\$ 1 667 454	1 877 672	\$ 3 380 003	3 132 886	\$ 5 047 457	5 010 558
Operating grants and contributions	35 066	134 269		-	35 066	134 269
Capital grants and contributions	1 030 556	2 853 630	20 000	-	1 050 556	2 853 630
General Revenues:						
Property taxes	1 321 767	1 205 388		-	1 321 767	1 205 388
Other taxes	2 567 832	2 624 882		-	2 567 832	2 624 882
Other	414 844	80 403	1 656	3 124	414 844	83 527
Total Revenues	7 037 519	8 776 244	3 401 659	3 136 010	10 439 178	11 912 254
Expenses:						
General government	815 520	1 061 913		-	815 520	1 061 913
Public safety	2 347 744	2 761 103		-	2 347 744	2 761 103
Community services	1 202 586	1 665 410		-	1 202 586	1 665 410
Streets and drainage	721 445	1 185 495		-	721 445	1 185 495
Sanitation	1 111 226	1 110 688		-	1 111 226	1 110 688
Inspections	133 160	169 113		-	133 160	169 113
Interest on long-term debt	325 456	241 837		-	325 456	241 837
Bond issue cost and fees	-	-		-	-	-
Water and sewer		-	2 885 828	3 164 427	2 885 828	3 164 427
Total Expenses	6 757 137	7 940 826	2 885 828	3 164 427	9 642 965	11 105 253
Transfers	66 643	277 303	(66 643)	(277 303)	-	-
Increase (decrease) in net position	370 621	1 112 721	582 474	(305 720)	953 095	807 001
Net position, beginning	13 807 005	12 694 284	12 593 995	12 899 715	26 401 000	25 593 999
Net Position, Ending	\$ 13 932 208	13 807 005	\$ 13 187 895	12 593 995	\$ 27 120 103	26 401 000

Governmental Activities. Governmental activities increased the City of Center's net position by \$370,621. Key elements of this increase are as follows:

- Governmental Revenues decreased \$1,738,725 from prior year revenues;
 - Decrease in realized Capital grant and contributions (\$1,823,074)
 - Decreases in Operating Grants (\$99,203) offset with increases in Taxes (\$59,329) and Other (\$334,441)
- Governmental Expenses decreased \$1,183,689 from prior year expenses;
 - Decrease in General Government expenses of \$246,393
 - Decrease in Public Safety of \$413,359 related to decreased operational expenses
 - Decrease in Community Services of \$462,824 from projects completed in the prior year
 - Decrease in Streets & Drainage of \$464,050 from concluding TXDoT Sidewalk project and MLK Drive reconstruction
 - Increase in Interest on Debt and Bond Issuance Costs from 2014 Tax Notes totaling \$83,619

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



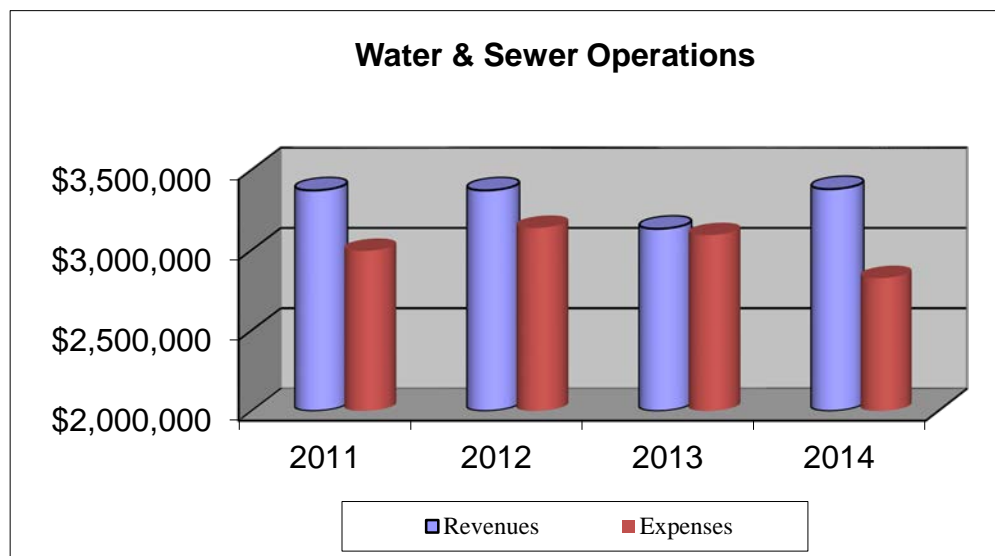
Business-Type Activities. Business-type activities increased the total government's net position by \$582,474. Key elements of this increase are as follows:

- Revenues increased \$265,644 from the prior year to \$3,401,659
 - Charges for services increased \$247,117
 - Capital grants increased \$20,000
- Expenses decreased \$278,599 from prior year to \$2,885,828
- Transfers decreased \$210,660 from prior year to \$66,643

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 \$555,010.
- Including non-operating expenses, primarily costs of debt, Net Profit is \$515,831.

Operating Revenues and Expenses - Business-type Activities



Unrestricted net position of the Water and Sewer Utility Fund at the end of the current fiscal year is \$723,668, increased by the availability of debt proceeds not yet expended plus \$1,893,635 for dedicated capital and debt reserve. The increase in net position for Water and Sewer Utility totaled \$593,900. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

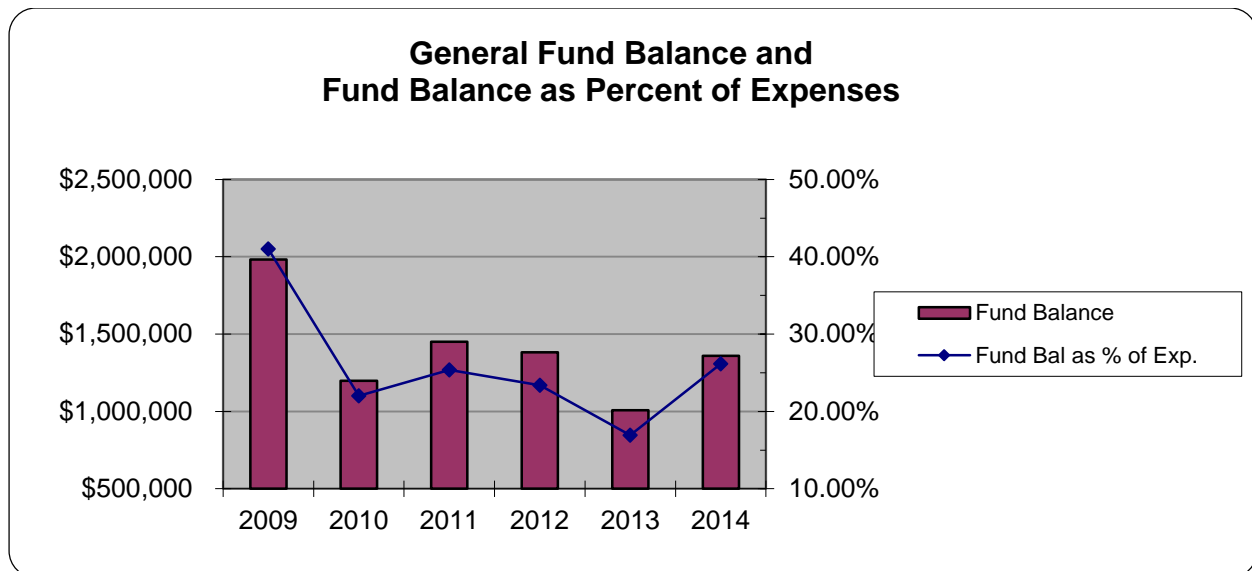
Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Center's governmental funds reported combined ending fund balances of \$1,970,352, an increase of \$492,068 from the prior year. Approximately 71% of this total amount, \$1,400,325, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining 29% 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 care of cemeteries or 3) for capital projects.

The general fund is the chief operating fund of the City of Center. At the end of the current fiscal year, total general fund balance was \$1,359,999. The fund balance of the City's general fund increased by \$351,819 during the current fiscal year. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 26.1% 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 42-45. Budget amendments approved in the current year reduced budgeted revenues by \$251,500 and budgeted expenditures by \$241,930.

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 \$75,808 and increased from the final amended budget by \$175,692. Total expenditures decreased from the original budget by \$430,090 and from the final amended budget by \$188,160. After transfers to and from other funds these adjustments resulted in an increase in the fund balance of \$361,389.

Capital Asset and Debt Administration

Capital Assets. The City of Center's investment in capital assets for its governmental and business-type activities amounts to \$33,311,479 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$33,151,596. This investment in capital assets includes land, buildings, improvements, vehicles and equipment. Due to the size of the City, past asset valuations for major infrastructure (streets, bridges, drainage, etc.) are not required to comply with new reporting requirements, however beginning in fiscal year 2004, the City began prospectively accumulating values for these major capital assets.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 11 233	11 233	\$ 592 783	592 783	\$ 604 016	604 016
Buildings	7 726 045	6 628 812		-	7 726 045	6 628 812
Improvements other than buildings	3 192 537	998 543		-	3 192 537	998 543
Machinery and equipment	884 329	1 028 252	791 498	809 450	1 675 827	1 837 702
Buildings and systems		-	11 098 407	11 377 493	11 098 407	11 377 493
Infrastructure	7 789 943	7 030 668		-	7 789 943	7 030 668
Construction in progress	980 008	4 514 405	244 697	159 957	1 224 705	4 674 362
Total	\$ 20 584 095	20 211 913	\$ 12 727 384	12 939 683	\$ 33 311 479	33 151 596

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

Governmental

- Community House Renovation - \$794,367
 - Center Softball Complex - \$1,807,813
 - Center Mini Park - \$509,412
 - City Hall Renovation - \$474,503
- EDC Project Asset Transfers
 - 2013 Streets - \$1,159,190
- Fleet Vehicles:
 - Police Department - Two Units - \$32,989

Business-type

- Lakewood sewer expansion - \$244,697
- Purchased Fleet Equipment
 - Two units - \$28,749
 - Raw water pump - \$23,445

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

Capital Construction In Progress – Governmental

MLK Reconstruction – Hurricane Disaster Recovery Project - \$984,300

Capital Construction In Progress - Business-type

- Sewer Collection System Planning/TWDB Project - \$63,460

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

Long-Term Debt. At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$9,807,000, a decrease from last year's total bonded debt of \$10,668,000. All is backed by the full faith and credit of the government.

Short-Term Notes Payable. Short-term notes payable increased from \$606,518 to \$1,408,786, include a note by the City's Tax Increment Reinvestment Zone Fund to the Center Economic Development Corporation in 2011 and a note to TXDOT's State Infrastructure Bank for the Highway 96S line relocation in 2006. In 2013, a four-year loan was added for Police video and computer equipment. This year, 2014 Tax Notes were added to complete several CIP projects.

City of Center's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 7 335 000	7 760 000	\$ 2 472 000	2 908 000	\$ 9 807 000	10 668 000
Compensated absences	100 259	100 951	29 387	26 969	129 646	127 920
Notes payable	1 296 212	441 963	112 574	164 555	1 408 786	606 518
Total	\$ 8 731 471	8 302 914	\$ 2 613 961	3 099 524	\$ 11 345 432	11 402 438

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

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

Additional information on the City's long-term debt can be found in note 3. D. on pages 34-36 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of August, 2014 for Shelby County, according to Texas Workforce Commission statistics, is 5.8%. The unemployment rates for August 2014, according to the Texas Workforce Commission, are 5.5% for the State of Texas and 5.6% for the Deep East Texas Region.
- The state sales tax receipts, including only the 1¼% for governmental purposes for the current fiscal year, totaled \$1,861,190 a decrease of \$27,960 or (-1.5%) from the previous year (\$1,888,886). This reduction indicates a continued slowing of the growth of the prior two years primarily resulting from decreases in retail outlets and overall taxable sales but specifically those related to oil and gas industry activities.
- Economic trends in the area are 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 2014 fiscal year.

Requests for Information

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

FINANCIAL STATEMENTS

CITY OF CENTER, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
ASSETS				
Cash and cash equivalents	\$ 1 745 027	\$ 632 685	\$ 2 377 712	\$ 1 561 732
Receivables (net)	769 070	456 022	1 225 092	344 360
Due from other governments	142 591	-	142 591	85 554
Due from other funds	99 489	-	99 489	-
Inventories	24 491	70 096	94 587	-
Restricted Assets:				
Cash and cash equivalents	-	2 321 417	2 321 417	-
Capital assets (net of accumulated depreciation)	20 584 095	12 727 384	33 311 479	188 450
TOTAL ASSETS	<u>23 364 763</u>	<u>16 207 604</u>	<u>39 572 367</u>	<u>2 180 096</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	366 794	130 851	497 645	-
Accrued liabilities	94 805	19 526	114 331	-
Due to other funds	-	99 489	99 489	-
Due to primary government	-	-	-	-
Accrued interest payable	38 240	9 760	48 000	-
Premium on bond issue	224 485	-	224 485	-
Customer deposits payable	-	146 122	146 122	-
Noncurrent Liabilities:				
Due within one year	499 752	496 060	995 812	-
Due in more than one year	8 231 719	2 117 901	10 349 620	-
TOTAL LIABILITIES	<u>9 455 795</u>	<u>3 019 709</u>	<u>12 475 504</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	11 731 703	10 142 810	21 874 513	-
Restricted for:				
Debt service	215 955	1 893 685	2 109 640	-
Grants	171 141	-	171 141	-
Perpetual care	137 252	-	137 252	-
Capital projects	-	427 732	427 732	-
Unrestricted	1 676 157	723 668	2 399 825	2 180 096
TOTAL NET POSITION	<u>\$ 13 932 208</u>	<u>\$ 13 187 895</u>	<u>\$ 27 120 103</u>	<u>\$ 2 180 096</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, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 815 520	\$ 70 000	\$ -	\$ -
Public safety	2 347 744	-	35 066	-
Community services	1 202 586	255 640	-	145 559
Streets and drainage	721 445	-	-	884 997
Sanitation	1 111 226	1 341 814	-	-
Inspections	133 160	-	-	-
Interest on long-term debt	325 456	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6 757 137</u>	<u>1 667 454</u>	<u>35 066</u>	<u>1 030 556</u>
Business-Type Activities:				
Water and sewer fund	<u>2 885 828</u>	<u>3 380 003</u>	<u>20 000</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2 885 828</u>	<u>3 380 003</u>	<u>20 000</u>	<u>-</u>
 TOTAL PRIMARY GOVERNMENT	 \$ <u>9 642 965</u>	 \$ <u>5 047 457</u>	 \$ <u>55 066</u>	 \$ <u>1 030 556</u>
Component Units:				
Economic Development	\$ 83 481	\$ -	\$ -	\$ -
Economic Development Street Improvement	<u>130 599</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>\$ 214 080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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
\$ (845 520)	\$ -	\$ (845 520)	\$ -
(2 312 678)	-	(2 312 678)	-
(801 387)	-	(801 387)	-
163 552	-	163 552	-
230 588	-	230 588	-
(133 160)	-	(133 160)	-
<u>(325 456)</u>	<u>-</u>	<u>(325 456)</u>	<u>-</u>
 (4 024 061)	 -	 (4 024 061)	 -
 -	 514 175	 514 175	 -
 -	 514 175	 514 175	 -
 (4 024 061)	 514 175	 (3 509 886)	 -
 -	 -	 -	(83 481)
 -	 -	 -	(130 599)
 -	 -	 -	(214 080)
 1 333 387	 -	 1 333 387	 -
2 849 942	-	2 849 942	1 110 431
2 095	1 656	3 751	13 157
135 901	-	135 901	-
73 357	66 643	140 000	-
<u>4 394 682</u>	<u>68 299</u>	<u>4 462 981</u>	<u>1 123 588</u>
<u>370 621</u>	<u>582 474</u>	<u>953 095</u>	<u>909 508</u>
 13 807 005	 12 593 995	 26 401 000	 1 270 588
(245 418)	11 426	(233 992)	-
<u>13 561 587</u>	<u>12 605 421</u>	<u>26 167 008</u>	<u>1 270 588</u>
\$ <u>13 932 208</u>	\$ <u>13 187 895</u>	\$ <u>27 120 103</u>	\$ <u>2 180 096</u>

CITY OF CENTER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2014

	GENERAL	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 999 584	\$ 40 326	\$ 705 117	\$ 1 745 027
Receivables (Net of Uncollectibles):				
Taxes	242 821	-	1 692	244 513
Accounts	176 847	-	243 016	419 863
Court fines receivable	8 562	-	-	8 562
Governmental agencies	142 591	-	-	142 591
Sundry	96 132	-	-	96 132
Due from other funds	232 713	-	2 500	235 213
Inventories	24 491	-	-	24 491
TOTAL ASSETS	\$ 1 923 741	\$ 40 326	\$ 952 325	\$ 2 916 392
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 201 220	\$ -	\$ 165 574	\$ 366 794
Accrued liabilities	94 805	-	-	94 805
Due to other funds	2 500	-	133 224	135 724
Deferred revenue	265 217	-	83 500	348 717
TOTAL LIABILITIES	563 742	-	382 298	946 040
Fund Balances:				
Nonspendable	24 491	-	-	24 491
Restricted for:				
Debt service	-	-	215 955	215 955
Grants	-	-	216 820	216 820
Other purposes	-	-	137 252	137 252
Unassigned:				
General fund	1 335 508	40 326	-	1 375 834
TOTAL FUND BALANCES	1 359 999	40 326	570 027	1 970 352
TOTAL LIABILITIES AND FUND BALANCES	\$ 1 923 741	\$ 40 326	\$ 952 325	
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.				20 584 095
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				348 717
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds				<u>(8 970 956)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES				\$ <u>13 932 208</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, 2014

	GENERAL	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 791 727	\$ -	\$ 530 040	\$ 1 321 767
Other local taxes and permits	2 333 351	-	234 481	2 567 832
Fines and fees	271 178	-	10 932	282 110
Charges for services	1 667 454	-	-	1 667 454
Contributions and grants	47 191	20 944	997 487	1 065 622
Miscellaneous	62 574	-	70 160	132 734
TOTAL REVENUES	<u>5 173 475</u>	<u>20 944</u>	<u>1 843 100</u>	<u>7 037 519</u>
Expenditures:				
General government	899 414	-	-	899 414
Public safety	2 197 638	-	29 482	2 227 120
Community services	532 918	-	895 642	1 428 560
Streets and drainage	329 404	-	612 285	941 689
Sanitation	1 109 826	-	-	1 109 826
Inspections	133 160	-	-	133 160
Capital expenditures	-	64 094	-	64 094
Debt Service:				
Principal	-	-	450 000	450 000
Interest and fiscal charges	-	-	245 207	245 207
TOTAL EXPENDITURES	<u>5 202 360</u>	<u>64 094</u>	<u>2 232 616</u>	<u>7 499 070</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(28 885)</u>	<u>(43 150)</u>	<u>(389 516)</u>	<u>(461 551)</u>
Other Financing Sources (Uses):				
Debt proceeds	-	-	875 000	875 000
Interest income	3 167	66	2 029	5 262
Transfers in	439 237	121 500	206 230	766 967
Transfers (out)	<u>(61 700)</u>	<u>(30 892)</u>	<u>(601 018)</u>	<u>(693 610)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>380 704</u>	<u>90 674</u>	<u>482 241</u>	<u>953 619</u>
NET CHANGE IN FUND BALANCES	351 819	47 524	92 725	492 068
Fund balances at beginning of year	<u>1 008 180</u>	<u>(7 198)</u>	<u>477 302</u>	<u>1 478 284</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1 359 999</u>	<u>\$ 40 326</u>	<u>\$ 570 027</u>	<u>\$ 1 970 352</u>

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, 2014

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

Net change in fund balances - Total governmental funds	\$ 492 068
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.	372 182
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11 620
The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(505 249)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>370 621</u></u>

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

CITY OF CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

	BUSINESS-TYPE ACTIVITIES
	<u>WATER AND SEWER FUND</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 632 685
Receivables (Net):	
Accounts	440 279
Sundry	15 743
Inventories	70 096
TOTAL CURRENT ASSETS	<u>1 158 803</u>
Noncurrent Assets:	
Restricted cash	2 321 417
Capital Assets:	
Land	592 783
Utility systems	26 839 381
Equipment	3 130 116
Construction in progress	244 697
Less accumulated depreciation	<u>(18 079 593)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>12 727 384</u>
TOTAL NONCURRENT ASSETS	<u>15 048 801</u>
TOTAL ASSETS	<u>16 207 604</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	130 851
Accrued expense	19 526
Due to other funds	99 489
Debt payable - Current	496 060
Accrued interest payable	9 760
Customer deposits payable	146 122
TOTAL CURRENT LIABILITIES	<u>901 808</u>
Noncurrent Liabilities:	
Compensated absences	29 387
Long term debt payable	2 088 514
TOTAL NONCURRENT LIABILITIES	<u>2 117 901</u>
TOTAL LIABILITIES	<u>3 019 709</u>
NET POSITION	
Investment in capital assets, net of related debt	10 142 810
Restricted for debt service	427 732
Restricted for capital projects	1 893 685
Unrestricted	723 668
TOTAL NET POSITION	<u>\$ 13 187 895</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, 2014

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
Operating Revenues:	
Charges for service	\$ 3 285 214
Taps and connections	19 847
Miscellaneous	74 942
TOTAL OPERATING REVENUES	<u>3 380 003</u>
Operating Expenses:	
Nondepartmental	150 210
Public works	163 546
Water production	1 055 444
Water distribution	279 977
Sewer collection	164 282
Sewer treatment	406 580
Depreciation	604 954
TOTAL OPERATING EXPENSES	<u>2 824 993</u>
OPERATING INCOME	<u>555 010</u>
Nonoperating Revenues (Expenses):	
Income from investments	1 656
Grants and contributions	20 000
Interest and fiscal fees	(60 835)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(39 179)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	<u>515 831</u>
Operating transfers in (out)	<u>66 643</u>
TOTAL NET OPERATING TRANSFERS	<u>66 643</u>
CHANGE IN NET POSITION	<u>582 474</u>
Beginning net position	12 593 995
Prior period adjustment	11 426
BEGINNING NET POSITION, RESTATED	<u>12 605 421</u>
NET POSITION, END OF YEAR	<u>\$ 13 187 895</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, 2014

	BUSINESS-TYPE ACTIVITIES <u>WATER AND SEWER FUND</u>
Cash Flows from Operating Activities:	
Received from customers	\$ 3 360 229
Payments to suppliers	(1 209 632)
Payments to employees	(976 300)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1 174 297</u>
Cash Flows from Noncapital Financing Activities:	
Advances (to) and from other funds	(50 780)
Contributions and grants received	20 000
Operating transfers in (out)	66 643
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>35 863</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(817 430)
Interest paid on debt	(60 835)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(878 265)</u>
Cash Flows from Investing Activities:	
Interest on investments	1 656
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1 656</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	333 551
Cash at beginning of year	<u>2 620 551</u>
CASH AT END OF YEAR	<u>\$ 2 954 102</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 555 010
Adjustments:	
Depreciation	604 954
Changes in:	
Accounts receivable	(24 909)
Inventory	16 278
Deferred charges	3 334
Accounts payable	9 947
Accrued expense	2 129
Accrued compensated absences	2 419
Customer deposits	5 135
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	<u>\$ 1 174 297</u>

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

The government reports the following governmental funds:

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

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

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

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The government reports the following proprietary funds:

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

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

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

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

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

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

D. Assets, Liabilities, and Net position or Equity

1. Deposits and Investments:

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

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, 2014

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, 2014

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. Use of Estimates:

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

10. Subsequent Events:

Management has evaluated subsequent events through April 13, 2015, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting:

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

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

B. City Fund Balance Policy:

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

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

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

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

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

FUND BALANCE ANALYSIS

	2014
Beginning fund balance	\$ 1 008 180
Total general fund revenues and transfers	5 615 879
Total general fund expenditures and transfers	5 264 060
ENDING GENERAL FUND BALANCE	<u>\$ 1 359 999</u>
 Solid waste expense	 \$ 1 109 826
Airport expense	229 614
SUBTOTAL	<u>1 339 440</u>
General fund expenditures	5 264 060
ADJUSTED GENERAL FUND EXPENDITURES	<u>\$ 3 924 620</u>

	20%	25%
Required Fund Balance	\$ 784 924	\$ 981 155

Year to Date Fund Balance calculation represents 35% of adjusted General Fund Expenditures and 26% 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, 2014 are classified in the accompanying financial statements as follows:

Primary Government:	
Unrestricted cash and investments	\$ 2 377 712
Restricted cash and investments	2 321 417
Component Units:	
Cash and investments	1 561 732
TOTAL CASH AND INVESTMENTS	<u>\$ 6 260 861</u>

Cash and investments as of September 30, 2014, consists of the following:

Primary Government:	
Cash on hand	\$ 8 320
Deposits with financial institutions	3 247 589
Investments in LOGIC	1 443 220
Component Units:	
Deposits with financial institutions	346 075
Investments in LOGIC	1 215 657
TOTAL CASH AND INVESTMENTS	<u>\$ 6 260 861</u>

At September 30, 2014, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$1,123,644,091 and \$346,075, 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, 2014

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, 2014, the City had the following investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 1 443 220	55
Component units - LOGIC	1 215 657	55
	<u>\$ 2 658 877</u>	

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, 2014 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2014.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2013	\$ 311 760	\$ 311 760
Loan payments received	-	(42 875)
Loans paid	(42 875)	-
Balance at September 30, 2014	<u>\$ 268 885</u>	<u>\$ 268 885</u>

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 133 334
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	<u>135 551</u>
TOTAL	<u>\$ 268 885</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Future requirements are as follows:

YEAR	PAYABLE/ RECEIVABLE
2015	\$ 42 876
2016	42 876
2017	42 876
2018	42 876
2019	42 876
2020 - 2021	54 504
	<u>\$ 268 885</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 4 514 405	\$ 1 323 928	\$ 4 858 325	\$ 980 008
Land	11 233	-	-	11 233
TOTAL ASSETS NOT BEING DEPRECIATED	<u>4 525 638</u>	<u>1 323 928</u>	<u>4 858 325</u>	<u>991 241</u>
Capital Assets, Being Depreciated:				
Buildings	7 921 985	1 318 212	-	9 240 197
Improvements other than buildings	1 695 822	2 317 225	20 500	3 992 547
Vehicles and equipment	2 250 749	32 989	31 282	2 252 456
Infrastructure	9 721 973	1 272 230	-	10 994 203
TOTAL ASSETS BEING DEPRECIATED	<u>21 590 529</u>	<u>4 940 656</u>	<u>51 782</u>	<u>26 479 403</u>
Less Accumulated Depreciation For:				
Buildings	1 293 173	220 979	-	1 514 152
Improvements other than buildings	697 279	123 230	20 499	800 010
Vehicles and equipment	1 222 497	160 764	15 134	1 368 127
Infrastructure	2 691 305	512 955	-	3 204 260
TOTAL ACCUMULATED DEPRECIATION	<u>5 904 254</u>	<u>1 017 928</u>	<u>35 633</u>	<u>6 886 549</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>15 686 275</u>	<u>3 922 728</u>	<u>(16 149)</u>	<u>19 592 854</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 20 211 913</u>	<u>\$ 5 246 656</u>	<u>\$ 4 874 474</u>	<u>\$ 20 584 095</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 592 783	\$ -	\$ -	\$ 592 783
Construction in progress	159 957	308 081	223 341	244 697
TOTAL ASSETS NOT BEING DEPRECIATED	752 740	308 081	223 341	837 480
Capital Assets, Being Depreciated:				
Buildings and systems	26 605 346	234 035	-	26 839 381
Vehicles and equipment	3 096 743	75 077	41 704	3 130 116
TOTAL ASSETS BEING DEPRECIATED	29 702 089	309 112	41 704	29 969 497
Less Accumulated Depreciation For:				
Buildings and systems	15 227 855	513 119	-	15 740 974
Vehicles and equipment	2 287 291	93 031	41 704	2 338 618
TOTAL ACCUMULATED DEPRECIATION	17 515 146	606 151	-	18 079 593
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	12 186 943	(297 039)	-	11 889 904
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 12 939 683	\$ 11 042	\$ 223 341	\$ 12 727 384

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

Governmental Activities:

General government	\$ 21 502
Public safety	153 613
Community services	411 980
Sanitation	1 400
Street and drainage	429 433
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 1 017 928

Business-Type Activities:

Water	\$ 499 494
Sewer	106 657
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	\$ 606 151

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, 2014:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 7 760 000	\$ -	\$ 425 000	\$ 7 335 000	\$ 435 000
Note payable	441 963	875 000	20 751	1 296 212	64 752
Compensated absences	100 951	-	692	100 259	-
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 8 302 914	\$ 875 000	\$ 446 443	\$ 8 731 471	\$ 499 752
Business-Type Activities:					
General obligation bonds	\$ 2 908 000	\$ -	\$ 436 000	\$ 2 472 000	\$ 442 000
Notes payable	164 555	-	51 981	112 574	54 060
Compensated absences	26 969	2 418	-	29 387	-
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 3 099 524	\$ 2 418	\$ 487 981	\$ 2 613 961	\$ 496 060

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Bonds payable at September 30, 2014 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)	\$ 930 000
\$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)	920 000
\$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)	3 666 314
\$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, 2013 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$10,000 to \$125,000 through August 15, 2035, interest at 0.0 to 3.05 percent (Liability recorded in business-type activities)	2 060 000
\$1,681,000, 2013 Tax and Wastewater and Sanitary Sewer Revenue Refunding Bonds, due in annual installments of \$412,000 to \$429,000 through August 15, 2015, interest at 1.56 percent (Liability recorded in business-type activities)	412 000
\$1,760,000, 2013 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)	1 650 000
	<u>\$ 9 807 000</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
2015	\$ 435 000	\$ 221 281	\$ 442 000	\$ 47 157
2016	445 000	209 819	90 000	40 730
2017	455 000	197 347	90 000	40 685
2018	475 000	184 175	90 000	40 438
2019	490 000	170 375	90 000	
Thereafter	5 035 000	1 040 800	1 670 000	381 261
TOTAL	<u>\$ 7 335 000</u>	<u>\$ 2 023 797</u>	<u>\$ 2 472 000</u>	<u>\$ 590 146</u>

Notes Payable:

\$475,000 loan from the Texas Department of Transportation State Infrastructure Bank (SIB) for the Highway 7 water main reconstruction project to be paid in 10 annual payments of \$58,563 with an interest rate of 4.0%	\$ 112 574
\$450,000 loan from the City of Center Economic Development Corporation to be paid in 10 annual installments, with an interest rate of 3%	336 927
\$105,036 loan from Cop Sync to be paid in annual installments of \$28,930, with an interest rate of 3.99%	84 285
\$875,000 tax anticipation note to be paid in annual installments of \$170,000 to \$190,000 through August 2020, with interest of 2.75%	875 000
	<u>\$ 1 408 786</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2015	\$ 64 752	\$ 37 092	\$ 54 060	\$ 4 503
2016	235 828	25 760	56 223	2 341
2017	245 868	20 684	2 291	92
2018	211 403	15 445	-	-
2019	212 615	11 364	-	-
Thereafter	325 746	11 399	-	-
TOTAL	\$ 1 296 212	\$ 121 744	\$ 112 574	\$ 6 936

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	\$ 1 312 477	\$ 867 619	\$ 2 180 096
TOTAL ASSETS	<u>1 312 477</u>	<u>867 619</u>	<u>2 180 096</u>
Liabilities:			
Accounts payable and other			
current liabilities	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Unrestricted	1 312 477	867 619	2 180 096
TOTAL NET POSITION	<u>\$ 1 312 477</u>	<u>\$ 867 619</u>	<u>\$ 2 180 096</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 4 - OTHER INFORMATION - CONTINUED

Condensed Statement of Activities

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	ECONOMIC DEVELOPMENT	STREET IMPROVEMENT ECONOMIC DEVELOPMENT	TOTAL
	EXPENSES						
Center Economic Development Corporation:							
Projects	\$ 13 500	\$ -	\$ -	\$ -	\$ (13 500)	\$ -	\$ (13 500)
Other operating expenses	<u>69 981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69 981)</u>	<u>-</u>	<u>(69 981)</u>
TOTAL	<u>83 481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83 481)</u>	<u>-</u>	<u>(83 481)</u>
Center Street Improvements for Economic Development Corporation:							
Projects	111 776	-	-	-	-	(111 776)	(111 776)
Other operating expenses	<u>18 823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18 823)</u>	<u>(18 823)</u>
TOTAL	<u>130 599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130 599)</u>	<u>(130 599)</u>
TOTAL COMPONENT UNITS	<u>\$ 214 080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(83 481)</u>	<u>(130 599)</u>	<u>(214 080)</u>
General Revenues:							
Sales tax					370 144	740 287	1 110 431
Interest income					<u>12 552</u>	<u>605</u>	<u>13 157</u>
TOTAL GENERAL REVENUE					<u>382 696</u>	<u>740 892</u>	<u>1 123 588</u>
Change in net position					299 215	610 293	909 508
Net position - Beginning					<u>1 013 262</u>	<u>257 326</u>	<u>1 270 588</u>
NET POSITION - ENDING					<u>\$ 1 312 477</u>	<u>\$ 867 619</u>	<u>\$ 2 180 096</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 4 - OTHER INFORMATION - CONTINUED

B. Pension Plan

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800.924.8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2014</u>
Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the City contribution rate is annually determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 4 - OTHER INFORMATION - CONTINUED

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Actuarial Valuation Information:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.1 years; closed period	25.1 years; closed period	26.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress - In June 2013, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2013 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
09/30/2011	\$ 467 253	100%	\$ -
09/30/2012	\$ 470 980	100%	\$ -
09/30/2013	\$ 466 514	100%	\$ -
09/30/2014	\$ 467 255	100%	\$ -

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 4 - OTHER INFORMATION - CONTINUED

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

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

	<u>PLAN YEAR 2013</u>	<u>PLAN YEAR 2014</u>
Your City Offers Supplemental Death to:		
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

<u>SCHEDULE OF CONTRIBUTION RATES</u>			
<u>PLAN/ CALENDAR YEAR</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION MADE</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>
2011	0.06%	0.06%	100.0%
2012	0.05%	0.05%	100.0%
2013	0.06%	0.06%	100.0%
2014	0.05%	0.05%	100.0%
2015	0.06%	0.06%	100.0%

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The City provides employee health and accident insurance coverage with commercial insurance purchased from independent third parties. Coverages have not significantly decreased and settlements have not exceeded insurance coverage for each of the past three years.

D. Prior Period Adjustment

With the implementation of new GASB standards, bond issue cost that previously was amortized over the term of the bond is now expensed in the period of issue, the adjustment for this resulted in a decrease in Net Position of \$233,992.

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, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 728 500	\$ 707 000	\$ 739 476	\$ 32 476
Delinquent taxes	40 000	40 000	28 292	(11 708)
Penalties, interest and cost	25 000	25 000	23 959	(1 041)
TOTAL GENERAL PROPERTY TAXES	<u>793 500</u>	<u>772 000</u>	<u>791 727</u>	<u>19 727</u>
Other Local Taxes and Permits:				
City sales taxes	1 900 300	1 812 800	1 850 994	38 194
Franchise taxes	485 500	443 500	454 326	10 826
Mixed drink taxes	3 250	3 250	5 200	1 950
License and permit fees	19 550	13 550	22 831	9 281
TOTAL OTHER LOCAL TAXES AND PERMITS	<u>2 408 600</u>	<u>2 273 100</u>	<u>2 333 351</u>	<u>60 251</u>
Fines and Fees:				
Municipal court fines	200 000	175 000	229 056	54 056
Court cost fees	44 900	44 900	38 177	(6 723)
Miscellaneous	350	350	3 945	3 595
TOTAL FINES AND FEES	<u>245 250</u>	<u>220 250</u>	<u>271 178</u>	<u>50 928</u>
Charges For Service:				
Solid waste	1 338 750	1 308 750	1 341 814	33 064
Administration	70 000	70 000	70 000	-
Airport fuel	235 000	225 000	176 938	(48 062)
Airport hangar lease	28 500	28 500	25 173	(3 327)
Recreation fees	2 000	2 000	2 000	-
Building rental	78 100	63 600	51 529	(12 071)
TOTAL CHARGES FOR SERVICES	<u>1 752 350</u>	<u>1 697 850</u>	<u>1 667 454</u>	<u>(30 396)</u>
Contributions and Grants:				
Grant proceeds	8 700	5 700	7 127	1 427
Donations	25 000	25 000	40 064	15 064
TOTAL CONTRIBUTIONS AND GRANTS	<u>33 700</u>	<u>30 700</u>	<u>47 191</u>	<u>16 491</u>
Miscellaneous Revenue:				
Interest income	7 500	1 500	3 167	1 667
Miscellaneous receipts	11 550	5 550	62 574	57 024
TOTAL MISCELLANEOUS REVENUE	<u>19 050</u>	<u>7 050</u>	<u>65 741</u>	<u>58 691</u>
TOTAL REVENUES	<u>5 252 450</u>	<u>5 000 950</u>	<u>5 176 642</u>	<u>175 692</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Expenditures:				
General Government:				
City Hall:				
Payroll	667 620	589 620	574 953	14 667
Supplies	12 750	12 750	11 051	1 699
Contractual services	20 900	20 900	14 451	6 449
Utilities	15 700	15 700	16 902	(1 202)
Sundry charges	14 600	14 600	7 637	6 963
Maintenance	1 650	1 650	2 199	(549)
Capital outlay	3 800	3 800	4 256	(2 456)
TOTAL CITY HALL	737 020	657 020	631 449	25 571
Nondepartmental:				
Payroll	8 400	4 400	5 584	(1 184)
Supplies	2 250	2 250	2 396	(146)
Contractual services	181 130	169 900	189 283	(19 383)
Sundry charges	79 250	71 250	69 678	1 572
Capital outlay	21 500	6 500	1 024	5 476
TOTAL NONDEPARTMENTAL	292 530	254 300	267 965	(13 665)
TOTAL GENERAL GOVERNMENT	1 029 550	911 320	899 414	11 906
Public Safety:				
Police Department:				
Payroll	1 608 675	1 513 175	1 473 516	39 659
Supplies	29 250	29 250	24 458	4 792
Contractual services	66 600	70 600	70 059	541
Utilities	28 200	37 200	36 987	213
Sundry charges	12 600	12 600	10 918	1 682
Maintenance	76 300	82 300	83 353	(1 053)
Capital outlay	68 425	42 425	46 448	(4 023)
TOTAL POLICE DEPARTMENT	1 890 050	1 787 050	1 745 739	41 811
Fire Department:				
Payroll	363 950	363 950	361 590	2 360
Supplies	8 650	8 650	3 584	5 066
Contractual services	11 500	11 500	7 735	3 765
Utilities	12 500	12 500	15 053	(2 553)
Sundry charges	10 400	10 400	6 724	3 676
Maintenance	29 100	29 100	31 973	(2 873)
Capital outlay	31 000	25 000	7 627	17 373
TOTAL FIRE DEPARTMENT	467 100	467 100	434 286	26 814
Animal Control Department:				
Supplies	2 700	2 700	2 645	55
Contractual services	11 000	11 000	12 278	(1 178)
Utilities	150	150	202	(52)
Sundry charges	2 000	2 000	2 431	(431)
Maintenance	1 000	1 000	15	985
Capital outlay	1 000	1 000	-	1 000
TOTAL ANIMAL CONTROL DEPARTMENT	17 850	17 850	17 571	279
Emergency Management Department:				
Sundry charges	-	-	40	(40)
Maintenance	-	-	2	(2)
TOTAL EMERGENCY MANAGEMENT DEPARTMENT	-	-	42	(42)
TOTAL PUBLIC SAFETY	2 375 000	2 266 500	2 197 638	68 862

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Community Services:				
Airport Department:				
Payroll	48 050	48 050	47 118	932
Supplies	1 400	1 400	853	547
Contractual services	3 500	3 500	1 840	1 660
Utilities	9 650	9 650	10 835	(1 185)
Sundry charges	181 600	181 600	160 588	21 012
Maintenance	7 200	7 200	6 006	1 194
Capital outlay	-	-	2 374	(2 374)
TOTAL AIRPORT DEPARTMENT	251 400	251 400	229 614	21 786
Cemetery Department:				
Supplies	300	300	-	300
Contractual services	24 000	24 000	20 280	3 720
Maintenance	1 000	1 000	-	1 000
TOTAL CEMETERY DEPARTMENT	25 300	25 300	20 280	5 020
Parks Department:				
Payroll	41 900	41 900	40 956	944
Supplies	2 000	2 000	2 433	(433)
Contractual services	31 300	31 300	20 763	10 537
Utilities	12 600	22 600	14 038	8 562
Sundry charges	-	-	236	(236)
Maintenance	13 300	13 300	9 093	4 207
TOTAL PARKS DEPARTMENT	101 100	111 100	87 519	23 581
Civic Center Department:				
Payroll	99 050	92 850	85 798	7 052
Supplies	6 450	6 450	3 691	2 759
Contractual services	12 000	12 000	4 801	7 199
Utilities	20 800	20 800	21 312	(512)
Sundry charges	3 750	3 750	1 403	2 347
Maintenance	6 500	6 500	5 162	1 338
Capital outlay	1 500	1 500	-	1 500
TOTAL CIVIC CENTER DEPARTMENT	150 050	143 850	122 167	21 683
Community Facilities Department:				
Supplies	700	700	426	274
Contractual services	60 050	60 050	58 082	1 968
Utilities	8 200	8 200	12 489	(4 289)
Sundry charges	2 200	2 200	85	2 115
Maintenance	3 700	3 700	2 256	1 444
TOTAL COMMUNITY FACILITIES DEPARTMENT	74 850	74 850	73 338	1 512
TOTAL COMMUNITY SERVICES	602 700	606 500	532 918	73 582

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	176 700	176 700	168 312	8 388
Supplies	13 100	13 100	2 474	10 626
Contractual services	60 600	20 600	17 170	3 430
Utilities	72 500	72 500	78 610	(6 110)
Sundry charges	1 700	1 700	-	1 700
Maintenance	72 300	72 300	62 838	9 462
Capital outlay	26 000	6 000	-	6 000
TOTAL STREETS DEPARTMENT	422 900	362 900	329 404	33 496
TOTAL STREETS AND DRAINAGE	422 900	362 900	329 404	33 496
Sanitation:				
Sanitation Department:				
Supplies	500	500	-	500
Contractual services	1 050 000	1 091 000	1 092 606	(1 606)
Sundry charges	6 000	6 000	13 988	(7 988)
Maintenance	3 200	3 200	3 232	(32)
TOTAL SANITATION DEPARTMENT	1 059 700	1 100 700	1 109 826	(9 126)
TOTAL SANITATION	1 059 700	1 100 700	1 109 826	(9 126)
Inspection Services:				
Inspection Department:				
Payroll	117 200	117 200	117 770	(570)
Supplies	4 500	4 500	1 588	2 912
Contractual services	2 500	2 500	1 928	572
Utilities	5 800	5 800	4 558	1 242
Sundry charges	3 400	3 400	1 005	2 395
Maintenance	8 900	8 900	6 311	2 589
Capital outlay	300	300	-	300
TOTAL INSPECTION DEPARTMENT	142 600	142 600	133 160	9 440
TOTAL INSPECTION SERVICES	142 600	142 600	133 160	9 440
TOTAL EXPENDITURES	5 632 450	5 390 520	5 202 360	188 160
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(380 000)	(389 570)	(25 718)	363 852
Other Financing Sources (Uses):				
Operating transfers in	380 000	380 000	439 237	59 237
Operating transfers (out)	-	-	(61 700)	(61 700)
TOTAL OTHER FINANCING SOURCES (USES)	380 000	380 000	377 537	(2 463)
CHANGE IN FUND BALANCE	-	(9 570)	351 819	361 389
Fund balance at beginning of year	1 008 180	1 008 180	1 008 180	-
FUND BALANCE AT END OF YEAR	\$ 1 008 180	\$ 998 610	\$ 1 359 999	\$ 361 389

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF RETIREMENT FUNDING PROGRESS
Year Ended September 30, 2014

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIALLY ACCRUED LIABILITY	(3) PERCENTAGE FUNDED (1) / (2)	(4) UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (UAAL)	(5) ANNUAL COVERED PAYROLL	(6) UAAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
12/31/2011	\$ 6 696 107	\$ 9 464 647	70.7%	\$ 2 768 540	\$ 2 805 119	98.7%
12/31/2012	\$ 7 523 084	\$ 10 166 264	74.0%	\$ 2 643 180	\$ 2 915 018	90.7%
12/31/2013	\$ 8 271 905	\$ 11 528 368	71.8%	\$ 3 256 463	\$ 2 945 539	110.6%

See independent auditors' report.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Debt Service Fund

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

Permanent Fund

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

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND CEMETERY ENDOWMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 214 263	\$ 353 602	\$ 137 252	\$ 705 117
Receivables	1 692	243 016	-	244 708
Due from other funds	-	2 500	-	2 500
TOTAL ASSETS	\$ 215 955	\$ 599 118	\$ 137 252	\$ 952 325
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 165 574	\$ -	\$ 165 574
Deferred revenue	-	83 500	-	83 500
Due to other funds	-	133 224	-	133 224
TOTAL LIABILITIES	-	382 298	-	382 298
Fund Balances:				
Restricted for grants	-	216 820	-	216 820
Restricted for debt service	215 955	-	-	215 955
Other restrictions	-	-	137 252	137 252
TOTAL FUND BALANCES	215 955	216 820	137 252	570 027
TOTAL LIABILITIES AND FUND BALANCES	\$ 215 955	\$ 599 118	\$ 137 252	\$ 952 325

See independent auditors' report.

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2014

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND CEMETERY ENDOWMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:				
Taxes	\$ 530 040	\$ 234 481	\$ -	\$ 764 521
Grants and contributions	-	997 463	24	997 487
Fines and fees	-	10 932	-	10 932
Interest	1 208	117	704	2 029
Other	-	70 160	-	70 160
TOTAL REVENUES	<u>531 248</u>	<u>1 313 153</u>	<u>728</u>	<u>1 845 129</u>
Expenditures:				
Public safety	-	29 482	-	29 482
Community services	-	895 561	81	895 642
Streets and drainage	-	612 285	-	612 285
Debt Service:				
Principal	425 000	25 000	-	450 000
Interest and fiscal charges	<u>235 099</u>	<u>10 108</u>	<u>-</u>	<u>245 207</u>
TOTAL EXPENDITURES	<u>660 099</u>	<u>1 572 436</u>	<u>81</u>	<u>2 232 616</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(128 851)</u>	<u>(259 283)</u>	<u>647</u>	<u>(387 487)</u>
Other Financing Sources (Uses):				
Debt proceeds	-	875 000	-	875 000
Operating transfers in	134 291	71 939	-	206 230
Operating transfers (out)	<u>-</u>	<u>(601 018)</u>	<u>-</u>	<u>(601 018)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>134 291</u>	<u>345 921</u>	<u>-</u>	<u>480 212</u>
NET CHANGE IN FUND BALANCE	5 440	86 638	647	92 725
Fund balance at beginning of year	<u>210 515</u>	<u>130 182</u>	<u>136 605</u>	<u>477 302</u>
FUND BALANCES AT END OF YEAR	\$ <u>215 955</u>	\$ <u>216 820</u>	\$ <u>137 252</u>	\$ <u>570 027</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2014

	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	\$ 161 976	\$ 13 741	\$ 12 125
Receivables	-	42 000	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 22</u>	<u>\$ 42 010</u>	<u>\$ 161 976</u>	<u>\$ 13 741</u>	<u>\$ 12 125</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 6 058	\$ -
Deferred revenue	-	42 000	-	-	-
Due to other funds	-	133 014	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>175 014</u>	<u>-</u>	<u>6 058</u>	<u>-</u>
Fund Balance:					
Restricted	<u>22</u>	<u>(133 004)</u>	<u>161 976</u>	<u>7 683</u>	<u>12 125</u>
TOTAL FUND	<u>22</u>	<u>(133 004)</u>	<u>161 976</u>	<u>7 683</u>	<u>12 125</u>
TOTAL LIABILITIES FUND BALANCE	<u>\$ 22</u>	<u>\$ 42 010</u>	<u>\$ 161 976</u>	<u>\$ 13 741</u>	<u>\$ 12 125</u>

POLICE DEPT. FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	DISASTER RECOVERY GRANT	TAX INCREMENT FINANCING FUND	TXDOT STEP GRANT	INDUSTRIAL DEVELOPMENT FUND
\$ 6 945	\$ 23 111	\$ 10	\$ 10	\$ 13 418	\$ -	\$ 7 511
-	3 500	-	159 516	-	-	-
-	500	-	-	-	-	-
<u>\$ 6 945</u>	<u>\$ 27 111</u>	<u>\$ 10</u>	<u>\$ 159 526</u>	<u>\$ 13 418</u>	<u>\$ -</u>	<u>\$ 7 511</u>
\$ -	\$ -	\$ -	\$ 159 516	\$ -	\$ -	\$ -
-	3 500	-	-	-	-	-
-	-	-	10	-	-	-
-	3 500	-	159 526	-	-	-
<u>6 945</u>	<u>23 611</u>	<u>10</u>	<u>-</u>	<u>13 418</u>	<u>-</u>	<u>7 511</u>
<u>6 945</u>	<u>23 611</u>	<u>10</u>	<u>-</u>	<u>13 418</u>	<u>-</u>	<u>7 511</u>
<u>\$ 6 945</u>	<u>\$ 27 111</u>	<u>\$ 10</u>	<u>\$ 159 526</u>	<u>\$ 13 418</u>	<u>\$ -</u>	<u>\$ 7 511</u>

CITY OF CENTER, TEXAS
 COMBINING BALANCE SHEET - CONTINUED
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2014

	2014 TAX NOTES FUND	LOGIC PARK FUND	TCF CENTER MOTORS FUND	TCF CP HOMES FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS					
Cash and cash equivalents	\$ -	\$ 114 523	\$ 100	\$ 100	\$ 353 602
Receivables	-	38 000	-	-	243 016
Due from other funds	-	2 000	-	-	2 500
TOTAL ASSETS	\$ -	\$ 154 523	\$ 100	\$ 100	\$ 599 118
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 165 574
Deferred revenue	-	38 000	-	-	83 500
Due to other funds	-	-	100	100	133 224
TOTAL LIABILITIES	-	38 000	100	100	382 298
Fund Balance:					
Restricted	-	116 523	-	-	216 820
TOTAL FUND	-	116 523	-	-	216 820
TOTAL LIABILITIES FUND BALANCE	\$ -	\$ 154 523	\$ 100	\$ 100	\$ 599 118

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, 2014

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
Revenues:					
Taxes	\$ -	\$ 6 281	\$ 208 955	\$ -	\$ -
Grants and contributions	-	14 500	-	-	-
Fines and fees	-	-	-	6 250	4 682
Interest	-	2	-	-	14
Other	42 875	-	672	9	12 000
TOTAL REVENUES	<u>42 875</u>	<u>20 783</u>	<u>209 627</u>	<u>6 259</u>	<u>16 696</u>
Expenditures:					
Public safety	-	-	-	1 305	15 711
Community services	42 875	-	41 968	-	-
Streets and drainage	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	<u>42 875</u>	<u>-</u>	<u>41 968</u>	<u>1 305</u>	<u>15 711</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>20 783</u>	<u>167 659</u>	<u>4 954</u>	<u>985</u>
Other Financing Sources (Uses):					
Debt proceeds	-	-	-	-	-
Operating transfers in	-	-	-	-	354
Operating transfers (out)	-	-	(289 044)	(6 295)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(289 044)</u>	<u>(6 295)</u>	<u>354</u>
NET CHANGE IN FUND BALANCE	-	20 783	(121 385)	(1 341)	1 339
Fund balance, beginning of year	<u>22</u>	<u>(153 787)</u>	<u>283 361</u>	<u>9 024</u>	<u>10 786</u>
FUND BALANCE, END OF YEAR	\$ <u>22</u>	\$ <u>(133 004)</u>	\$ <u>161 976</u>	\$ <u>7 683</u>	\$ <u>12 125</u>

POLICE DEPT. FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	DISASTER RECOVERY GRANT	TAX INCREMENT FINANCING FUND	TXDOT STEP GRANT	INDUSTRIAL DEVELOPMENT FUND
\$ -	\$ -	\$ -	\$ -	\$ 19 245	\$ -	\$ -
-	5 000	16 910	797 373	-	56 680	-
-	-	-	-	-	-	-
8	12	-	-	-	-	7
<u>14 604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14 612</u>	<u>5 012</u>	<u>16 910</u>	<u>797 373</u>	<u>19 245</u>	<u>56 680</u>	<u>7</u>
12 466	-	-	-	-	-	-
-	5 605	7 740	797 373	-	-	-
-	-	-	-	-	57 075	-
-	-	-	-	10 108	-	-
<u>12 466</u>	<u>5 605</u>	<u>7 740</u>	<u>797 373</u>	<u>10 108</u>	<u>57 075</u>	<u>-</u>
2 146	(593)	9 170	-	9 137	(395)	7
-	-	-	-	-	-	-
-	-	45 679	-	16 021	385	-
<u>(10 838)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(10 838)</u>	<u>-</u>	<u>45 679</u>	<u>-</u>	<u>16 021</u>	<u>385</u>	<u>-</u>
(8 692)	(593)	54 849	-	25 158	(10)	7
<u>15 637</u>	<u>24 204</u>	<u>(54 839)</u>	<u>-</u>	<u>(11 740)</u>	<u>10</u>	<u>7 504</u>
\$ <u>6 945</u>	\$ <u>23 611</u>	\$ <u>10</u>	\$ <u>-</u>	\$ <u>13 418</u>	\$ <u>-</u>	\$ <u>7 511</u>

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2014

	2014 TAX NOTES FUND	LOGIC PARK FUND	TCF CENTER MOTORS FUND	TCF CP HOMES FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 234 481
Grants and contributions	-	107 000	-	-	997 463
Fines and fees	-	-	-	-	10 932
Interest	51	23	-	-	117
Other	-	-	-	-	70 160
TOTAL REVENUES	<u>51</u>	<u>107 023</u>	<u>-</u>	<u>-</u>	<u>1 313 153</u>
Expenditures:					
Public safety	-	-	-	-	29 482
Community services	-	-	-	-	895 561
Streets and drainage	555 210	-	-	-	612 285
Debt service	<u>25 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35 108</u>
TOTAL EXPENDITURES	<u>580 210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 572 436</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(580 159)</u>	<u>107 023</u>	<u>-</u>	<u>-</u>	<u>(259 283)</u>
Other Financing Sources (Uses):					
Debt proceeds	875 000	-	-	-	875 000
Operating transfers in	-	9 500	-	-	71 939
Operating transfers (out)	<u>(294 841)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(601 018)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>580 159</u>	<u>9 500</u>	<u>-</u>	<u>-</u>	<u>345 921</u>
NET CHANGE IN FUND BALANCE	-	116 523	-	-	86 638
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130 182</u>
FUND BALANCE, END OF YEAR	\$ <u>-</u>	\$ <u>116 523</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>216 820</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES
Year Ended September 30, 2014

	WATER AND SEWER ENTERPRISE FUND
Operating Revenues:	
Charges for Service:	
Water charges	\$ 2 534 070
Sewer charges	751 144
TOTAL	<u>3 285 214</u>
Taps and Connections:	
Water taps and connections	18 647
Sewer taps and connections	1 200
TOTAL	<u>19 847</u>
Miscellaneous Revenue:	
Administrative fees	5 550
Penalties	40 891
Reconnection fees	16 020
Miscellaneous receipts	12 481
TOTAL	<u>74 942</u>
 TOTAL OPERATING REVENUES	 \$ <u><u>3 380 003</u></u>
Nonoperating Revenues:	
Grants and contributions	\$ 20 000
Income from investments	1 656
TOTAL NONOPERATING REVENUES	\$ <u><u>21 656</u></u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES
Year Ended September 30, 2014

	WATER AND SEWER ENTERPRISE FUND
Operating Expenses:	
Nondepartmental:	
Payroll	\$ 160
Supplies	11 547
Contractual services	112 136
Sundry charges	26 367
TOTAL	<u>150 210</u>
Public Works:	
Payroll	147 140
Supplies	428
Contractual services	2 020
Utilities	10 011
Sundry charges	1 521
Maintenance	1 355
Capital outlay	1 071
TOTAL	<u>163 546</u>
Water Production:	
Payroll	373 881
Supplies	253 467
Contractual services	53 130
Utilities	273 470
Sundry charges	9 774
Maintenance	77 890
Capital outlay	13 832
TOTAL	<u>1 055 444</u>
Water Distribution:	
Payroll	174 921
Supplies	3 221
Contractual services	1 988
Utilities	2 054
Sundry charges	1 144
Maintenance	94 502
Capital outlay	2 147
TOTAL	<u>279 977</u>
Sewer Collection:	
Payroll	103 890
Supplies	1 458
Contractual services	1 974
Utilities	21 428
Sundry charges	50
Maintenance	33 245
Capital outlay	2 237
TOTAL	<u>164 282</u>

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - CONTINUED
Year Ended September 30, 2014

	WATER AND SEWER ENTERPRISE FUND
Sewer Treatment:	
Payroll	180 856
Supplies	25 746
Contractual services	43 860
Utilities	61 222
Sundry charges	17 526
Maintenance	68 307
Capital outlay	9 063
TOTAL	<u>406 580</u>
Depreciation:	
Depreciation	<u>604 954</u>
TOTAL OPERATING EXPENSES	\$ <u><u>2 824 993</u></u>
Nonoperating Expenses:	
Interest expense	\$ <u>60 835</u>
TOTAL NONOPERATING EXPENSES	\$ <u><u>60 835</u></u>

See independent auditors' report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS
INSURANCE COVERAGE
September 30, 2014
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/13 to 10/01/14	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/13 to 10/01/14	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/13 to 10/01/14	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/13 to 10/01/14	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/13 to 10/01/14	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/13 to 10/01/14	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/13 to 10/01/14	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/13 to 10/01/14	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/13 to 10/01/14	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/13 to 10/01/14	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/13 to 10/01/14	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/13 to 10/01/14	\$ 1 000 000

* Renewed at 10/01/2015

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS
September 30, 2014
"UNAUDITED"

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

Water Rates:

A. Monthly Minimum Charge:

Meter Size	Residential/ Commercial	Small Industrial/ Manufacturer 1 st 200,000 Gallons Incl.	Wholesale 1 st 50,000 Gallons Incl.	Large Industrial Manufacturer 1 st 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges Same Facility
5/8	\$10.19				
3/4	\$10.19				
1	\$14.42				
1.5	\$21.61				
2	\$28.80	\$ 693	\$ 205	\$10 877	\$ 41
3	\$43.16	\$ 767	\$ 279	\$11 013	\$ 114
4	\$57.58	\$ 909	\$ 421	\$11 285	\$ 255
6	\$86.32	\$1 162	\$ 673	\$11 783	\$ 511
8		\$1 548	\$1 058	\$12 531	\$ 894
10		\$2 057	\$1 568	\$13 517	\$1 404
Sprinklers	\$13.67				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.41
Small industrial/manufacturer	\$ 2.88
Wholesale	\$ 2.88
Large industrial/manufacturer	\$ 1.69
Over 1.75M/day or 30M/month	\$ 2.10
Over 2M/day or 40M/month	\$ 2.61

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	\$9.50 plus ½ of Water
Maximum	\$27.50

Commercial:

Minimum	\$9.50 plus ½ of Water
Maximum	None

Fixed Rates (Tyson office account)

\$100 per month

Outside City Limits:

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

Sewer Disposal

\$0.06 per gallon

At September 30, 2014, the records of the City indicated the following system connections:

Water System	2 446
Sewer System	2 446

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, 2014, and the related notes to the financial statements, which collectively comprise City of Center, Texas' basic financial statements, and have issued our report thereon dated April 13, 2015.

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.

A handwritten signature in black ink that reads "Axley & Rode LLP". The signature is written in a cursive, flowing style.

Lufkin, Texas
April 13, 2015

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

Honorable Mayor and City Council
City of Center
Center, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Center, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Center, Texas' major federal programs for the year ended September 30, 2014. City of Center, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Center, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Lufkin, Texas
April 13, 2015

CITY OF CENTER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grant for Clean Water
14.228	Community Block Development Grant

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

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF CENTER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2014

<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, 2014

None required for the current year.

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
U.S. Department of Housing and Urban Development:			
Passed Through Texas Department of Housing and Community Affairs:			
Community Development Block Grant	14.228	N/A	\$ 637 857
Home Investment Partnership	14.239	1001267	<u>54 209</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>692 066</u>
U.S. Department of Justice:			
Equitable Sharing Program	16.922	N/A	<u>1 722</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>1 722</u>
U.S. Department of Transportation:			
Passed through Texas Department of Transportation:			
Airport Improvement Program	20.106	N/A	2 125
Highway Planning and Construction	20.205	N/A	<u>56 680</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>58 805</u>
Environmental Protection Agency::			
Capitalization Grants for Clean Water	66.458	N/A	<u>119 380</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>119 380</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ <u>871 973</u>

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

CITY OF CENTER, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

Basis of Presentation

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