

CITY OF CENTER
Center, Texas

ANNUAL FINANCIAL REPORT

September 30, 2017

C O N T E N T S

INTRODUCTORY SECTION

Principal City Officials	3
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FINANCIAL SECTION

Independent Auditors' Report	4
Management's Discussion and Analysis.....	6

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	15
Statement of Activities	16

Fund Financial Statements:

Balance Sheet - Governmental Funds.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	23
Statement of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements.....	27

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	47
Schedule of Changes in Net Pension Liability and Related Ratios	51

Supplementary Information:

List of Nonmajor Governmental Funds	53
Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	56
Combining Balance Sheet - Nonmajor Special Revenue Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	61
Schedule of Revenues - Proprietary Funds	64
Schedule of Expenses - Proprietary Funds	65

STATISTICAL SECTION

Insurance Coverage	68
Water and Sewer Rates and System Connections	69

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 <i>Government Auditing Standards</i>	73
Schedule of Findings and Questioned Cost	75
Summary Schedule of Prior Audit Findings	76
Corrective Action Plan.....	77

CITY OF CENTER, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2017

GOVERNING BODY

Honorable David Chadwick, Mayor

CITY COUNCIL

Leigh Porterfield - Mayor Pro-Tem

Joyce Johnson - District 1

Jerry Lathan - District 2

Howell Howard - District 3

Randy Collard - District 4

Terry Scull - At Large

OTHER PRINCIPAL OFFICIALS

Chad Nehring City Manager
Jim Gibson Asst. City Manager
Barbara Boyd City Secretary
James Payne City Attorney

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of changes in net pension liability and related ratios on pages 6-13, 44-47 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center, Texas' basic financial statements. The introductory section, the supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report on page 73 - 74 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lufkin, Texas
March 26, 2018


CERTIFIED PUBLIC ACCOUNTANTS



Management's Discussion and Analysis

As management of the City of Center, Texas, we offer readers of the City of Center's financial statements this narrative overview and analysis of the financial activities of the City of Center (City) for the fiscal year ended September 30, 2017.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year resulting in a total net position of \$26,648,363, which is an increase of \$756,789 (*net position*).
- Government activities change in net position increased \$1,234,009 to \$14,425,297, mostly from additional capital assets.
- The City's governmental funds reported combined ending fund balances of \$1,948,798 a decrease of \$621,326 from the prior year of \$2,571,816.
- The fund balance for the general fund was \$1,583,305 or 35.6% of total general fund expenditures and increased \$296,774 during this fiscal year. This is following an additional adjustment of approximately \$200,000 to the fund balance at the end of FY 2016.
- The Water and Sewer Fund operating revenues exceeded expenses resulting in operating income of \$378,408 and the fund generated a decrease in net position of \$468,826 to \$12,159,997 from the use of bond proceeds for capital assets.
- The Utility Fund experienced a one-time miscellaneous revenue of \$75,000 for tree clearing on City property.
- The Wastewater Treatment Plant became fully depreciated in FY 2017, which coincides with the plant reconstruction project.
- The combined non-major governmental funds experienced a decrease in fund balance of \$125,038 to \$518,604.
- The 4B Street Improvements for Economic Development is shown as a component unit of the City. The annual street program is recorded as an expense in the Governmental Funds so that the asset can be recorded.
- An additional internal service fund (Technology Fund) was created and fully funded at the end of FY 2017.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City of Center maintains seventeen 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 balance. 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.

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Center's progress in funding its obligations to provide retirement benefits to its employees. This required supplementary information can be found after the notes to financial statements on page 47 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 54 -63 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$26,648,363 at the close of fiscal year 2017. This represents an increase of \$756,789 from the 2016 net position of \$25,891,574.

By far the largest portion of the City's assets (\$23,685,391), 89%, reflects its net investment in capital assets (e.g., land, buildings, vehicles and equipment), less the outstanding balance of related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This year's net position values indicate increases because of acquisition and construction of assets through the Capital Projects Fund.

City of Center's Combined Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3 297 366	\$ 3 800 149	\$ 4 191 819	\$ 6 588 050	\$ 7 489 185	\$ 10 388 200
Capital assets (net of depreciation)	21 908 448	20 866 758	14 455 700	12 029 788	36 364 148	32 916 546
Total Assets	25 205 814	24 686 907	18 647 519	18 617 838	43 853 333	43 304 746
Deferred outflow	587 706	711 995	221 138	239 521	808 844	951 516
Long-term liabilities outstanding	9 201 141	10 401 850	5 310 445	5 624 770	14 511 586	16 026 620
Other liabilities	1 205 799	1 493 004	1 167 366	574 773	2 373 165	2 067 777
Total Liabilities	10 406 940	11 894 854	6 477 811	6 199 543	16 884 751	18 094 397
Deferred inflow	1 030 322	311 068	167 780	47 531	1 198 102	358 599
Net Position:						
Net Investment in capital assets	13 944 691	12 180 609	9 740 700	7 071 328	23 685 391	19 251 937
Restricted	518 604	1 285 285	2 400 244	5 390 249	2 918 848	6 675 534
Unrestricted	(37 998)	(272 914)	82 122	148 708	44 124	(124 205)
Total Net Position	\$ 14 425 297	\$ 12 866 454	\$ 12 223 066	\$ 12 610 285	\$ 26 648 363	\$ 25 803 266

Deferred inflow in Governmental Activities is inclusive of pledges made for Portacool Park and the Softball Complex.

An additional portion of the City's net position, \$2,918,848 (11%), represents resources that are subject to external restrictions on how they may be used.

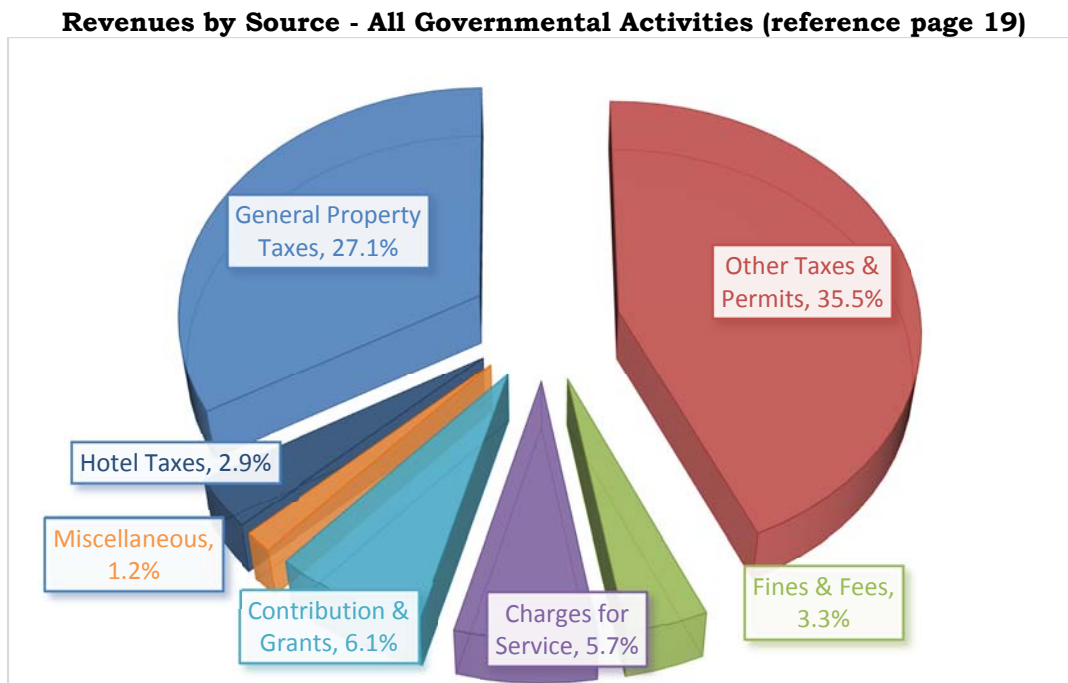
Values for newly constructed, major infrastructure (i.e. streets, drainage) are included in the value of capital assets.

City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for services	\$ 347 220	\$ 384 667	\$ 5 259 494	\$ 5 078 543	\$ 5 606 714	\$ 5 463 210
Operating grants and contributions	235 448	15 596	-	-	235 448	15 596
Capital grants and contributions	168 904	321 763	86 271	-	255 175	321 763
General Revenues:						
Property taxes	1 775 718	1 639 184	-	-	1 775 718	1 639 184
Other taxes	2 704 074	2 384 704	-	-	2 704 074	2 384 704
Other	431 973	431 173	33 849	10 786	465 822	441 959
Total Revenues	<u>5 663 377</u>	<u>5 177 087</u>	<u>5 379 614</u>	<u>5 089 329</u>	<u>11 042 951</u>	<u>10 266 416</u>
Expenses:						
General government	1 191 169	1 113 669	-	-	1 191 169	1 113 669
Public safety	2 426 472	2 468 867	-	-	2 426 472	2 468 867
Community services	1 364 917	1 297 606	-	-	1 364 917	1 297 606
Streets and drainage	1 015 571	955 707	-	-	1 015 571	955 707
Sanitation	-	-	1 366 503	1 151 852	1 366 503	1 151 852
Inspections	65 679	109 613	-	-	65 679	109 613
Interest on long-term debt	518 317	234 615	-	-	518 317	234 615
Water and sewer	-	-	3 303 331	3 634 352	3 303 331	3 634 352
Total Expenses	<u>6 582 125</u>	<u>6 180 140</u>	<u>4 669 834</u>	<u>4 786 204</u>	<u>11 251 959</u>	<u>10 966 344</u>
Transfers	2 152 797	1 388 120	(1 187 000)	(560 698)	965 797	827 422
Increase (decrease) in net position	<u>1 234 009</u>	<u>385 066</u>	<u>(477 220)</u>	<u>(284 306)</u>	<u>756 789</u>	<u>100 761</u>
Net Position, Ending	<u>\$ 14 425 297</u>	<u>\$ 13 192 980</u>	<u>\$ 12 223 066</u>	<u>\$ 12 610 285</u>	<u>\$ 26 648 363</u>	<u>\$ 25 803 266</u>

Governmental Activities. Governmental activities increased the City of Center's net position by \$1,234,009. Key elements of this increase are as follows:

- Governmental Fund Transfers increased \$764,677 from prior year revenues. This is mostly from transfers from the Utility and Sanitation Funds;
- Governmental Expenses increased \$401,985 from prior year expenses;

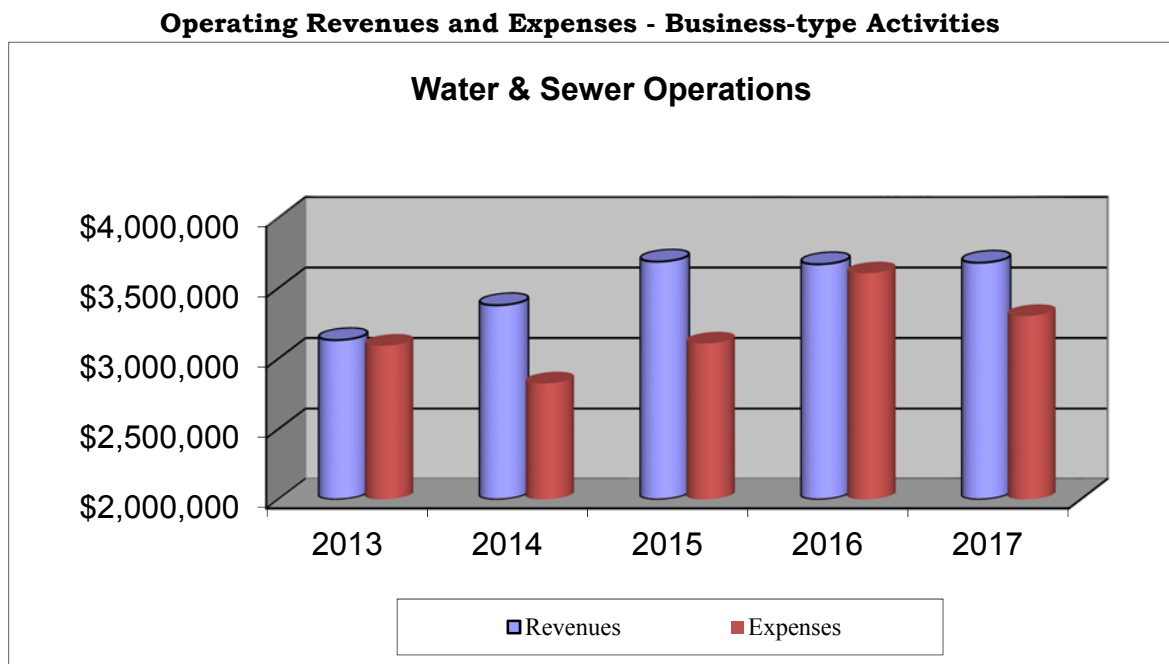


Business-Type Activities. Business-type activities decreased the total government's net position by \$477,220. Key elements of this change are as follows:

- Operating revenues increased \$180,951 to \$5,259,494 from \$5,078,543. This is a result of revenue increases in Sanitation of \$169,846 with an addition revenue increase in Water-Sewer of \$11,105
- Operating expenses decreased \$87,555 to \$4,669,834 from \$4,757,035. Water-Sewer expenses decreased \$302,206 while Sanitation expenses increased \$214,651.

Proprietary Funds. The City of Center's proprietary funds (pages 21-26) 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 \$590,014.
- Including non-operating expenses, primarily costs of debt and transfers, Change in Net Position is (\$468.826). Transfers were more accurately reported in FY 2017, which includes transfers to the General Fund, Debt Fund, Technology Fund, and Capital Improvement Fund.



As a component of Total Net Position, the Unrestricted Net Position of the Proprietary Funds at the end of the current fiscal year is \$82,122. The decrease in net position for Business-Type Activities totaled \$477,220. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

Internal Service Funds. The City operates two Internal Service Funds: the Technology Fund and Equipment Replacement Fund. The Technology Fund was fully capitalized in FY 2017 by transfers from the General and Utility Funds. The Equipment Replacement Fund was created in FY 2016 and will be fully capitalized in FY 2018. The net position for the Equipment Replacement Fund increased \$60,748 to \$365,794. However, the Fund had a reduction in cash of \$80,330, bringing its cash at the end of the year to \$224,716. This is a result of the Fund purchasing assets and expensing the cash with a portion of the vehicles already being depreciated.

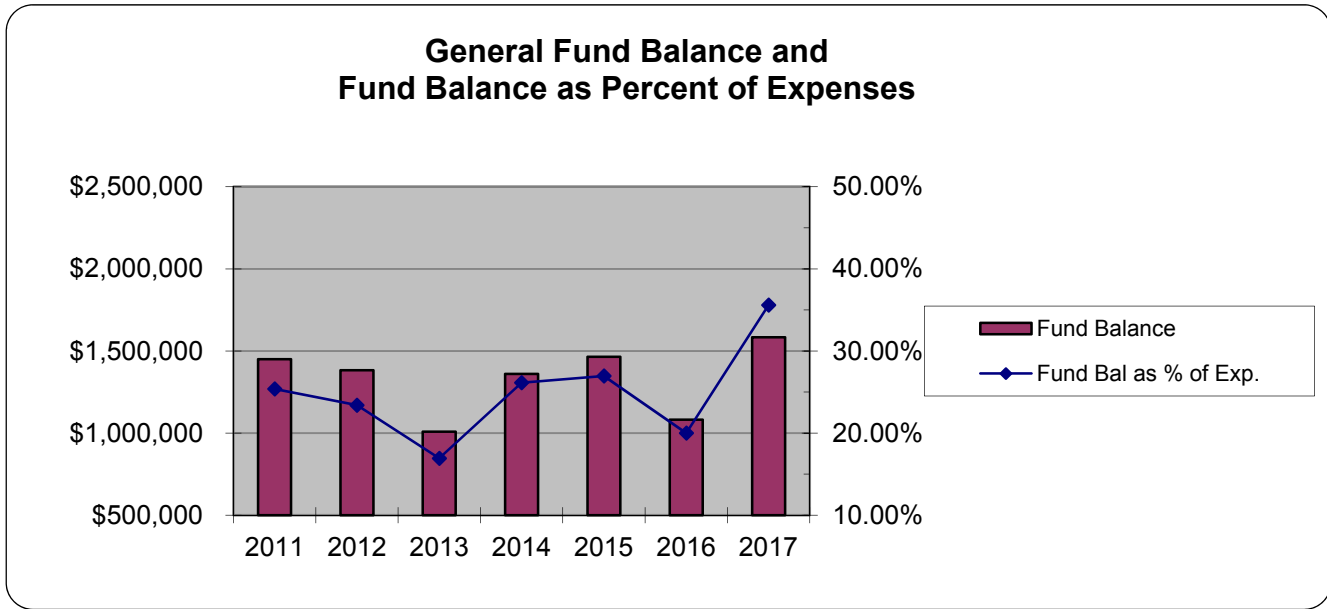
Financial Analysis of the Government's Funds

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 \$1,948,798, a decrease of \$621,326 from the prior year. Approximately 81% of this total amount, \$1,583,305, constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remaining 18% of fund balance is *restricted* to indicate that it is not available for spending because it has already been committed and dedicated to 1) pay debt service, 2) for perpetual trust 3) for capital projects or 4) grant projects.

The general fund is the chief operating fund of the City of Center. At the end of the current fiscal year, total general fund balance was \$1,583,305. The fund balance of the City's general fund increased by \$501,249 during the current fiscal year. A portion of this is due to an adjustment in FY 2016 to account for the transfer from the Sanitation Fund. Further, revenues exceeded expenditures for the General Fund by \$297,674. 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 35.6% 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 47-50.

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues increased from the budget by \$150,425. Total expenditures decreased from the budget by \$138,140. After transfers to and from other funds, namely the creation of the Technology Fund, the general fund experienced an increase in the fund balance of \$297,674, found on page 50.

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 \$36,364,148 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$32,916,546. This investment in capital assets includes land, buildings, improvements, vehicles and equipment. Due to the size of the City, past asset valuations for major infrastructure (streets, bridges, drainage, etc.) are not required to comply with reporting requirements, however beginning in fiscal year 2004, the City began prospectively accumulating values for these major capital assets.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 43 872	\$ 43 872	\$ 638 805	\$ 638 805	\$ 682 677	\$ 682 677
Buildings	7 059 839	7 280 819	-	-	7 059 839	7 280 819
Improvements other than buildings	2 965 089	2 967 461	-	-	2 965 089	2 967 461
Machinery and equipment	642 213	720 600	747 186	813 826	1 389 399	1 534 426
Buildings and systems	-	-	9 729 831	10 244 980	9 729 831	10 244 980
Infrastructure	10 219 688	8 941 712	-	-	8 336 349	8 941 712
Construction in progress	977 747	932 294	3 339 878	332 177	4 317 625	1 264 471
Total	<u>\$ 21 908 448</u>	<u>\$ 20 886 758</u>	<u>\$ 14 455 700</u>	<u>\$ 12 029 788</u>	<u>\$ 36 364 148</u>	<u>\$ 32 916 546</u>

Long-Term Debt. At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$11,670,000, a decrease from last year's total bonded debt of \$12,395,000. All is backed by the full faith and credit of the government.

Short-Term Notes Payable. Short-term notes payable includes a note by the City's Tax Increment Reinvestment Zone Fund to the Center Economic Development Corporation in 2011.

City of Center's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 6 955 000	\$ 7 455 000	\$ 4 715 000	\$ 4 940 000	\$ 11 670 000	\$ 12 395 000
Compensated absences	94 652	90 109	35 835	32 694	130 487	122 803
Notes payable	810 934	1 034 083	-	-	810 934	1 034 083
Total	<u>\$ 7 860 586</u>	<u>\$ 8 579 192</u>	<u>\$ 4 750 835</u>	<u>\$ 4 972 694</u>	<u>\$ 12 611 421</u>	<u>\$ 13 551 886</u>

The City of Center's debt issuance rating by Moody's was upgraded in 2007 from a rating of "Baa2" to a rating of "A2". This pertains to the current debt issuances for general obligation and any other bonded debt. This rating was reaffirmed by Moody's in 2017.

As a Home Rule City, the City of Center, Texas is not limited by law in the amount of debt it may issue. However, the City's Debt Management Policy limits total ad valorem supported outstanding debt to 4% of the taxable base. Utility Fund debt service is limited to 20% of Utility Fund expenditures.

Additional information on the City's long-term debt can be found in note 3. D. on pages 37-39 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of August 2017 for Shelby County, according to Texas Workforce Commission statistics, is 5.4%. The unemployment rates for August 2017, according to the Texas Workforce Commission, are 4.5% for the State of Texas and 5.4% for the Deep East Texas Region.

- The City's total state sales tax receipts, including the 1¼% for governmental purposes and the two Economic Development Corporations, for the current fiscal year, totaled \$3,069,326 an increase of \$81,807 or 2.7% from the previous year (\$1,879,768). This indicates a continued slowing of the growth of the prior two years primarily resulting from decreases in retail outlets and overall taxable sales but specifically those related to oil and gas industry activities.
- Economic trends in the area are stabilizing relative to state and national indices and trends.

All of these factors were considered in preparing the City of Center's budget for the 2017 fiscal year.

Requests for Information

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

FINANCIAL STATEMENTS

CITY OF CENTER, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
ASSETS				
Cash and cash equivalents	\$ 2 279 838	\$ 1 120 895	\$ 3 400 733	\$ 1 541 190
Receivables (net)	846 471	593 422	1 439 893	476 522
Due from other governments	155 021	-	155 021	93 013
Inventories	16 036	77 258	93 294	-
Restricted Assets:				
Cash and cash equivalents	-	2 400 244	2 400 244	-
Capital assets (net of accumulated depreciation)	21 908 448	14 455 700	36 364 148	364 008
TOTAL ASSETS	25 205 814	18 647 519	43 853 333	2 474 733
DEFERRED OUTFLOWS				
Deferred outflow - Pension	319 121	120 077	439 198	-
Deferred outflow - Subsequent contribution	268 585	101 061	369 646	-
TOTAL DEFERRED OUTFLOWS	587 706	221 138	808 844	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	25 793 520	18 868 657	44 662 177	2 474 733
LIABILITIES				
Current Liabilities:				
Accounts payable	180 259	738 961	919 220	-
Accrued liabilities	122 922	34 335	157 257	-
Accrued interest payable	33 462	22 591	56 053	-
Premium on bond issue	164 361	-	164 361	-
Customer deposits payable	-	161 479	161 479	-
Due within one year	704 795	210 000	914 795	-
Noncurrent Liabilities:				
Due in more than one year	9 201 141	5 310 445	14 511 586	-
TOTAL LIABILITIES	10 406 940	6 477 811	16 884 751	-
DEFERRED INFLOWS				
Deferred inflows - Pension	445 901	167 780	613 681	-
Unavailable revenues	584 421	-	584 421	-
TOTAL DEFERRED INFLOWS	1 030 322	167 780	1 198 102	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	11 437 262	6 645 591	18 082 853	-
NET POSITION				
Net Investment in capital assets	13 944 691	9 740 700	23 685 391	364 008
Restricted for:				
Debt service	121 937	-	121 937	-
Grants	234 576	-	234 576	-
Capital projects	-	2 400 244	2 400 244	-
Perpetual care	162 091	-	162 091	-
Unrestricted	(37 998)	82 122	44 124	2 110 725
TOTAL NET POSITION	\$ 14 425 297	\$ 12 223 066	\$ 26 648 363	\$ 2 474 733

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, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1 191 169	\$ 5 989	\$ -	\$ -
Public safety	2 426 472	17 539	5 403	-
Community services	1 364 917	306 396	230 045	-
Streets and drainage	1 015 571	-	-	168 904
Sanitation	-	33	-	-
Inspections	65 679	17 263	-	-
Interest on long-term debt	518 317	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6 582 125</u>	<u>347 220</u>	<u>235 448</u>	<u>168 904</u>
Business-Type Activities:				
Water and sewer fund	3 303 331	3 681 385	-	86 271
Sanitation fund	1 366 503	1 578 109	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4 669 834</u>	<u>5 259 494</u>	<u>-</u>	<u>86 271</u>
 TOTAL PRIMARY GOVERNMENT	 \$ <u>11 251 959</u>	 \$ <u>5 606 714</u>	 \$ <u>235 448</u>	 \$ <u>255 175</u>
 Component Units:				
Economic Development	\$ 114 668	\$ -	\$ -	\$ -
Economic Development				
Street Improvement	26 700	-	21 007	-
TOTAL COMPONENT UNITS	<u>\$ 141 368</u>	<u>\$ -</u>	<u>\$ 21 007</u>	<u>\$ -</u>
 General Revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes and permits				
Unrestricted investment earnings				
Other unrestricted revenue				
Transfers				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
 Net position - Beginning				
Prior period adjustment				
NET POSITION - BEGINNING, RESTATED				
 NET POSITION - ENDING				

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	ECONOMIC DEVELOPMENT CORPORATIONS
\$ (1 185 180)	\$ -	\$ (1 185 180)	\$ -
(2 403 530)	-	(2 403 530)	-
(828 476)	-	(828 476)	-
(846 667)	-	(846 667)	-
33	-	33	-
(48 416)	-	(48 416)	-
(518 317)	-	(518 317)	-
(5 830 553)	-	(5 830 553)	-
-	464 325	464 325	-
-	211 606	211 606	-
-	675 931	675 931	-
(5 830 553)	675 931	(5 154 622)	-
-	-	-	(114 668)
-	-	-	(5 693)
-	-	-	(120 361)
1 775 718	-	1 775 718	-
1 915 501	-	1 915 501	-
788 573	-	788 573	1 149 300
40 846	30 700	71 546	23 099
391 127	3 149	394 276	353
2 152 797	(1 187 000)	965 797	(965 797)
7 064 562	(1 153 151)	5 681 940	206 955
1 234 009	(477 220)	756 789	86 594
13 192 980	12 610 286	25 803 266	2 388 139
(1 692)	90 000	88 308	-
13 191 288	12 700 286	25 891 574	2 388 139
\$ 14 425 297	\$ 12 223 066	\$ 26 648 363	\$ 2 474 733

CITY OF CENTER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2017

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 1 370 282	\$ (116 709)	\$ 643 595	\$ 1 704 679
Receivables (Net of Uncollectibles):				
Taxes	260 853	-	204 703	2 704 074
Accounts	-	-	508 000	508 000
Court fines receivable	7 425	-	-	7 425
Governmental agencies	155 021	-	-	155 021
Sundry	70 193	-	-	70 193
Due from other funds	226 192	-	500	226 692
Inventories	16 036	-	-	16 036
TOTAL ASSETS	\$ 2 106 002	\$ (116 709)	\$ 1 258 045	\$ 3 247 338
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 139 363	\$ 36 302	\$ 772	\$ 176 437
Accrued liabilities	118 345	-	4 577	122 922
Due to other funds	500	100	226 092	226 692
TOTAL LIABILITIES	258 208	36 402	231 441	526 051
Deferred Inflows:				
Unearned revenue	264 489	-	508 000	772 489
TOTAL DEFERRED INFLOWS	264 489	-	508 000	772 489
Fund Balances:				
Restricted for:				
Debt service	-	-	121 937	121 937
Grants	-	-	234 576	234 576
Other purposes	-	(153 111)	162 091	8 980
Unassigned:				
General fund	1 583 305	-	-	1 583 305
TOTAL FUND BALANCES	1 583 305	(153 111)	518 604	1 948 798
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2 106 002	\$ (116 709)	\$ 1 258 045	
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.				21 908 448
An internal service fund is used for equipment acquisition and replacement. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.				272 898
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				257 107
Long-term liabilities, including bonds and pensions, are not due and payable in the current period and, therefore, are not reported in the funds				(9 961 954)
NET POSITION OF GOVERNMENTAL ACTIVITIES				\$ 14 425 297

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, 2017

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 1 061 084	\$ -	\$ 848 298	\$ 1 909 382
Other local taxes and permits	2 499 371	-	-	2 499 371
Fines and fees	220 369	-	9 102	229 471
Charges for services	228 948	-	170 524	399 472
Contributions and grants	4 153	246 533	180 730	431 416
Miscellaneous	3 300	-	79 040	82 340
TOTAL REVENUES	<u>4 017 225</u>	<u>246 533</u>	<u>1 287 694</u>	<u>5 551 452</u>
Expenditures:				
General government	1 171 564	-	-	1 171 564
Public safety	2 339 930	-	16 000	2 355 930
Community services	497 165	944 990	462 469	1 904 624
Streets and drainage	368 753	147 964	965 797	1 482 514
Inspections	67 648	-	-	67 648
Debt Service:				
Principal	-	-	879 259	879 259
Interest and fiscal charges	-	-	381 450	381 450
TOTAL EXPENDITURES	<u>4 445 060</u>	<u>1 092 954</u>	<u>2 704 975</u>	<u>8 242 989</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(427 835)</u>	<u>(846 421)</u>	<u>(1 417 281)</u>	<u>(2 691 537)</u>
Other Financing Sources (Uses):				
Interest income	10 643	19 689	8 082	38 414
Transfers in	770 000	33 670	1 560 737	2 364 407
Transfers (out)	(56 034)	-	(276 576)	(332 610)
TOTAL OTHER FINANCING SOURCES (USES)	<u>724 609</u>	<u>53 359</u>	<u>1 292 243</u>	<u>2 070 211</u>
NET CHANGE IN FUND BALANCES	296 774	(793 062)	(125 038)	(621 326)
Fund balances at beginning of year	1 286 531	639 951	645 334	2 571 816
Prior period adjustment	-	-	(1 692)	(1 692)
BEGINNING NET POSITION, RESTATED	<u>1 286 531</u>	<u>639 951</u>	<u>643 642</u>	<u>2 570 124</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1 583 305</u>	<u>\$ (153 111)</u>	<u>\$ 518 604</u>	<u>\$ 1 948 798</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, 2017

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

Net change in fund balances - Total governmental funds	\$ (621 326)
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 depreciation exceeded outlays in the current period.	880 612
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	71 039
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	108 930
The issuance of long-term debt (e.g., bonds, notes, and pension) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>794 754</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>1 234 009</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, 2017

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1 202 611	\$ (81 716)	\$ 1 120 895
Receivables (Net):			
Accounts	325 239	259 659	584 898
Sundry	8 524	-	8 524
Inventories	77 258	-	77 258
TOTAL CURRENT ASSETS	<u>1 613 632</u>	<u>177 943</u>	<u>1 791 575</u>
Noncurrent Assets:			
Restricted cash	2 400 244	-	2 400 244
Capital Assets:			
Land	638 805	-	638 805
Utility systems	27 108 668	-	27 108 668
Equipment	3 363 900	55 682	3 419 582
Construction in progress	3 339 878	-	3 339 878
Less accumulated depreciation	<u>(20 008 158)</u>	<u>(43 075)</u>	<u>(20 051 233)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>14 443 093</u>	<u>12 607</u>	<u>14 455 700</u>
TOTAL NONCURRENT ASSETS	<u>16 843 337</u>	<u>12 607</u>	<u>16 855 944</u>
TOTAL ASSETS	<u>18 456 969</u>	<u>190 550</u>	<u>18 647 519</u>
DEFERRED OUTFLOWS			
Deferred outflow - Pension	120 077	-	120 077
Deferred outflow - Subsequent contributions	101 061	-	101 061
TOTAL DEFERRED OUTFLOWS	<u>221 138</u>	<u>-</u>	<u>221 138</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>18 678 107</u>	<u>190 550</u>	<u>18 868 657</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	611 480	127 481	738 961
Accrued expense	34 335	-	34 335
Debt payable - Current	210 000	-	210 000
Accrued interest payable	22 591	-	22 591
Customer deposits payable	161 479	-	161 479
TOTAL CURRENT LIABILITIES	<u>1 039 885</u>	<u>127 481</u>	<u>1 167 366</u>
Noncurrent Liabilities:			
Compensated absences	35 835	-	35 835
Pension liability	769 610	-	769 610
Long term debt payable	4 505 000	-	4 505 000
TOTAL NONCURRENT LIABILITIES	<u>5 310 445</u>	<u>-</u>	<u>5 310 445</u>
TOTAL LIABILITIES	<u>6 350 330</u>	<u>127 481</u>	<u>6 477 811</u>
DEFERRED INFLOWS			
Deferred inflow - Pension	167 780	-	167 780
TOTAL DEFERRED INFLOWS	<u>167 780</u>	<u>-</u>	<u>167 780</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>6 518 110</u>	<u>127 481</u>	<u>6 645 591</u>
NET POSITION			
Investment in capital assets, net of related debt	9 728 093	12 607	9 740 700
Restricted for capital projects	2 400 244	-	2 400 244
Unrestricted	31 660	50 462	82 122
TOTAL NET POSITION	<u>\$ 12 159 997</u>	<u>\$ 63 069</u>	<u>\$ 12 223 066</u>

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

INTERNAL SERVICE FUNDS			
EQUIPMENT REPLACEMENT FUND		TECHNOLOGY FUND	
\$	224 716	\$	52 004
	-		-
	-		-
	-		-
	<u>224 716</u>		<u>52 004</u>
	-		-
	-		-
	-		-
	176 347		-
	-		-
	<u>(35 269)</u>		<u>-</u>
	141 078		-
	<u>141 078</u>		<u>-</u>
	<u>365 794</u>		<u>52 004</u>
	-		-
	-		-
	<u>-</u>		<u>-</u>
	<u>365 794</u>		<u>52 004</u>
	-		3 822
	-		-
	-		-
	-		-
	-		-
	<u>-</u>		<u>3 822</u>
	-		-
	-		-
	<u>-</u>		<u>-</u>
	-		-
	-		-
	<u>-</u>		<u>-</u>
	141 078		-
	-		-
	<u>224 716</u>		<u>48 182</u>
\$	<u>365 794</u>	\$	<u>48 182</u>

CITY OF CENTER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2017

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for service	\$ 3 494 823	\$ 1 578 109	\$ 5 072 932
Taps and connections	3 650	-	3 650
Miscellaneous	182 912	-	182 912
TOTAL OPERATING REVENUES	<u>3 681 385</u>	<u>1 578 109</u>	<u>5 259 494</u>
Operating Expenses:			
Nondepartmental	69 288	-	69 288
Public works	252 601	-	252 601
Water production	1 267 656	-	1 267 656
Water distribution	340 881	-	340 881
Sewer collection	228 904	-	228 904
Sewer treatment	537 647	-	537 647
Sanitation	-	1 360 650	1 360 650
Depreciation	606 000	5 853	611 853
TOTAL OPERATING EXPENSES	<u>3 302 977</u>	<u>1 366 503</u>	<u>4 669 480</u>
OPERATING INCOME	<u>378 408</u>	<u>211 606</u>	<u>590 014</u>
Nonoperating Revenues (Expenses):			
Income from investments	30 700	-	30 700
Interest expense	(354)	-	(354)
Other revenue	3 149	-	3 149
Grants and contributions	86 271	-	86 271
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>119 766</u>	<u>-</u>	<u>119 766</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	<u>498 174</u>	<u>211 606</u>	<u>709 780</u>
Operating transfers in (out)	<u>(967 000)</u>	<u>(220 000)</u>	<u>(1 187 000)</u>
TOTAL NET OPERATING TRANSFERS	<u>(967 000)</u>	<u>(220 000)</u>	<u>(1 187 000)</u>
CHANGE IN NET POSITION	<u>(468 826)</u>	<u>(8 394)</u>	<u>(477 220)</u>
Beginning net position	12 538 823	71 463	12 610 286
Prior period adjustment	90 000	-	90 000
BEGINNING NET POSITION, RESTATED	<u>12 628 823</u>	<u>71 463</u>	<u>12 700 286</u>
NET POSITION, END OF YEAR	<u>\$ 12 159 997</u>	<u>\$ 63 069</u>	<u>\$ 12 223 066</u>

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

INTERNAL SERVICE FUNDS	
EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
\$ 24 589	\$ -
-	-
-	-
24 589	-
-	3 822
-	-
-	-
-	-
-	-
-	-
35 269	-
35 269	3 822
(10 680)	(3 822)
2 428	4
-	-
-	-
-	-
2 428	4
(8 252)	(3 818)
69 000	52 000
69 000	52 000
60 748	48 182
305 046	-
\$ 365 794	\$ 48 182

CITY OF CENTER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2017

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Cash Flows from Operating Activities:			
Received from customers	\$ 3 825 419	\$ 1 554 017	\$ 5 379 436
Payments to suppliers	(864 586)	(1 338 671)	(2 203 257)
Payments to employees	(1 228 674)	-	(1 228 674)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1 732 159</u>	<u>215 346</u>	<u>1 947 505</u>
Cash Flows from Noncapital Financing Activities:			
Contributions and grants received	86 271	-	86 271
Operating transfers in (out)	(967 000)	(220 000)	(1 187 000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(880 729)</u>	<u>(220 000)</u>	<u>(1 100 729)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(3 308 473)	-	(3 308 473)
Principal paid on debt	(135 000)	-	(135 000)
Interest paid on debt	(354)	-	(354)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3 173 119)</u>	<u>-</u>	<u>(3 173 119)</u>
Cash Flows from Investing Activities:			
Interest on investments	30 700	-	30 700
Royalties	3 149	-	3 149
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>33 849</u>	<u>-</u>	<u>33 849</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2 287 840)	(4 654)	(2 292 494)
Cash at beginning of year	5 890 695	(77 062)	5 813 633
CASH AT END OF YEAR	<u>\$ 3 602 855</u>	<u>\$ (81 716)</u>	<u>\$ 3 521 139</u>

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating income (loss)	\$ 378 408	\$ 211 606	\$ 590 014
Adjustments:			
Depreciation	606 000	5 853	611 853
Changes in:			
Accounts receivable	139 982	(24 092)	115 890
Inventory	(12 153)	-	(12 153)
Deferred charges	138 632	-	138 632
Accounts payable	542 882	21 979	564 861
Accrued expense	1 181	-	1 181
Accrued compensated absences	3 141	-	3 141
Pension liability	(69 966)	-	(69 966)
Customer deposits	4 052	-	4 052
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	<u>\$ 1 732 159</u>	<u>\$ 215 346</u>	<u>\$ 1 947 505</u>

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

INTERNAL SERVICE FUNDS	
EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
\$ 24 589	\$ -
-	-
-	-
24 589	-
-	-
69 000	52 000
69 000	52 000
(176 347)	-
-	-
-	-
(176 347)	-
2 428	4
-	-
2 428	4
(80 330)	52 004
305 046	-
\$ 224 716	\$ 52 004

\$ (10 680)	\$ (3 822)
35 269	-
-	-
-	-
-	-
-	3 822
-	-
-	-
-	-
-	-
24 589	-

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

The government reports the following governmental funds:

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

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

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

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

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.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government reports the following proprietary funds:

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

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

Equipment Replacement Fund - This fund provides each department of the City an internal system to purchase capital assets. All such activities necessary to provide such services are accounted for in this fund.

Technology Fund - This fund provides each department of the City an internal system to acquire technology. All such activities necessary to provide such services are accounted for in this fund.

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.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

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.

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, 2017

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 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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Fund Equity:

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

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

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

9. Deferred Outflows/Inflows of Resources:

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

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

10. Use of Estimates:

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

11. Subsequent Events:

Management has evaluated subsequent events through March 26, 2018, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting:

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

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

B. City Fund Balance Policy:

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

Fund balance will be calculated by taking the total General Fund expenditure budget and deducting Airport departments. The rationale is this department receive a commensurate amount of funding from its own operations. The City now receives as much revenue from airport fuel sales to make the Center Municipal Airport self-sustaining.

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

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

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

FUND BALANCE ANALYSIS

	2017
Beginning fund balance	\$ 1 286 532
Total general fund revenues and transfers	4 788 268
Total general fund expenditures and transfers	4 491 492
ENDING GENERAL FUND BALANCE	<u>\$ 1 583 305</u>
 Airport expense	 \$ (91 439)
General fund expenditures	4 445 060
ADJUSTED GENERAL FUND EXPENDITURES	<u>\$ 4 353 621</u>
Required Fund Balance	\$ <u>20%</u> 870 724 \$ <u>25%</u> 1 088 405

Actual Fund Balance calculation represents 36.37% of adjusted General Fund Expenditures and 35.61% of non-adjusted General Fund Expenditures.

Tax Abatements

During the year ended September 30, 2017, the City abated property from local property taxes to create an economic development incentive. The results of the abated property was a reduction in property tax income of \$40,646 for the year.

YEAR	VALUE OF FUTURE ABATED PROPERTY
2017	\$ 7 069 207
2018	6 121 770
2019	5 824 022
2020	4 540 120
2021	3 256 218
2022	1 972 316
2023	986 162

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of September 30, 2017, consists of the following:

Primary Government:	
Deposits with financial institutions	\$ 226 640
Investments in LOGIC	5 574 337
Component Units:	
Deposits with financial institutions	2 570
Investments in LOGIC	1 538 620
TOTAL CASH AND INVESTMENTS	<u>\$ 7 342 167</u>

At September 30, 2017, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$443,625 and \$2,781, 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, 2017

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, 2017, the City had the following investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 5 574 337	76
Component units - LOGIC	1 538 620	76
	<u>\$ 7 112 957</u>	

Although Local Government Investment Cooperative had a weighted average maturity of 76 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, 2017 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2017.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2016	\$ 183 135	\$ 183 135
Loan payments received	-	(42 875)
Loans paid	(42 875)	-
Balance at September 30, 2017	<u>\$ 140 260</u>	<u>\$ 140 260</u>

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 58 334
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	81 926
TOTAL	<u>\$ 140 260</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Future requirements are as follows:

YEAR	PAYABLE/ RECEIVABLE
2018	\$ 42 876
2019	42 876
2020	42 876
2021	11 632
	\$ <u>140 260</u>

C. Capital Assets

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 932 294	\$ 2 062 222	\$ 2 016 769	\$ 977 747
Land	43 872	-	-	43 872
TOTAL ASSETS NOT BEING DEPRECIATED	<u>976 166</u>	<u>2 062 222</u>	<u>2 016 769</u>	<u>1 021 619</u>
Capital Assets, Being Depreciated:				
Buildings	9 207 697	-	-	9 207 697
Improvements other than buildings	4 008 255	110 670	-	4 118 925
Vehicles and equipment	2 243 459	25 000	-	2 268 459
Infrastructure	13 312 709	1 906 099	-	15 218 808
TOTAL ASSETS BEING DEPRECIATED	<u>28 772 119</u>	<u>2 041 769</u>	<u>-</u>	<u>30 813 888</u>
Less Accumulated Depreciation For:				
Buildings	1 926 878	220 979	-	2 147 858
Improvements other than buildings	1 040 794	113 042	-	1 153 836
Vehicles and equipment	1 522 859	103 387	-	1 626 246
Infrastructure	4 370 998	628 122	-	4 999 120
TOTAL ACCUMULATED DEPRECIATION	<u>8 861 528</u>	<u>1 065 531</u>	<u>-</u>	<u>9 927 059</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>19 910 591</u>	<u>(1 040 531)</u>	<u>-</u>	<u>20 886 829</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 20 886 757</u>	<u>\$ 1 021 691</u>	<u>\$ 2 016 769</u>	<u>\$ 21 908 448</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 638 805	\$ -	\$ -	\$ 638 805
Construction in progress	332 177	3 007 701	-	3 339 878
TOTAL ASSETS NOT BEING DEPRECIATED	<u>970 982</u>	<u>3 007 701</u>	<u>-</u>	<u>3 978 683</u>
Capital Assets, Being Depreciated:				
Buildings and systems	27 108 668	-	-	27 108 668
Vehicles and equipment	3 389 518	30 064	-	3 419 582
TOTAL ASSETS BEING DEPRECIATED	<u>30 498 186</u>	<u>30 064</u>	<u>-</u>	<u>30 528 250</u>
Less Accumulated Depreciation For:				
Buildings and systems	16 863 687	515 150	-	17 378 837
Vehicles and equipment	2 575 692	96 703	-	2 672 396
TOTAL ACCUMULATED DEPRECIATION	<u>19 439 380</u>	<u>611 853</u>	<u>-</u>	<u>20 051 233</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>11 058 806</u>	<u>(581 789)</u>	<u>-</u>	<u>10 477 017</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 12 029 788</u>	<u>\$ 2 425 912</u>	<u>\$ -</u>	<u>\$ 14 455 700</u>
Internal Service Fund:				
Capital Assets, Being Depreciated:				
Vehicles and equipment	\$ -	\$ 176 347	\$ -	\$ 176 347
TOTAL ASSETS NOT BEING DEPRECIATED	<u>-</u>	<u>176 347</u>	<u>-</u>	<u>176 347</u>
Less Accumulated Depreciation For:				
Vehicles and equipment	-	35 269	-	35 269
TOTAL ACCUMULATED DEPRECIATION	<u>-</u>	<u>35 269</u>	<u>-</u>	<u>35 269</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>-</u>	<u>141 078</u>	<u>-</u>	<u>141 078</u>
INTERNAL SERVICE FUND CAPITAL ASSETS, NET	<u>\$ -</u>	<u>\$ 141 078</u>	<u>\$ -</u>	<u>\$ 141 078</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Component Units:				
Capital Assets, Not Being Depreciated:				
Land	\$ -	\$ 315 500	\$ -	\$ 315 500
Construction in progress	46 083	2 425	-	48 508
TOTAL ASSETS NOT BEING DEPRECIATED	46 083	318 925	-	364 008
Capital Assets, Being Depreciated:				
Buildings and systems	-	-	-	-
Vehicles and equipment	-	-	-	-
TOTAL ASSETS BEING DEPRECIATED	-	-	-	-
Less Accumulated Depreciation For:				
Buildings and systems	-	-	-	-
Vehicles and equipment	-	-	-	-
TOTAL ACCUMULATED DEPRECIATION	-	-	-	-
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	-	-	-	-
COMPONENT UNITS CAPITAL ASSETS, NET	\$ 46 083	\$ 318 925	\$ -	\$ 364 008

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

Governmental Activities:

General government	\$ 18 333
Public safety	126 286
Community services	377 790
Street and drainage	543 122
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1 065 531</u>

Business-Type Activities:

Water	\$ 484 468
Sewer	121 532
Sanitation	5 853
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 611 853</u>

Internal Service Funds:

Equipment replacement	\$ 35 269
TOTAL DEPRECIATION EXPENSE - INTERNAL SERVICE FUNDS	<u>\$ 35 269</u>

D. Changes In Long-Term Debt

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

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 7 455 000	\$ -	\$ (500 000)	\$ 6 955 000	\$ 515 000
Note payable	1 034 083	-	(223 149)	810 934	189 795
Compensated absences	90 109	4 543	-	94 652	-
Pension liability	2 533 307	-	(487 957)	2 045 350	-
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 11 112 499</u>	<u>\$ 4 543</u>	<u>\$ (1 211 106)</u>	<u>\$ 9 905 936</u>	<u>\$ 704 795</u>
Business-Type Activities:					
General obligation bonds	\$ 4 940 000	\$ -	\$ (225 000)	\$ 4 715 000	\$ 210 000
Compensated absences	32 694	3 141	-	35 835	-
Pension liability	839 576	-	(69 966)	769 610	-
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 5 812 270</u>	<u>\$ 3 141</u>	<u>\$ (294 966)</u>	<u>\$ 5 520 445</u>	<u>\$ 210 000</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Bonds payable at September 30, 2017 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)	\$ 630 000
\$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)	380 000
\$3,941,314, 2011 Combination Tax and Revenue Certificate of Obligation, due in annual installments of \$95,000 to \$505,000 through August 15, 2030, interest at 2.0 to 4.0 percent (Liability recorded in governmental activities)	3 596 314
\$168 686, 2011 Combination Tax and Revenue Capital Appreciation Bonds, due in annual installments of \$116,448 to \$104,978 through August 15, 2023, interest at 3.10 to 3.50 percent (Liability recorded in governmental activities)	168 686
\$2,070,000, 2014 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$10,000 to \$125,000 through August 15, 2035, interest at 0.0 to 3.05 percent (Liability recorded in business-type activities)	1 850 000
\$1,760,000, 2014 General Obligation Refunding Bond, due in annual installments of \$65,000 to \$225,000 through August 15, 2023, with interest of 2.0% to 2.5% (Liability recorded in governmental activities)	1 225 000
\$4,000,000, 2017 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$130,000 to \$265,000 through August 15, 2036, interest at 2.49 percent (Liability recorded in governmental activities and business-type activities)	3 820 000
	<u>\$ 11 670 000</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
2018	\$ 515 000	\$ 209 166	\$ 210 000	\$ 115 410
2019	531 250	194 566	213 750	112 447
2020	531 250	182 391	213 750	109 140
2021	543 750	172 166	221 250	105 585
2022	558 750	161 591	221 250	101 655
Thereafter	4 275 000	763 609	3 635 000	781 750
TOTAL	<u>\$ 6 955 000</u>	<u>\$ 1 683 489</u>	<u>\$ 4 715 000</u>	<u>\$ 1 325 987</u>

Notes Payable:

\$450,000 loan from the City of Center Economic Development Corporation to be paid in 10 annual installments, with an interest rate of 3%	\$ 280 934
\$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%	530 000
	<u>\$ 810 934</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES	
	PRINCIPAL	INTEREST
2018	\$ 189 795	\$ 17 279
2019	190 389	13 846
2020	211 001	10 395
2021	21 631	6 592
2022	22 280	5 944
Thereafter	175 838	21 722
TOTAL	<u>\$ 810 934</u>	<u>\$ 75 778</u>

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

NOTE 4 - OTHER INFORMATION

A. Component Units Condensed Statements

Condensed Statement of Net Position

	CITY OF CENTER ECONOMIC DEVELOPMENT CORPORATION	CITY OF CENTER STREET IMPROVEMENTS FOR ECONOMIC DEVELOPMENT CORPORATION	TOTAL COMPONENT UNITS
Assets:			
Cash, investments and other assets	\$ 1 704 916	\$ 769 817	\$ 2 474 733
Deferred Outflows:			
Prepaid expense	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1 704 916</u>	<u>\$ 769 817</u>	<u>\$ 2 474 733</u>
Liabilities:			
Accounts payable and other current liabilities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Net Investment in capital assets	364 008	-	364 008
Unrestricted	<u>1 340 908</u>	<u>769 817</u>	<u>2 110 725</u>
TOTAL NET POSITION	<u>\$ 1 704 916</u>	<u>\$ 769 817</u>	<u>\$ 2 474 733</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

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	\$ 41 242	\$ -	\$ -	\$ -	\$ (41 242)	\$ -	\$ (41 242)
Operating expenses	<u>73 426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73 426)</u>	<u>-</u>	<u>(73 426)</u>
TOTAL	<u>114 668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114 668)</u>	<u>-</u>	<u>(114 668)</u>
Center Street Improvements for Economic Development Corporation:							
Operating expenses	<u>26 700</u>	<u>-</u>	<u>21 007</u>	<u>-</u>	<u>-</u>	<u>(5 693)</u>	<u>(5 693)</u>
TOTAL	<u>26 700</u>	<u>-</u>	<u>21 007</u>	<u>-</u>	<u>-</u>	<u>(5 693)</u>	<u>(5 693)</u>
TOTAL COMPONENT UNITS	\$ <u>141 368</u>	\$ <u>-</u>	\$ <u>21 007</u>	\$ <u>-</u>	<u>(114 668)</u>	<u>(5 693)</u>	<u>(120 361)</u>
General Revenues:							
					383 100	766 200	1 149 300
Sales tax					15 806	7 293	23 099
Interest income					353	-	353
Other income					-	(965 797)	(965 797)
Transfer					<u>399 259</u>	<u>(192 304)</u>	<u>206 955</u>
TOTAL GENERAL REVENUE					<u>284 591</u>	<u>(197 997)</u>	<u>86 594</u>
CHANGE IN NET POSITION					<u>1 420 325</u>	<u>967 814</u>	<u>2 388 139</u>
Net position - Beginning					<u>\$ 1 704 916</u>	<u>\$ 769 817</u>	<u>\$ 2 474 733</u>
NET POSITION - ENDING							

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 4 - OTHER INFORMATION - CONTINUED

B. Pension Plan

Plan Description

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

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

Benefits Provided

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

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

Employees Covered by Benefit Terms:

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	15
Active employees	73
	<hr/> 133 <hr/>

Contributions

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 4 - OTHER INFORMATION - CONTINUED

Employees for the City of Center were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Center were 16.60% and 15.88% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$357,412, and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 4 - OTHER INFORMATION - CONTINUED

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

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

Discount Rate

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

Changes in the Net Pension Liability

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2015	\$ 12 913 194	\$ 9 540 311	\$ 3 372 883
Changes for the Year:			
Service cost	516 676	-	516 676
Interest	867 048	-	867 048
Change of benefit terms	-	-	-
Difference between expected and actual experience	(587 907)	-	(587 907)
Changes of assumptions	-	-	-
Contributions - Employer	-	503 737	(503 737)
Contributions - Employee	-	212 499	(212 499)
Net investment income	-	645 178	(645 178)
Benefit payments, including refunds of employee	(652 767)	(652 767)	-
Administrative expense	-	(7 282)	7 282
Other changes	-	(392)	392
NET CHANGES	143 050	700 973	(557 923)
Balance at December 31, 2016	\$ 13 056 244	\$ 10 241 284	\$ 2 814 960

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 4 - OTHER INFORMATION - CONTINUED

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

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

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$ 4 835 629	\$ 2 814 960	\$ 1 180 576

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the city recognized pension expense of \$527,732.

At September 30, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 9 027	\$ 588 323
Changes in actuarial assumptions	-	24 392
Difference between projected and actual investment earnings	430 171	966
Contributions subsequent to the measurement date	369 646	-
TOTAL	\$ 808 844	\$ 613 681

\$369,646 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED DECEMBER 31,	PENSION EXPENSE AMOUNT
2017	\$ (7 196)
2018	(7 196)
2019	(32 717)
2020	(123 867)
2021	(3 507)
Thereafter	-
Total	\$ (174 483)

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 4 - OTHER INFORMATION - CONTINUED

C. Risk Management

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

NOTE 5 - PRIOR PERIOD ADJUSTMENT

In the prior period, the liability related to 2017 Combination Tax and Water and Sewer Revenue Certificate of Obligation was overstated in the Water and Sewer Fund by \$90,000. In the Debt Service fund the accrued interest receivable for a certificate of deposit no longer held was included as an asset, this understated the Debt Service fund by \$1,692. These items corrected in the current period with a prior period adjustment.

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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 849 500	\$ 849 500	\$ 994 571	\$ 145 071
Delinquent taxes	30 000	30 000	35 094	5 094
Penalties, interest and cost	22 000	22 000	31 419	9 419
TOTAL GENERAL PROPERTY TAXES	901 500	901 500	1 061 084	159 584
Other Local Taxes and Permits:				
City sales taxes	1 947 300	1 947 300	1 915 501	(31 799)
Franchise taxes	513 000	513 000	559 629	46 629
Mixed drink taxes	5 000	5 000	4 289	(711)
License and permit fees	14 200	14 200	19 952	5 752
TOTAL OTHER LOCAL TAXES AND PERMITS	2 479 500	2 479 500	2 499 371	19 871
Fines and Fees:				
Municipal court fines	185 000	185 000	216 095	31 095
Court cost fees	10 000	10 000	-	(10 000)
Fines and fees	26 700	26 700	4 274	(22 426)
TOTAL FINES AND FEES	221 700	221 700	220 369	(1 331)
Charges For Service:				
Solid waste	-	-	33	33
Administration	78 600	78 600	93 043	14 443
Airport fuel	67 000	67 000	49 303	(17 697)
Airport hangar lease	25 000	25 000	22 272	(2 728)
Civic Center	65 200	65 200	50 807	(14 393)
Building rental	12 100	12 100	13 490	1 390
TOTAL CHARGES FOR SERVICES	247 900	247 900	228 948	(18 952)
Contributions and Grants:				
Grant proceeds	9 500	9 500	4 153	(5 347)
TOTAL CONTRIBUTIONS AND GRANTS	9 500	9 500	4 153	(5 347)
Miscellaneous Revenue:				
Miscellaneous receipts	6 700	6 700	3 300	(3 400)
TOTAL MISCELLANEOUS REVENUE	6 700	6 700	3 300	(3 400)
TOTAL REVENUES	3 866 800	3 866 800	4 017 225	150 425

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Expenditures:				
General Government:				
City Hall:				
Payroll	706 100	706 100	686 406	19 694
Supplies	20 300	20 300	19 641	659
Contractual services	37 800	37 800	30 955	6 845
Utilities	10 500	10 500	14 411	(3 911)
Sundry charges	21 500	21 500	18 615	2 885
Maintenance	6 300	6 300	7 823	(1 523)
Capital outlay	5 000	5 000	6 782	(1 782)
TOTAL CITY HALL	807 500	807 500	784 633	22 867
Nondepartmental:				
Payroll	2 700	2 700	1 600	1 100
Supplies	2 500	2 500	6 803	(4 303)
Contractual services	171 800	171 800	183 093	(11 293)
Utilities	14 000	14 000	-	14 000
Sundry charges	86 700	86 700	82 772	3 928
Capital outlay	2 500	2 500	-	2 500
TOTAL NONDEPARTMENTAL	280 200	280 200	274 268	5 932
Municipal Court:				
Payroll	48 500	48 500	51 604	(3 104)
Supplies	2 200	2 200	1 313	887
Contractual services	54 200	54 200	56 300	(2 100)
Utilities	-	-	728	(728)
Sundry charges	1 900	1 900	2 718	(818)
Maintenance	300	300	-	300
TOTAL MUNICIPAL COURT	107 100	107 100	112 663	(5 563)
TOTAL GENERAL GOVERNMENT	1 194 800	1 194 800	1 171 564	23 236
Public Safety:				
Police Department:				
Payroll	1 583 700	1 583 700	1 581 387	2 313
Supplies	39 750	39 750	50 837	(11 087)
Contractual services	36 800	36 800	17 702	19 098
Utilities	40 800	40 800	37 206	3 594
Sundry charges	16 700	16 700	12 161	4 539
Maintenance	92 700	92 700	109 528	(16 828)
Capital outlay	30 000	30 000	59 062	(29 062)
TOTAL POLICE DEPARTMENT	1 840 450	1 840 450	1 867 883	(27 433)
Fire Department:				
Payroll	390 200	390 200	395 578	(5 378)
Supplies	9 000	9 000	5 767	3 233
Contractual services	9 700	9 700	6 230	3 470
Utilities	20 000	20 000	7 584	12 416
Sundry charges	12 900	12 900	3 290	9 610
Maintenance	34 000	34 000	29 574	4 426
Capital outlay	17 000	17 000	-	17 000
TOTAL FIRE DEPARTMENT	492 800	492 800	448 023	44 777

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Animal Control Department:				
Supplies	4 600	4 600	5 579	(979)
Contractual services	14 000	14 000	15 283	(1 283)
Utilities	500	500	695	(195)
Sundry charges	4 500	4 500	1 780	2 720
Maintenance	1 500	1 500	687	813
TOTAL ANIMAL CONTROL DEPARTMENT	25 100	25 100	24 024	1 076
TOTAL PUBLIC SAFETY	2 358 350	2 358 350	2 339 930	18 420
Community Services:				
Airport Department:				
Payroll	26 400	26 400	29 002	(2 602)
Supplies	1 700	1 700	432	1 268
Contractual services	3 800	3 800	8 435	(4 635)
Utilities	13 000	13 000	13 269	(269)
Sundry charges	52 400	52 400	36 021	16 379
Maintenance	12 500	12 500	4 280	8 220
Capital outlay	15 000	15 000	-	15 000
TOTAL AIRPORT DEPARTMENT	124 800	124 800	91 439	33 361
Cemetery Department:				
Supplies	200	200	-	200
Contractual services	22 000	22 000	23 840	(1 840)
Maintenance	500	500	-	500
TOTAL CEMETERY DEPARTMENT	22 700	22 700	23 840	(1 140)
Parks Department:				
Payroll	91 400	91 400	54 650	36 750
Supplies	6 100	6 100	5 240	860
Contractual services	37 500	37 500	33 480	4 020
Utilities	10 200	10 200	10 502	(302)
Sundry charges	1 000	1 000	675	325
Maintenance	17 100	17 100	22 142	(5 042)
Capital outlay	1 000	1 000	732	268
TOTAL PARKS DEPARTMENT	164 300	164 300	127 421	36 879
Civic Center Department:				
Payroll	126 700	126 700	105 863	20 837
Supplies	6 400	6 400	7 333	(933)
Contractual services	23 700	23 700	14 879	8 821
Utilities	23 000	23 000	25 893	(2 893)
Sundry charges	7 700	7 700	4 148	3 552
Maintenance	17 250	17 250	12 375	4 875
Capital outlay	11 500	11 500	-	11 500
TOTAL CIVIC CENTER DEPARTMENT	216 250	216 250	170 491	45 759
Community Facilities Department:				
Supplies	900	900	8	892
Contractual services	64 200	64 200	62 498	1 702
Utilities	13 500	13 500	15 280	(1 780)
Sundry charges	1 200	1 200	-	1 200
Maintenance	6 700	6 700	6 188	512
TOTAL COMMUNITY FACILITIES DEPARTMENT	86 500	86 500	83 974	2 526
TOTAL COMMUNITY SERVICES	614 550	614 550	497 165	117 385

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	139 500	139 500	182 309	(42 809)
Supplies	12 100	12 100	8 676	3 424
Contractual services	15 500	15 500	21 516	(6 016)
Utilities	80 500	80 500	72 659	7 841
Sundry charges	2 200	2 200	2 733	(533)
Maintenance	90 700	90 700	79 860	10 840
Capital outlay	3 500	3 500	1 000	2 500
TOTAL STREETS DEPARTMENT	344 000	344 000	368 753	(24 753)
TOTAL STREETS AND DRAINAGE	344 000	344 000	368 753	(24 753)
Inspection Services:				
Inspection Department:				
Payroll	52 800	52 800	56 582	(3 782)
Supplies	6 500	6 500	924	5 576
Contractual services	2 500	2 500	3 543	(1 043)
Utilities	2 800	2 800	3 572	(772)
Sundry charges	3 200	3 200	1 723	1 477
Maintenance	3 700	3 700	1 304	2 396
TOTAL INSPECTION DEPARTMENT	71 500	71 500	67 648	3 852
TOTAL INSPECTION SERVICES	71 500	71 500	67 648	3 852
TOTAL EXPENDITURES	4 583 200	4 583 200	4 445 060	138 140
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(716 400)	(716 400)	(427 835)	288 565
Other Financing Sources (Uses):				
Interest income	2 500	2 500	10 643	8 143
Operating transfers in	745 000	745 000	770 000	25 000
Operating transfers (out)	(32 000)	(32 000)	(56 034)	(24 034)
TOTAL OTHER FINANCING SOURCES (USES)	715 500	715 500	724 609	9 109
CHANGE IN FUND BALANCE	(900)	(900)	296 774	297 674
Fund balance at beginning of year	1 286 531	1 286 531	1 286 531	-
FUND BALANCE AT END OF YEAR	\$ 1 285 631	\$ 1 285 631	\$ 1 583 305	\$ 297 674

See independent auditors' report.

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

	2014	2015	2016
Total Pension Liability:			
Service cost	\$ 443 966	\$ 463 237	516 676
Interest (on the total pension liability)	804 999	860 379	867 048
Changes of benefit terms	-	-	-
Difference between expected and actual experience	21 180	(191 770)	(587 907)
Change of assumptions	-	(39 880)	-
Benefit payments, including refunds of employee contributions	(500 735)	(476 550)	(652 767)
NET CHANGE IN TOTAL PENSION LIABILITY	769 410	615 416	143 050
Total pension liability - Beginning	11 528 368	12 297 778	12 913 194
TOTAL PENSION LIABILITY - ENDING	12 297 778	12 913 194	13 056 244
Plan Fiduciary Net Position:			
Contributions - Employer	424 581	439 335	503 737
Contributions - Employee	197 742	199 181	212 499
Net investment income	500 976	13 834	645 178
Benefit payments, including refunds of employee contributions	(500 735)	(476 550)	(652 767)
Administrative	(5 230)	(8 424)	(7 282)
Other	(430)	(416)	(392)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	616 904	166 960	700 973
Plan fiduciary net position - Beginning	8 756 447	9 373 351	9 540 311
PLAN FIDUCIARY NET POSITION - ENDING	9 373 351	9 540 311	10 241 284
NET PENSION LIABILITY - ENDING	\$ 2 924 427	\$ 3 372 883	\$ 2 814 960
Plan fiduciary net position as a percentage of total pension liability	76.22%	73.88%	78.44%
Covered employee payroll	\$ 2 824 891	\$ 2 845 439	\$ 3 035 696
Net pension liability as a percentage of covered employee payroll	103.52%	118.54%	97.73%

SCHEDULE OF CONTRIBUTIONS

	2015	2016	2017
Actuarially determine contribution			
Contributions in relation to the actuarially determined contribution	\$ 312 533	\$ 357 412	\$ 369 646
CONTRIBUTION DEFICIENCY (EXCESS)	\$ 312 533	\$ 357 412	\$ 369 646
	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2 845 439	\$ 3 035 696	\$ 3 135 519
Contributions as a percentage of covered employee payroll	10.98%	11.77%	11.79%

*This schedule is required to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides information only for those years for which information is available.

Notes on Pension Plan

There were no changes of benefit terms, assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Details of the plan are included in the notes on pages 41-44.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Service Fund

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

Permanent Funds

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

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

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
ASSETS		
Cash and cash equivalents	\$ 121 937	\$ 465 517
Receivables	-	508 000
Due from other funds	-	500
TOTAL ASSETS	<u>\$ 121 937</u>	<u>\$ 974 017</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 772
Due to other funds	-	226 092
Accrued expenses	-	4 577
TOTAL LIABILITIES	<u>-</u>	<u>231 441</u>
Deferred Inflows:		
Deferred revenue	-	508 000
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>508 000</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>739 441</u>
Fund Balances:		
Restricted for grants	-	234 576
Restricted for debt service	121 937	-
Other restrictions	-	-
TOTAL FUND BALANCES	<u>121 937</u>	<u>234 576</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 121 937</u>	<u>\$ 974 017</u>

See independent auditors' report.

PERMANENT FUND		
CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 121 066	\$ 41 025	\$ 749 545
-	-	508 000
-	-	500
<u>\$ 121 066</u>	<u>\$ 41 025</u>	<u>\$ 1 258 045</u>

\$ -	\$ -	\$ 772
-	-	226 092
-	-	4 577
<u>-</u>	<u>-</u>	<u>231 441</u>

-	-	508 000
-	-	508 000
-	-	739 441

-	-	234 576
-	-	121 937
121 066	41 025	162 091
<u>121 066</u>	<u>41 025</u>	<u>518 604</u>
<u>\$ 121 066</u>	<u>\$ 41 025</u>	<u>\$ 1 258 045</u>

CITY OF CENTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
Revenues:		
Taxes	\$ 621 302	\$ 226 996
Grants and contributions	-	180 718
Fines and fees	-	9 102
Charges for services	-	170 524
Other	-	79 040
TOTAL REVENUES	<u>621 302</u>	<u>666 380</u>
Expenditures:		
Public safety	-	16 000
Community services	-	444 032
Streets	-	965 797
Debt Service:		
Principal	860 000	19 259
Interest and fiscal charges	<u>372 446</u>	<u>9 004</u>
TOTAL EXPENDITURES	<u>1 232 446</u>	<u>1 454 092</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(611 144)</u>	<u>(787 712)</u>
Other Financing Sources (Uses):		
Interest	3 157	3 897
Operating transfers in	573 600	987 137
Operating transfers (out)	<u>(7 306)</u>	<u>(269 270)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>569 451</u>	<u>721 764</u>
NET CHANGE IN FUND BALANCE	(41 693)	(65 948)
Fund balance at beginning of year	165 322	300 524
Prior period adjustment	<u>(1 692)</u>	<u>-</u>
Fund Balance, restated	<u>163 630</u>	<u>300 524</u>
FUND BALANCES AT END OF YEAR	<u>\$ 121 937</u>	<u>\$ 234 576</u>

See independent auditors' report.

PERMANENT FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS
CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	
\$ -	\$ -	\$ 848 298
12	-	180 730
-	-	9 102
-	-	170 524
-	-	79 040
<u>12</u>	<u>-</u>	<u>1 287 694</u>
-	-	16 000
18 437	-	462 469
-	-	965 797
-	-	879 259
-	-	381 450
<u>18 437</u>	<u>-</u>	<u>2 704 975</u>
<u>(18 425)</u>	<u>-</u>	<u>(1 417 281)</u>
849	179	8 082
-	-	1 560 737
-	-	(276 576)
<u>849</u>	<u>179</u>	<u>1 292 243</u>
(17 576)	179	(125 038)
138 642	40 846	645 334
-	-	(1 692)
<u>138 642</u>	<u>40 846</u>	<u>643 642</u>
\$ <u>121 066</u>	\$ <u>41 025</u>	\$ <u>518 604</u>

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2017

	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	\$ 152 113	\$ 910	\$ 9 537
Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	\$ 22	\$ 10	\$ 152 113	\$ 910	\$ 9 537
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	86 984	-	-	-
Accrued expenses	-	-	-	-	-
TOTAL LIABILITIES	-	86 984	-	-	-
Deferred Inflows:					
Deferred revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	-	86 984	-	-	-
Fund Balance:					
Restricted	22	(86 974)	152 113	910	9 537
TOTAL FUND BALANCE	22	(86 974)	152 113	910	9 537
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 22	\$ 10	\$ 152 113	\$ 910	\$ 9 537

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND
\$ 28 918	\$ 9 335	\$ 87 827	\$ 20 537	\$ 7 634	\$ 147 951
-	-	-	-	-	508 000
-	500	-	-	-	-
<u>\$ 28 918</u>	<u>\$ 9 835</u>	<u>\$ 87 827</u>	<u>\$ 20 537</u>	<u>\$ 7 634</u>	<u>\$ 655 951</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	139 108	-	-	-
-	-	-	-	-	-
-	-	139 108	-	-	-
-	-	-	-	-	508 000
-	-	-	-	-	508 000
-	-	139 108	-	-	508 000
28 918	9 835	(51 281)	20 537	7 634	147 951
<u>28 918</u>	<u>9 835</u>	<u>(51 281)</u>	<u>20 537</u>	<u>7 634</u>	<u>147 951</u>
<u>\$ 28 918</u>	<u>\$ 9 835</u>	<u>\$ 87 827</u>	<u>\$ 20 537</u>	<u>\$ 7 634</u>	<u>\$ 655 951</u>

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2017

	TCF CENTER MOTORS FUND	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS				
Cash and cash equivalents	\$ -	\$ 723	\$ -	\$ 465 517
Receivables	-	-	-	508 000
Due from other funds	-	-	-	500
TOTAL ASSETS	\$ -	\$ 723	\$ -	\$ 974 017
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ 772	\$ -	\$ 772
Due to other funds	-	-	-	226 092
Accrued expenses	-	4 577	-	4 577
TOTAL LIABILITIES	-	5 349	-	231 441
Deferred Inflows:				
Deferred revenue	-	-	-	508 000
TOTAL DEFERRED INFLOWS	-	-	-	508 000
TOTAL LIABILITIES AND DEFERRED INFLOWS	-	5 349	-	739 441
Fund Balance:				
Restricted	-	(4 626)	-	234 576
TOTAL FUND BALANCE	-	(4 626)	-	234 576
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ -	\$ 723	\$ -	\$ 974 017

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, 2017

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
Revenues:					
Taxes	\$ -	\$ 2 248	\$ 204 703	\$ -	\$ -
Grants and contributions	-	-	-	3 500	-
Fines and fees	-	-	-	4 985	4 117
Charges for services	-	-	-	-	-
Other	42 875	-	-	-	2 405
TOTAL REVENUES	42 875	2 248	204 703	8 485	6 522
Expenditures:					
Public safety	-	-	-	6 323	274
Community services	42 875	-	30 696	-	-
Streets	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	42 875	-	30 696	6 323	274
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	2 248	174 007	2 162	6 248
Other Financing Sources (Uses):					
Interest	-	-	1 775	41	46
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	(208 600)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(206 825)	41	46
NET CHANGE IN FUND BALANCE	-	2 248	(32 818)	2 203	6 294
Fund balance, beginning of year	22	(89 222)	184 931	(1 293)	3 243
FUND BALANCE, END OF YEAR	\$ 22	\$ (86 974)	\$ 152 113	\$ 910	\$ 9 537

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND
\$ -	\$ -	\$ -	\$ 20 045	\$ -	\$ -
-	15 025	135 043	-	-	26 500
-	-	-	-	-	-
-	-	-	-	-	-
21 813	11 947	-	-	-	-
<u>21 813</u>	<u>26 972</u>	<u>135 043</u>	<u>20 045</u>	<u>-</u>	<u>26 500</u>
9 403	-	-	-	-	-
-	9 024	186 334	-	-	-
-	-	-	-	-	-
-	-	-	28 263	-	-
<u>9 403</u>	<u>9 024</u>	<u>186 334</u>	<u>28 263</u>	<u>-</u>	<u>-</u>
12 410	17 948	(51 291)	(8 218)	-	26 500
202	-	-	139	79	1 615
-	-	-	16 906	-	-
-	(10 670)	-	-	-	(50 000)
<u>202</u>	<u>(10 670)</u>	<u>-</u>	<u>17 045</u>	<u>79</u>	<u>(48 385)</u>
12 612	7 278	(51 291)	8 827	79	(21 885)
<u>16 306</u>	<u>2 557</u>	<u>10</u>	<u>11 710</u>	<u>7 555</u>	<u>169 836</u>
\$ <u>28 918</u>	\$ <u>9 835</u>	\$ <u>(51 281)</u>	\$ <u>20 537</u>	\$ <u>7 634</u>	\$ <u>147 951</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, 2017

	TCF CENTER MOTORS FUND	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 226 996
Grants and contributions	-	650	-	180 718
Fines and fees	-	-	-	9 102
Charges for services	-	170 524	-	170 524
Other	-	-	-	79 040
TOTAL REVENUES	-	171 174	-	666 380
Expenditures:				
Public safety	-	-	-	16 000
Community services	29	175 074	-	444 032
Streets	-	-	965 797	965 797
Debt service	-	-	-	28 263
TOTAL EXPENDITURES	29	175 074	965 797	1 454 092
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29)	(3 900)	(965 797)	(787 712)
Other Financing Sources (Uses):				
Interest	-	-	-	3 897
Operating transfers in	-	4 434	965 797	987 137
Operating transfers (out)	-	-	-	(269 270)
TOTAL OTHER FINANCING SOURCES (USES)	-	4 434	965 797	721 764
NET CHANGE IN FUND BALANCE	(29)	534	-	(65 948)
Fund balance, beginning of year	29	(5 160)	-	300 524
FUND BALANCE, END OF YEAR	\$ -	\$ (4 626)	\$ -	\$ 234 576

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES - PROPRIETARY FUNDS
Year Ended September 30, 2017

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for Service:			
Water charges	\$ 2 664 376	\$ -	\$ 2 664 376
Sewer charges	830 447	-	830 447
Sanitation charges	-	1 578 109	1 578 109
TOTAL	<u>3 494 823</u>	<u>1 578 109</u>	<u>5 072 932</u>
Taps and Connections:			
Water taps and connections	3 250	-	3 250
Sewer taps and connections	400	-	400
TOTAL	<u>3 650</u>	<u>-</u>	<u>3 650</u>
Miscellaneous Revenue:			
Administrative fees	5 565	-	5 565
Penalties	45 878	-	45 878
Reconnection fees	20 625	-	20 625
Miscellaneous receipts	110 844	-	110 844
TOTAL	<u>182 912</u>	<u>-</u>	<u>182 912</u>
TOTAL OPERATING REVENUES	<u>\$ 3 681 385</u>	<u>\$ 1 578 109</u>	<u>\$ 5 259 494</u>
Nonoperating Revenues:			
Grants and contributions	\$ 86 271	\$ -	\$ 86 271
Other revenue	3 149	-	3 149
Income from investments	30 700	-	30 700
TOTAL NONOPERATING REVENUES	<u>\$ 120 120</u>	<u>\$ -</u>	<u>\$ 120 120</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS
Year Ended September 30, 2017

BUSINESS TYPE ACTIVITIES			
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Expenses:			
Nondepartmental:			
Supplies	\$ 17 934	\$ -	\$ 17 934
Contractual services	17 668	-	17 668
Sundry charges	6 953	-	6 953
Capital outlay	26 733	-	26 733
TOTAL	69 288	-	69 288
Public Works:			
Payroll	234 063	-	234 063
Supplies	2 261	-	2 261
Contractual services	3 276	-	3 276
Utilities	11 265	-	11 265
Sundry charges	546	-	546
Maintenance	1 190	-	1 190
TOTAL	252 601	-	252 601
Water Production:			
Payroll	494 755	-	494 755
Supplies	237 271	-	237 271
Contractual services	136 737	-	136 737
Utilities	233 435	-	233 435
Sundry charges	19 181	-	19 181
Maintenance	97 418	-	97 418
Capital outlay	48 859	-	48 859
TOTAL	1 267 656	-	1 267 656
Water Distribution:			
Payroll	184 440	-	184 440
Supplies	4 863	-	4 863
Contractual services	5 795	-	5 795
Utilities	2 790	-	2 790
Sundry charges	378	-	378
Maintenance	76 799	-	76 799
Capital outlay	65 816	-	65 816
TOTAL	340 881	-	340 881
Sewer Collection:			
Payroll	148 743	-	148 743
Supplies	4 493	-	4 493
Contractual services	8 257	-	8 257
Utilities	20 191	-	20 191
Sundry charges	332	-	332
Maintenance	44 225	-	44 225
Capital outlay	2 663	-	2 663
TOTAL	228 904	-	228 904

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS - CONTINUED
Year Ended September 30, 2017

BUSINESS TYPE ACTIVITIES			
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Sewer Treatment:			
Payroll	239 661	-	239 661
Supplies	12 604	-	12 604
Contractual services	114 438	-	114 438
Utilities	59 142	-	59 142
Sundry charges	20 290	-	20 290
Maintenance	64 288	-	64 288
Capital outlay	27 224	-	27 224
TOTAL	537 647	-	537 647
Sanitation:			
Supplies	-	3 160	3 160
Contractual services	-	1 352 635	1 352 635
Maintenance	-	3 201	3 201
Sundry charges	-	487	487
Capital outlay	-	1 167	1 167
TOTAL	-	1 360 650	1 360 650
Depreciation:			
Depreciation	606 000	5 853	611 853
TOTAL OPERATING EXPENSES	\$ 3 302 977	\$ 1 366 503	\$ 4 669 480
Nonoperating Expenses:			
Interest expense	\$ 354	\$ -	\$ 354
TOTAL NONOPERATING EXPENSES	\$ 354	\$ -	\$ 354

See independent auditors' report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS
INSURANCE COVERAGE
September 30, 2017
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/16 to 10/01/17	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/16 to 10/01/17	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/16 to 10/01/17	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/16 to 10/01/17	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/16 to 10/01/17	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/16 to 10/01/17	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/16 to 10/01/17	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/16 to 10/01/17	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/16 to 10/01/17	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/16 to 10/01/17	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/16 to 10/01/17	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/16 to 10/01/17	\$ 1 000 000

* Renewed at 10/01/2018

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS
September 30, 2017
"UNAUDITED"

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

Water Rates:

A. Monthly Minimum Charge:

Meter Size	Residential/ Commercial	Small Industrial/ Manufacturer 1 st 200,000 Gallons Incl.	Wholesale 1 st 50,000 Gallons Incl.	Large Industrial Manufacturer 1 st 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges Same Facility
5/8	\$11.35				
3/4	\$11.35				
1	\$16.00				
1.5	\$23.70				
2	\$32.00	\$ 775	\$ 250	\$11 900	\$ 46.00
3	\$48.00	\$ 850	\$ 325	\$12 200	\$ 130.00
4	\$64.00	\$1 000	\$ 475	\$12 500	\$ 300.00
6	\$96.00	\$1 300	\$ 750	\$13 000	\$ 560.00
8		\$1 700	\$1 200	\$13 800	\$ 980.00
10		\$2 275	\$1 725	\$14 850	\$1 550.00
Sprinklers	\$18.50				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.70
Small industrial/manufacturer	\$ 3.15
Wholesale	\$ 3.15
Large industrial/manufacturer	\$ 1.90
Over 1.75M/day or 30M/month	\$ 2.30
Over 2M/day or 40M/month	\$ 3.15

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 \$10.50 per thousand gallons metered.

Sewer Rates:

Residential:

Inside City Limits:

Minimum	\$12.60 plus ½ of Water
Maximum	\$37.25

Commercial:

Minimum	\$13.75 plus ½ of Water
Maximum	None

Fixed Rates (Tyson office account)

\$240 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

\$0.20 per gallon

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2017
"UNAUDITED"

Garbage Rates:

Residential	\$20.65
Commercial Small	\$24.50
Commercial Large	\$33.25

Commercial Dumpster Rates:

p/u per week Size	1X	2X	3X	4X	5X	6X	Extra Collections
2 Yard	85	147	203	265	340		32
3 Yard	96	172	239	310	388		37
4 Yard	106	178	255	347	423		39
6 Yard	129	190	277	357	447		40
8 Yard	163	288	408	532	655	740	42

Industrial, Compactor or Special Services:

Special services other than hand pickup and dumpster services shall be billed at the current billing rates of the contract provider.

Utility Tap Fees:

1. Water

Meter Size	Inside City Limits Fee	Outside City Limits Fee
¾ inch	\$650.00 + Street Cut Repairs	\$850.00 + Street Cut Repairs
1 inch	\$775.00 + Street Cut Repairs	\$1,050.00 + Street Cut Repairs
1 ½ inch	\$1,000.00 + Street Cut Repairs	\$1,600.00 + Street Cut Repairs
2 inch	\$1,150.00 + Street Cut Repairs	\$1,850.00 + Street Cut Repairs
Any Larger Size	Cost of Meter, Materials, Labor and Street Cut Repairs	Cost of Meter, Materials, Labor and Street Cut Repairs

2. Sewer

Service Size	Inside City Limits Fee	Outside City Limits Fee
4 inch	\$400.00 + Street Cut Repairs	\$700.00 + Street Cut Repairs
6 inch	\$550.00 + Street Cut Repairs	\$950.00 + Street Cut Repairs

Utility Deposits:

Type Service			Deposit
Water	-	\$	100.00
Water, Sewer and Garbage Collection	-	\$	100.00
Garbage Collection Only	-	\$	40.00
Risk Account Additional Deposit	-	\$	100.00

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2017
"UNAUDITED"

Utility Account Fees:

Administrative Fee	-	\$	15.00
Broken Lock Fee	-	\$	25.00
Curb Stop Replacement Fee	-	\$	75.00
Payment Agreement Fee	-	\$	25.00

At September 30, 2017, the records of the City indicated the following system connections:

Water System	2 409
Sewer System	2 020
Garbage System	2 053

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, 2017, and the related notes to the financial statements, which collectively comprise City of Center, Texas' basic financial statements, and have issued our report thereon dated March 26, 2018.

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.

Lufkin, Texas
March 26, 2018


CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CENTER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017

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 X No

Significant Deficiency(s) identified that are
not considered to be material weaknesses?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X 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, 2017

<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, 2017

None required for the current year.