

CITY OF CENTER
Center, Texas

ANNUAL FINANCIAL REPORT

September 30, 2018

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CITY OF CENTER, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2018

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, 2018, 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, 2018, 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 other post-employment benefit liabilities and related ratios 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 April 8, 2019, 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 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lufkin, Texas
April 8, 2019


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, 2018.

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 \$27,954,692 which is an increase of \$1,457,885 (*net position*).
- Government activities change in net position increased \$1,352,132 to \$15,667,994 mostly from additional capital assets.
- The City's governmental funds reported combined ending fund balances of \$2,472,458 an increase of \$523,660 from the prior year of \$1,948,798.
- The fund balance for the general fund was \$1,543,300 or 33.5% of total general fund expenditures and decreased \$40,005 during this fiscal year.
- The Water and Sewer Fund operating revenues exceeded expenses resulting in operating income of \$410,600 and the fund decreased net position by \$279,324 to \$11,838,552.
- Combined Business Activities increased Net Position by \$105,753.
- The combined non-major governmental funds experienced an increase in fund balance of \$385,350 to \$903,954 primarily in Park Fund and Hotel/Motel Fund.
- The 4B Street Improvements for Economic Development is shown as a component unit of the City. The annual street program is recorded as an expense in the Governmental Funds so that the asset can be recorded.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City of Center maintains 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 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 in 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 \$27,954,692 at the close of fiscal year 2018. This represents an increase of \$1,306,329 from the 2017 net position of \$26,648,363.

By far the largest portion of the City's assets (\$25,098,455), 91%, 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4 069 839	\$ 3 297 366	\$ 2 694 248	\$ 4 191 819	\$ 6 764 087	\$ 7 489 185
Capital assets (net of depreciation)	21 938 893	21 908 448	15 147 133	14 455 700	37 086 026	36 364 148
Total Assets	26 008 732	25 205 814	17 841 381	18 647 519	43 850 113	43 853 333
Deferred outflow	603 144	587 706	176 339	221 138	779 483	808 844
Long-term liabilities outstanding	7 623 692	9 201 141	4 698 207	5 310 445	12 321 899	14 511 586
Other liabilities	1 234 598	1 205 799	540 481	1 167 366	1 775 079	2 373 165
Total Liabilities	8 858 290	10 406 940	5 238 688	6 477 811	14 096 978	16 884 751
Deferred inflow	2 085 592	1 030 322	492 334	167 780	2 577 926	1 198 102
Net Position:						
Net Investment in capital assets	14 463 076	13 944 691	10 635 379	9 740 700	25 098 455	23 685 391
Restricted	929 158	518 604	742 739	2 400 244	1 671 897	2 918 848
Unrestricted	275 760	(37 998)	908 580	82 122	1 184 340	44 124
Total Net Position	\$ 15 667 994	\$ 14 425 297	\$ 12 286 698	\$ 12 223 066	\$ 27 954 692	\$ 26 648 363

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, \$1,671,897 (6%), 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.

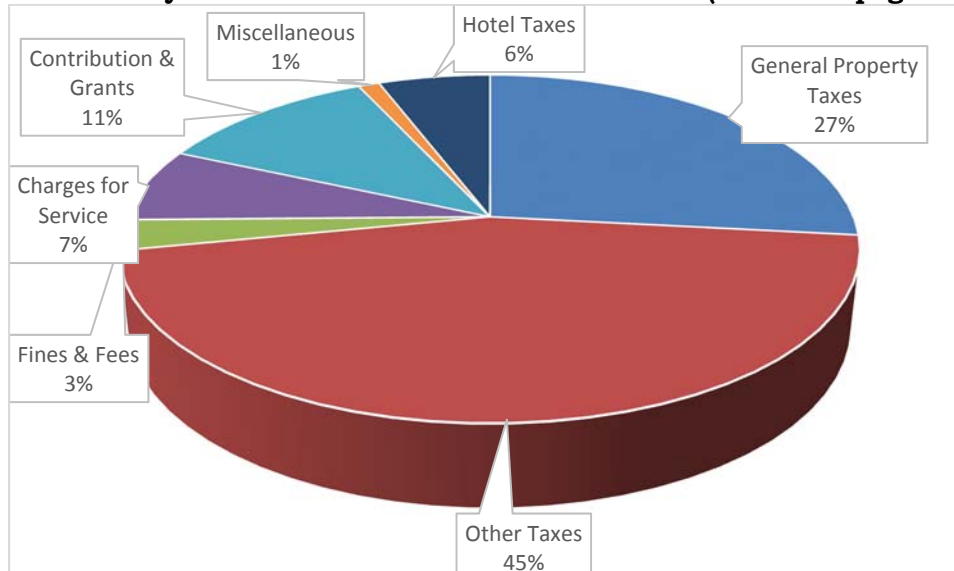
City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for services	\$ 362 943	\$ 347 220	\$ 5 411 989	\$ 5 259 494	\$ 5 774 932	\$ 5 606 714
Operating grants and contributions	204 195	235 448	-	-	204 195	235 448
Capital grants and contributions	475 320	168 904	186 429	86 271	661 749	255 175
General Revenues:						
Property taxes	1 623 556	1 775 718	-	-	1 623 556	1 775 718
Other taxes	3 056 271	2 704 074	-	-	3 056 271	2 704 074
Other	396 099	431 973	45 324	33 849	441 423	465 822
Total Revenues	6 118 384	5 663 377	5 643 742	5 379 614	11 762 126	11 042 951
Expenses:						
General government	1 146 049	1 191 169	-	-	1 146 049	1 191 169
Public safety	2 201 437	2 426 472	-	-	2 201 437	2 426 472
Community services	1 301 334	1 364 917	-	-	1 301 334	1 364 917
Streets and drainage	1 139 283	1 015 571	-	-	1 139 283	1 015 571
Sanitation	-	-	1 265 848	1 366 503	1 265 848	1 366 503
Inspections	42 285	65 679	-	-	42 285	65 679
Interest on long-term debt	335 466	518 317	-	-	335 466	518 317
Water and sewer	-	-	3 410 541	3 303 331	3 410 541	3 303 331
Total Expenses	6 165 854	6 582 125	4 676 389	4 669 834	10 842 243	11 251 959
Transfers	1 399 602	2 152 797	(861 600)	(1 187 000)	538 002	965 797
Increase (decrease) in net position	<u>1 352 132</u>	<u>1 234 009</u>	<u>105 753</u>	<u>(477 220)</u>	<u>1 457 885</u>	<u>756 789</u>
Net Position, Ending	\$ 15 667 994	\$ 14 425 297	\$ 12 286 698	\$ 12 223 066	\$ 27 954 692	\$ 26 648 363

Governmental Activities. Governmental activities increased the City of Center's net position by \$1,352,132. Key elements of this increase are as follows:

- Governmental Fund Transfers decreased \$800,665 from prior year. This is mostly from transfers from the Utility and Sanitation Funds and internal service funds;
- Governmental Expenses decreased \$416,271 from prior year expenses;

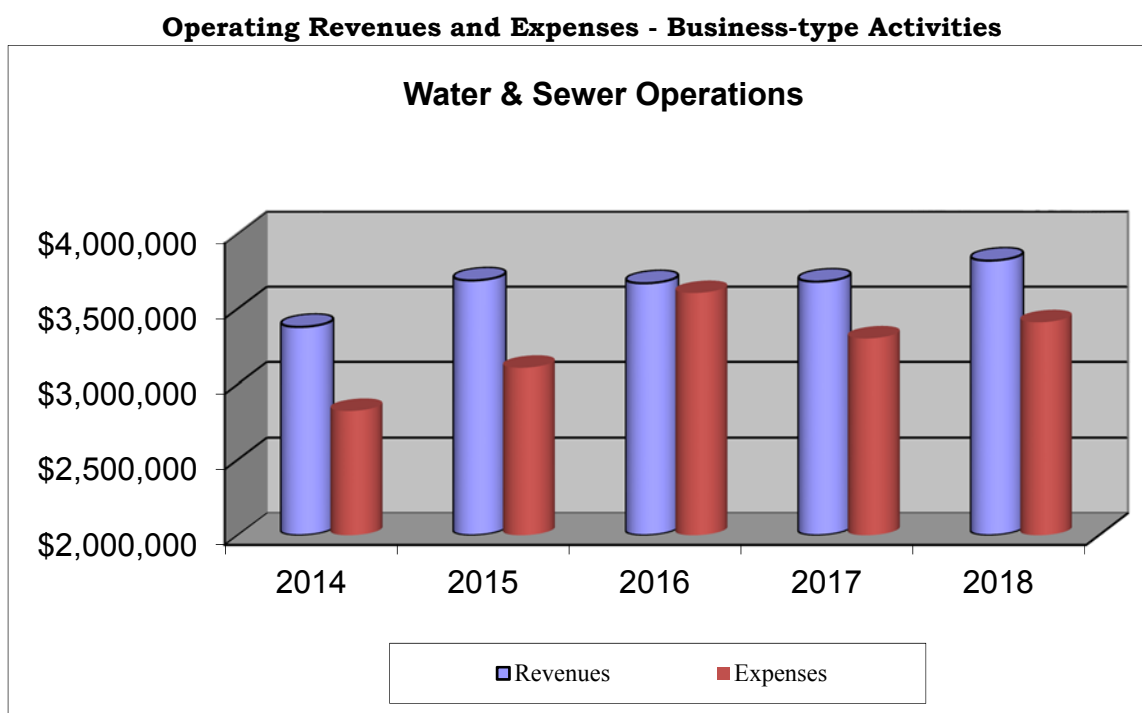
Revenues by Source - All Governmental Activities (reference page 19)



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

Business-Type Activities. Business-type activities increased the total government's net position by \$105,753. Key elements of this change are as follows:

- Operating revenues increased \$152,495 to \$5,411,989 from \$5,259,494. This is a result of revenue increases in Sanitation of \$12,739 with an additional revenue increase in Water-Sewer of \$139,756.
- Operating expenses increased \$6,555 to \$4,676,389 from \$4,669,834. Water-Sewer expenses increased \$107,564 while Sanitation expenses decreased \$100,655.
- Operating Revenues exceeded expenses resulting in Operating Income of \$735,600.
- Including non-operating expenses, primarily costs of debt and transfers, Change in Net Position is \$105,753. Transfers 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 \$908,580. 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 2018 by transfers from the General and Utility Funds. The Equipment Replacement Fund was created in FY 2018 and will be fully capitalized in FY 2019. The net position for the Equipment Replacement Fund increased by \$61,822 from \$365,794 to \$427,616. However, the Fund had a reduction in cash of \$70,067, bringing its cash at the end of the year to \$154,649. This is a result of the Fund purchasing assets and incurring expenses after the expenditures of cash with a portion of the vehicles already being depreciated.

Financial Analysis of the Government's Funds

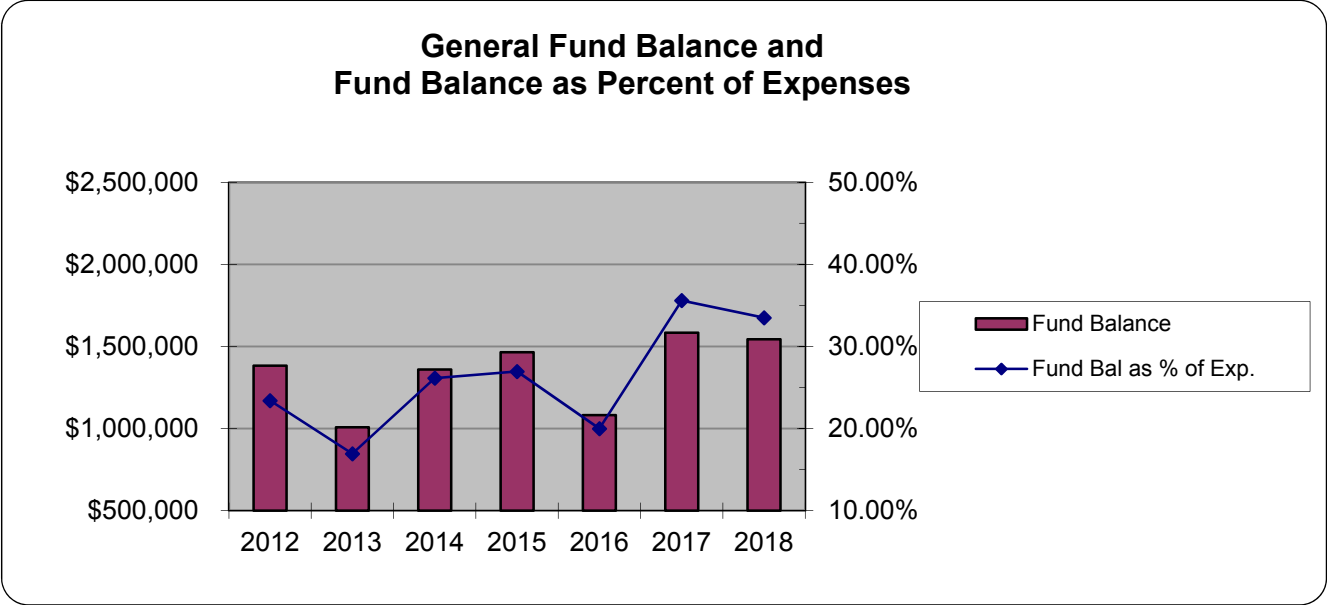
As noted earlier, the City of Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$2,472,458, an increase of \$523,660 from the prior year. Approximately 62% of this total amount, \$1,543,300, constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remaining 38% 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 \$1,543,300. The fund balance of the City's general fund decreased by \$40,005 during the current fiscal year. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 33.5% of total general fund operational expenditures. The City Council established a minimum fund balance policy of 25% of annual expenditures.

General Fund Budgetary Highlights



The General Fund accounts for the primary operations of the City and a budget comparison is provided.

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues increased from the budget by \$35,500. Total expenditures decreased from the budget by \$275,974. After transfers to and from other funds, the general fund experienced a decrease in the fund balance of \$40,005.

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 \$37,127,104 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$36,364,148. 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 73 072	\$ 43 872	\$ 665 250	\$ 638 805	\$ 738 322	\$ 682 677
Buildings	6 838 859	7 059 839	-	-	6 838 859	7 059 839
Improvements other than buildings	3 792 257	2 965 089	-	-	3 792 257	2 965 089
Machinery and equipment	980 461	642 213	731 119	747 186	1 711 580	1 389 399
Buildings and systems	-	-	13 725 662	9 729 831	13 725 662	9 729 831
Infrastructure	10 243 246	10 219 688	-	-	10 243 246	8 336 349
Construction in progress	152 076	977 747	25 102	3 339 878	177 178	4 317 625
Total	<u>\$ 22 079 971</u>	<u>\$ 21 908 448</u>	<u>\$ 15 147 133</u>	<u>\$ 14 455 700</u>	<u>\$ 37 127 104</u>	<u>\$ 36 364 148</u>

Long-Term Debt. At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$10,945,000, a decrease from last year's total bonded debt of \$11,670,000. 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 6 440 000	\$ 6 955 000	\$ 4 505 000	\$ 4 715 000	\$ 10 945 000	\$ 11 670 000
Compensated absences	119 116	94 652	36 335	35 835	155 451	130 487
Notes payable	886 256	810 934	-	-	886 256	810 934
Total	<u>\$ 7 445 372</u>	<u>\$ 7 860 586</u>	<u>\$ 4 541 335</u>	<u>\$ 4 750 835</u>	<u>\$ 11 986 707</u>	<u>\$ 12 611 421</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 2018.

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. of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of August 2018 for Shelby County, according to Texas Workforce Commission statistics, is 4.6%. The unemployment rates for August 2018, according to the Texas Workforce Commission, are 3.9% for the State of Texas and 4.5% 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 \$3,199,187 an increase of \$143,478 or 4.7% from the previous year (\$3,069,326). This primarily reflects a return of oil and gas industry activities in the region.
- 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 2019 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, 2018

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
ASSETS				
Cash and cash equivalents	\$ 2 736 810	\$ 1 222 359	\$ 3 959 169	\$ 2 153 844
Receivables (net)	1 159 590	648 785	1 808 375	441 333
Due from other governments	159 201	-	159 201	95 521
Inventories	14 238	80 365	94 603	-
Restricted Assets:				
Cash and cash equivalents	-	742 739	742 739	-
Capital assets (net of accumulated depreciation)	21 938 893	15 147 133	37 086 026	289 530
TOTAL ASSETS	26 008 732	17 841 381	43 850 113	2 980 228
DEFERRED OUTFLOWS				
Deferred outflow - Pension	205 280	79 012	284 292	-
Deferred outflow - OPEB	8 645	3 327	11 972	-
Deferred outflow - Subsequent contribution - Pension	388 415	93 691	482 106	-
Deferred outflow - Subsequent contribution - OPEB	804	309	1 113	-
TOTAL DEFERRED OUTFLOWS	603 144	176 339	779 483	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	26 611 876	18 017 720	44 629 596	2 980 228
LIABILITIES				
Current Liabilities:				
Accounts payable	151 655	89 685	241 340	-
Accrued liabilities	123 129	41 978	165 107	-
Accrued interest payable	30 903	22 591	53 494	-
Premium on bond issue	144 317	-	144 317	-
Customer deposits payable	-	172 477	172 477	-
Due within one year	784 594	213 750	998 344	-
Noncurrent Liabilities:				
Due in more than one year	7 623 692	4 698 207	12 321 899	-
TOTAL LIABILITIES	8 858 290	5 238 688	14 096 978	-
DEFERRED INFLOWS				
Deferred inflows - Pension	1 279 133	492 334	1 771 467	-
Unavailable revenues	806 459	-	806 459	-
TOTAL DEFERRED INFLOWS	2 085 592	492 334	2 577 926	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	10 943 882	5 731 022	16 674 904	-
NET POSITION				
Net investment in capital assets	14 463 076	10 635 379	25 098 455	289 530
Restricted for:				
Debt service	96 654	-	96 654	-
Grants	642 483	-	642 483	-
Capital projects	25 204	742 739	767 943	-
Perpetual care	164 817	-	164 817	-
Unrestricted	275 760	908 580	1 184 340	2 690 698
TOTAL NET POSITION	\$ 15 667 994	\$ 12 286 698	\$ 27 954 692	\$ 2 980 228

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, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1 146 049	\$ 5 236	\$ -	\$ -
Public safety	2 201 437	16 120	30 098	-
Community services	1 301 334	333 320	174 097	475 320
Streets and drainage	1 139 283	-	-	-
Inspections	42 285	8 267	-	-
Interest on long-term debt	335 466	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6 165 854</u>	<u>362 943</u>	<u>204 195</u>	<u>475 320</u>
Business-Type Activities:				
Water and sewer fund	3 410 541	3 821 141	-	186 429
Sanitation fund	1 265 848	1 590 848	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4 676 389</u>	<u>5 411 989</u>	<u>-</u>	<u>186 429</u>
 TOTAL PRIMARY GOVERNMENT	 \$ <u>10 842 243</u>	 \$ <u>5 774 932</u>	 \$ <u>204 195</u>	 \$ <u>661 749</u>
Component Units:				
Economic Development	\$ 122 937	\$ -	\$ -	\$ -
Economic Development Street Improvement	28 976	-	-	-
TOTAL COMPONENT UNITS	<u>\$ 151 913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes and permits				
Fines and fees				
Unrestricted investment earnings				
Other unrestricted revenue				
Loss on sale of assets				
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
\$ (1 140 813)	\$ -	\$ (1 140 813)	\$ -
(2 155 219)	-	(2 155 219)	-
(318 597)	-	(318 597)	-
(1 139 283)	-	(1 139 283)	-
(34 018)	-	(34 018)	-
(335 466)	-	(335 466)	-
(5 123 396)	-	(5 123 396)	-
-	597 029	597 029	-
-	325 000	325 000	-
-	922 029	922 029	-
(5 123 396)	922 029	(4 201 367)	-
-	-	-	(122 937)
-	-	-	(28 976)
-	-	-	(151 913)
1 623 556	-	1 623 556	-
2 003 672	-	2 003 672	1 202 203
1 052 599	-	1 052 599	-
162 675	-	162 675	-
51 353	42 210	93 563	42 033
182 071	3 114	185 185	-
-	-	-	(318)
1 399 602	(861 600)	538 002	(538 002)
6 475 528	(816 276)	5 659 252	705 916
1 352 132	105 753	1 457 885	554 003
14 425 297	12 223 066	26 648 363	2 474 733
(109 435)	(42 121)	(151 556)	(48 508)
14 315 862	12 180 945	26 496 807	2 426 225
\$ 15 667 994	\$ 12 286 698	\$ 27 954 692	\$ 2 980 228

CITY OF CENTER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 1 448 670	\$ 44 854	\$ 997 898	\$ 2 491 422
Receivables (Net of Uncollectibles):				
Taxes	284 860	-	-	284 860
Accounts	-	-	441 750	441 750
Court fines receivable	361 709	-	-	361 709
Governmental agencies	159 201	-	-	159 201
Sundry	71 271	-	-	71 271
Due from other funds	85 138	-	500	85 638
Inventories	14 238	-	-	14 238
TOTAL ASSETS	\$ 2 425 087	\$ 44 854	\$ 1 440 148	\$ 3 910 089
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 117 458	\$ 19 550	\$ 6 414	\$ 143 422
Accrued liabilities	118 006	-	2 992	120 998
Due to other funds	500	100	85 038	85 638
TOTAL LIABILITIES	235 964	19 650	94 444	350 058
Deferred Inflows:				
Unavailable revenue	645 823	-	441 750	1 087 573
TOTAL DEFERRED INFLOWS	645 823	-	441 750	1 087 573
Fund Balances:				
Restricted for:				
Debt service	-	-	96 654	96 654
Other purposes	-	-	807 300	807 300
Capital projects	-	25 204	-	25 204
Unassigned:				
General fund	1 543 300	-	-	1 543 300
TOTAL FUND BALANCES	1 543 300	25 204	903 954	2 472 458
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2 425 087	\$ 44 854	\$ 1 440 148	
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.				21 938 893
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.				366 913
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				281 114
Long-term liabilities, including bonds, pensions, and other post-employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds				(9 786 724)
NET POSITION OF GOVERNMENTAL ACTIVITIES				\$ 15 272 654

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, 2018

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 954 182	\$ -	\$ 645 367	\$ 1 599 549
Other local taxes and permits	2 708 258	-	348 013	3 056 271
Fines and fees	163 320	-	6 991	170 311
Charges for services	239 143	-	175 621	414 764
Contributions and grants	38 858	121 221	526 069	686 148
Miscellaneous	7 939	-	57 446	65 385
TOTAL REVENUES	<u>4 111 700</u>	<u>121 221</u>	<u>1 759 507</u>	<u>5 992 428</u>
Expenditures:				
General government	1 144 040	-	-	1 144 040
Public safety	2 445 440	-	9 260	2 454 700
Community services	659 881	-	401 722	1 061 603
Streets and drainage	320 515	-	641 765	962 280
Inspections	41 200	-	-	41 200
Capital outlay	-	303 141	-	303 141
Debt Service:				
Principal	-	-	717 435	717 435
Interest and fiscal charges	-	-	345 429	345 429
TOTAL EXPENDITURES	<u>4 611 076</u>	<u>303 141</u>	<u>2 115 611</u>	<u>7 029 828</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(499 376)</u>	<u>(181 920)</u>	<u>(356 104)</u>	<u>(1 037 400)</u>
Other Financing Sources (Uses):				
Debt proceeds	-	265 117	-	265 117
Interest income	23 344	3 655	20 775	47 774
Transfers in	693 410	195 226	1 015 689	1 904 325
Transfers (out)	<u>(257 383)</u>	<u>(103 763)</u>	<u>(295 010)</u>	<u>(656 156)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>459 371</u>	<u>360 235</u>	<u>741 454</u>	<u>1 561 060</u>
NET CHANGE IN FUND BALANCES	(40 005)	178 315	385 350	523 660
Fund balances at beginning of year	<u>1 583 305</u>	<u>(153 111)</u>	<u>518 604</u>	<u>1 948 798</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1 543 300</u>	<u>\$ 25 204</u>	<u>\$ 903 954</u>	<u>\$ 2 472 458</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, 2018

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

Net change in fund balances - Total governmental funds	\$ 523 660
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.	(101 444)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	24 007
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	94 015
The issuance of long-term debt (e.g., bonds, notes, and pension and other post employment benefits) 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 debts and other related items.	<u>417 952</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>958 190</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, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1 062 156	\$ 160 203	\$ 1 222 359
Receivables (Net):			
Accounts	347 175	295 252	642 427
Sundry	6 358	-	6 358
Inventories	80 365	-	80 365
TOTAL CURRENT ASSETS	<u>1 496 054</u>	<u>455 455</u>	<u>1 951 509</u>
Noncurrent Assets:			
Restricted cash	742 739	-	742 739
Capital Assets:			
Land	665 250	-	665 250
Utility systems	31 668 551	-	31 668 551
Equipment	3 443 990	55 682	3 499 672
Construction in progress	25 102	-	25 102
Less accumulated depreciation	<u>(20 662 514)</u>	<u>(48 928)</u>	<u>(20 711 442)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>15 140 379</u>	<u>6 754</u>	<u>15 147 133</u>
TOTAL NONCURRENT ASSETS	<u>15 883 118</u>	<u>6 754</u>	<u>15 889 872</u>
TOTAL ASSETS	<u>17 379 172</u>	<u>462 209</u>	<u>17 841 381</u>
DEFERRED OUTFLOWS			
Deferred outflow - Pension	79 012	-	79 012
Deferred outflow - Subsequent contributions pensions	93 691	-	93 691
Deferred outflow - OPEB	3 327	-	3 327
Deferred outflow - Subsequent contributions OPEB	309	-	309
TOTAL DEFERRED OUTFLOWS	<u>176 339</u>	<u>-</u>	<u>176 339</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>17 555 511</u>	<u>462 209</u>	<u>18 017 720</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	75 622	14 063	89 685
Accrued expense	41 978	-	41 978
Debt payable - Current	213 750	-	213 750
Accrued interest payable	22 591	-	22 591
Customer deposits payable	172 477	-	172 477
TOTAL CURRENT LIABILITIES	<u>526 418</u>	<u>14 063</u>	<u>540 481</u>
Noncurrent Liabilities:			
Compensated absences	36 335	-	36 335
Pension liability	321 634	-	321 634
OPEB liability	48 988	-	48 988
Long term debt payable	4 291 250	-	4 291 250
TOTAL NONCURRENT LIABILITIES	<u>4 698 207</u>	<u>-</u>	<u>4 698 207</u>
TOTAL LIABILITIES	<u>5 224 625</u>	<u>14 063</u>	<u>5 238 688</u>
DEFERRED INFLOWS			
Deferred inflow - Pension	492 334	-	492 334
TOTAL DEFERRED INFLOWS	<u>492 334</u>	<u>-</u>	<u>492 334</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>5 716 959</u>	<u>14 063</u>	<u>5 731 022</u>
NET POSITION			
Net investment in capital assets	10 635 379	6 754	10 642 133
Restricted for capital projects	740 384	-	740 384
Unrestricted	460 434	441 392	908 580
TOTAL NET POSITION	<u>\$ 11 838 552</u>	<u>\$ 448 146</u>	<u>\$ 12 286 698</u>

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

INTERNAL SERVICE FUNDS	
EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
\$ 154 649	\$ 90 739
-	-
-	-
-	-
154 649	90 739
-	-
-	-
-	-
385 295	-
-	-
(112 328)	-
272 967	-
272 967	-
427 616	90 739
-	-
-	-
-	-
-	-
427 616	90 739
-	8 233
-	2 131
-	-
-	-
-	-
-	10 364
-	-
-	-
-	-
-	-
-	-
-	10 364
-	-
-	-
-	-
272 967	-
-	-
154 649	80 375
\$ 427 616	\$ 80 375

CITY OF CENTER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for service	\$ 3 728 065	\$ 1 588 873	\$ 5 316 938
Taps and connections	6 115	-	6 115
Miscellaneous	86 961	1 975	88 936
TOTAL OPERATING REVENUES	<u>3 821 141</u>	<u>1 590 848</u>	<u>5 411 989</u>
Operating Expenses:			
Nondepartmental	176 063	-	176 063
Public works	224 497	-	224 497
Water production	1 215 673	-	1 215 673
Water distribution	342 110	-	342 110
Sewer collection	221 734	-	221 734
Sewer treatment	576 108	-	576 108
Sanitation	-	1 259 995	1 259 995
Depreciation	654 356	5 853	660 209
TOTAL OPERATING EXPENSES	<u>3 410 541</u>	<u>1 265 848</u>	<u>4 676 389</u>
OPERATING INCOME	<u>410 600</u>	<u>325 000</u>	<u>735 600</u>
Nonoperating Revenues (Expenses):			
Income from investments	40 209	2 001	42 210
Other revenue	3 114	-	3 114
Grants and contributions	186 429	-	186 429
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>229 752</u>	<u>2 001</u>	<u>231 753</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	<u>640 352</u>	<u>327 001</u>	<u>967 353</u>
Operating transfers in (out)	<u>(919 676)</u>	<u>58 076</u>	<u>(861 600)</u>
TOTAL NET OPERATING TRANSFERS	<u>(919 676)</u>	<u>58 076</u>	<u>(861 600)</u>
CHANGE IN NET POSITION	<u>(279 324)</u>	<u>385 077</u>	<u>105 753</u>
Beginning net position	12 159 997	63 069	12 223 066
Prior period adjustment	(42 121)	-	(42 121)
BEGINNING NET POSITION, RESTATED	<u>12 117 876</u>	<u>63 069</u>	<u>12 180 945</u>
NET POSITION, END OF YEAR	<u>\$ 11 838 552</u>	<u>\$ 448 146</u>	<u>\$ 12 286 698</u>

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

INTERNAL SERVICE FUNDS			
EQUIPMENT REPLACEMENT FUND		TECHNOLOGY FUND	
\$	56 481	\$	72 340
	-		-
	-		452
	<u>56 481</u>		<u>72 792</u>
	-		113 211
	-		-
	-		-
	-		-
	-		-
	-		-
	<u>77 059</u>		<u>-</u>
	<u>77 059</u>		<u>113 211</u>
	<u>(20 578)</u>		<u>(40 419)</u>
	2 400		1 179
	-		-
	<u>-</u>		<u>-</u>
	<u>2 400</u>		<u>1 179</u>
	<u>(18 178)</u>		<u>(39 240)</u>
	<u>80 000</u>		<u>71 433</u>
	<u>80 000</u>		<u>71 433</u>
	<u>61 822</u>		<u>32 193</u>
	365 794		48 182
	-		-
	<u>365 794</u>		<u>48 182</u>
\$	<u><u>427 616</u></u>	\$	<u><u>80 375</u></u>

CITY OF CENTER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Cash Flows from Operating Activities:			
Received from customers	\$ 3 812 369	\$ 1 555 255	\$ 5 367 624
Payments to suppliers	(2 121 908)	(1 373 413)	(3 495 321)
Payments to employees	(1 245 344)	-	(1 245 344)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	445 117	181 842	626 959
Cash Flows from Noncapital Financing Activities:			
Contributions and grants received	186 429	-	186 429
Operating transfers in (out)	(919 676)	58 076	(861 600)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(733 247)	58 076	(675 171)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1 343 153)	-	(1 343 153)
Principal paid on debt	(210 000)	-	(210 000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1 553 153)	-	(1 553 153)
Cash Flows from Investing Activities:			
Interest on investments	40 209	2 001	42 210
Royalties	3 114	-	3 114
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	43 323	2 001	45 324
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1 797 960)	241 919	(1 556 041)
Cash at beginning of year	3 602 855	(81 716)	3 521 139
CASH AT END OF YEAR	\$ 1 804 895	\$ 160 203	\$ 1 965 098

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating income (loss)	\$ 410 600	\$ 325 000	\$ 735 600
Adjustments:			
Depreciation	654 356	5 853	660 209
Changes in:			
Accounts receivable	(19 770)	(35 593)	(55 363)
Inventory	(3 107)	-	(3 107)
Deferred charges	369 353	-	369 353
Accounts payable	(535 835)	(113 418)	(649 253)
Accrued expense	(869)	-	(869)
Accrued compensated absences	500	-	500
Pension liability	(441 109)	-	(441 109)
Customer deposits	10 998	-	10 998
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 445 117	\$ 181 842	\$ 626 959

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

INTERNAL SERVICE FUNDS	
EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
\$ 56 481	\$ 72 797
-	(44 535)
-	(62 134)
56 481	(33 877)
-	-
80 000	71 433
80 000	71 433
(208 948)	-
-	-
(208 948)	-
2 400	1 179
-	-
2 400	1 179
(70 067)	38 735
224 716	52 004
\$ 154 649	\$ 90 739

\$ (20 578)	\$ (40 419)
77 059	-
-	-
-	-
-	-
-	4 411
-	2 131
-	-
-	-
-	-
56 481	(33 877)

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, 2018

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, 2018

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, 2018

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 for 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, 2018

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Fund Equity:

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

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

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

9. Deferred Outflows/Inflows of Resources:

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

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

10. Use of Estimates:

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

11. Subsequent Events:

Management has evaluated subsequent events through April 8, 2019, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

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, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

FUND BALANCE ANALYSIS

	2018
Beginning fund balance	\$ 1 583 305
Total general fund revenues and transfers	4 828 454
Total general fund expenditures and transfers	4 868 449
ENDING GENERAL FUND BALANCE	<u>\$ 1 543 310</u>
 Airport expense	 \$ 185 059
General fund expenditures	4 868 449
ADJUSTED GENERAL FUND EXPENDITURES	<u>\$ 4 683 390</u>
 Required Fund Balance	 \$ <u>20%</u> 936 678 \$ <u>25%</u> 1 170 847

Actual Fund Balance calculation represents 32.95% of adjusted General Fund Expenditures and 31.70% of non-adjusted General Fund Expenditures.

Tax Abatements

During the year ended September 30, 2018, 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 \$35,200 for the year.

YEAR	VALUE OF ABATED PROPERTY
2018	\$ 6 121 762
2019	5 824 014
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, 2018, consists of the following:

Primary Government:	
Unrestricted cash and investments	\$ 3 960 985
Restricted cash and investments	740 384
Component Units:	
Cash and investments	2 153 844
TOTAL CASH AND INVESTMENTS	<u>\$ 6 855 213</u>
 Primary Government:	
Cash on hand	\$ (5 838)
Deposits with financial institutions	102 303
Investments in LOGIC	4 604 904
Component Units:	
Deposits with financial institutions	3 463
Investments in LOGIC	2 150 381
TOTAL CASH AND INVESTMENTS	<u>\$ 6 855 213</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

At September 30, 2018, 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.

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, 2018, the City had the following investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 4 604 904	54
Component units - LOGIC	2 150 381	54
	<u>\$ 6 755 285</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, 2018 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2018.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2018	\$ 140 260	\$ 140 260
Loan payments received	-	(42 875)
Loans paid	(42 875)	-
Balance at September 30, 2018	<u>\$ 97 385</u>	<u>\$ 97 385</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 33 334
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	64 051
TOTAL	<u>\$ 97 385</u>

Future requirements are as follows:

YEAR	PAYABLE/ RECEIVABLE
2019	\$ 42 875
2020	26 209
2021	17 875
2022	10 426
	<u>\$ 97 385</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	\$ 977 747	\$ 730 538	\$ (1 556 209)	\$ 152 076
Land	43 872	29 200	-	73 072
TOTAL ASSETS NOT BEING DEPRECIATED	<u>1 021 619</u>	<u>759 738</u>	<u>(1 556 209)</u>	<u>225 148</u>
Capital Assets, Being Depreciated:				
Buildings	9 207 697	-	-	9 207 697
Improvements other than buildings	4 118 925	951 279	-	5 070 204
Vehicles and equipment	2 268 459	161 705	-	2 430 164
Infrastructure	15 218 808	746 986	-	15 965 794
TOTAL ASSETS BEING DEPRECIATED	<u>30 813 889</u>	<u>1 859 970</u>	<u>-</u>	<u>32 673 859</u>
Less Accumulated Depreciation For:				
Buildings	2 147 858	220 980	-	2 368 838
Improvements other than buildings	1 153 836	124 111	-	1 277 947
Vehicles and equipment	1 626 246	96 424	-	1 722 670
Infrastructure	4 999 120	723 428	-	5 722 548
TOTAL ACCUMULATED DEPRECIATION	<u>9 927 060</u>	<u>1 164 943</u>	<u>-</u>	<u>11 092 003</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>20 886 829</u>	<u>695 027</u>	<u>-</u>	<u>21 581 856</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 21 908 448</u>	<u>\$ 1 454 765</u>	<u>\$ (1 556 209)</u>	<u>\$ 21 807 004</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 638 805	\$ 26 445	\$ -	\$ 665 250
Construction in progress	3 339 878	1 245 107	(4 559 883)	25 102
TOTAL ASSETS NOT BEING DEPRECIATED	<u>3 978 683</u>	<u>1 271 552</u>	<u>(4 559 883)</u>	<u>690 352</u>
Capital Assets, Being Depreciated:				
Buildings and systems	27 108 668	4 559 883	-	31 668 551
Vehicles and equipment	3 419 582	80 090	-	3 499 672
TOTAL ASSETS BEING DEPRECIATED	<u>30 528 250</u>	<u>4 639 973</u>	<u>-</u>	<u>35 168 223</u>
Less Accumulated Depreciation For:				
Buildings and systems	17 378 837	564 052	-	17 942 889
Vehicles and equipment	2 672 396	96 157	-	2 768 553
TOTAL ACCUMULATED DEPRECIATION	<u>20 051 233</u>	<u>660 209</u>	<u>-</u>	<u>20 711 442</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>10 477 017</u>	<u>3 979 764</u>	<u>-</u>	<u>14 456 781</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 14 455 700</u>	<u>\$ 5 251 316</u>	<u>\$ (4 559 883)</u>	<u>\$ 15 147 133</u>
Internal Service Fund:				
Capital Assets, Being Depreciated:				
Vehicles and equipment	\$ 176 347	\$ 208 948	\$ -	\$ 385 295
TOTAL ASSETS NOT BEING DEPRECIATED	<u>176 347</u>	<u>208 948</u>	<u>-</u>	<u>385 295</u>
Less Accumulated Depreciation For:				
Vehicles and equipment	35 269	77 059	-	112 328
TOTAL ACCUMULATED DEPRECIATION	<u>35 269</u>	<u>77 059</u>	<u>-</u>	<u>112 328</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>141 078</u>	<u>131 889</u>	<u>-</u>	<u>272 967</u>
INTERNAL SERVICE FUND CAPITAL ASSETS, NET	<u>\$ 141 078</u>	<u>\$ 131 889</u>	<u>\$ -</u>	<u>\$ 272 967</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Component Units:				
Capital Assets, Not Being Depreciated:				
Land	\$ 315 500	\$ -	\$ (25 970)	\$ 289 530
Construction in progress	48 508	-	(48 508)	-
TOTAL ASSETS NOT BEING DEPRECIATED	364 008	-	(74 478)	289 530
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	\$ 364 008	\$ -	\$ (74 478)	\$ 289 530

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

Governmental Activities:

General government	\$ 18 335
Public safety	119 323
Community services	388 858
Street and drainage	638 427
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1 164 943</u>

Business-Type Activities:

Water	\$ 441 626
Sewer	212 730
Sanitation	5 853
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 660 209</u>

D. Changes In Long-Term Debt

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

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 6 955 000	\$ -	\$ (515 000)	\$ 6 440 000	\$ 531 250
Note payable	810 934	265 117	(189 795)	886 256	253 344
Compensated absences	94 652	24 464	-	119 116	-
Pension liability	2 045 350	-	(1 209 711)	835 639	-
OPEB liability	109 435	17 840	-	127 275	-
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 10 015 371</u>	<u>\$ 307 421</u>	<u>\$ (1 914 506)</u>	<u>\$ 8 408 286</u>	<u>\$ 784 594</u>
Business-Type Activities:					
General obligation bonds	\$ 4 715 000	\$ -	\$ (210 000)	\$ 4 505 000	\$ 213 750
Compensated absences	35 835	500	-	36 335	-
Pension liability	769 610	-	(447 976)	321 634	-
OPEB liability	42 121	6 867	-	48 988	-
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 5 562 566</u>	<u>\$ 7 367</u>	<u>\$ (657 976)</u>	<u>\$ 4 911 957</u>	<u>\$ 213 750</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Bonds payable at September 30, 2018 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)	\$ 515 000
\$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)	190 000
\$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)	1 760 000
\$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)	1 055 000
\$4,000,000, 2018 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)	3 660 000
	<u>\$ 10 945 000</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
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
2023	425 000	152 416	230 000	97 501
Thereafter	3 850 000	611 194	3 405 000	684 249
TOTAL	<u>\$ 6 440 000</u>	<u>\$ 1 474 324</u>	<u>\$ 4 505 000</u>	<u>\$ 1 210 577</u>

Notes Payable:

\$450,000 loan from the City of Center Economic Development Corporation to be paid in annual installments through 2029, with an interest rate of 3%	\$ 261 139
\$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%	360 000
\$265,117 note to be paid in annual installments of \$62,955 to \$69,679 through November 2021, with interest of 3.45%	265 117
	<u>\$ 886 256</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES	
	PRINCIPAL	INTEREST
2019	\$ 253 344	\$ 22 969
2020	276 122	17 351
2021	88 993	11 308
2022	91 959	8 341
2023	22 948	5 275
Thereafter	152 890	16 447
TOTAL	<u>\$ 886 256</u>	<u>\$ 81 691</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	\$ 1 671 267	\$ 1 019 431	\$ 2 690 698
Capital Assets:			
Land	<u>289 530</u>	<u>-</u>	<u>289 530</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1 960 797</u>	<u>\$ 1 019 431</u>	<u>\$ 2 980 228</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	289 530	-	289 530
Unrestricted	<u>1 671 267</u>	<u>1 019 431</u>	<u>2 690 698</u>
TOTAL NET POSITION	<u>\$ 1 960 797</u>	<u>\$ 1 019 431</u>	<u>\$ 2 980 228</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

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	\$ 27 081	\$ -	\$ -	\$ -	\$ (27 081)	\$ -	\$ (27 081)
Operating expenses	95 856	-	-	-	(95 856)	-	(95 856)
TOTAL	122 937	-	-	-	(122 937)	-	(122 937)
Center Street Improvements for Economic Development Corporation:							
Operating expenses	28 976	-	-	-	-	(28 976)	(28 976)
TOTAL	28 976	-	-	-	-	(28 976)	(28 976)
TOTAL COMPONENT UNITS	\$ 151 913	\$ -	\$ -	\$ -	(122 937)	(28 976)	(151 913)
General Revenues:							
					400 734	801 469	1 202 203
Sales tax					26 910	15 123	42 033
Interest income					(318)	-	(318)
Other income (loss)					-	(538 002)	(538 002)
Transfer							
TOTAL GENERAL REVENUE					427 326	278 590	705 916
CHANGE IN NET POSITION					304 389	249 614	554 003
Net position - Beginning					1 704 916	769 817	2 474 733
Prior Period Adjustment					(48 508)	-	(48 508)
Net position - Beginning (Restated)					1 656 408	769 817	2 426 225
NET POSITION - ENDING					\$ 1 960 797	\$ 1 019 431	\$ 2 980 228

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	13
Active employees	71
	<hr/> 127 <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, 2018

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 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$482,106, and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2018 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, 2017, 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 2018 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, 2018

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, 2016	\$ 13 056 244	\$ 10 241 284	\$ 2 814 960
Changes for the Year:			
Service cost	522 065	-	522 065
Interest	879 442	-	879 442
Change of benefit terms	-	-	-
Difference between expected and actual experience	(915 461)	-	(915 461)
Changes of assumptions	-	-	-
Contributions - Employer	-	514 644	(514 644)
Contributions - Employee	-	216 496	(216 496)
Net investment income	-	1 420 322	(1 420 322)
Benefit payments, including refunds of employee	(577 012)	(577 012)	-
Administrative expense	-	(7 356)	7 356
Other changes	-	(373)	373
NET CHANGES	(90 966)	1 566 721	(1 657 687)
Balance at December 31, 2017	\$ 12 965 278	\$ 11 808 005	\$ 1 157 273

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

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	\$ 3 201 366	\$ 1 157 273	\$ (495 338)

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, 2018, the city recognized pension expense of \$527,732.

At September 30, 2018, 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	\$ 4 976	\$ 1 170 866
Changes in actuarial assumptions	-	16 648
Difference between projected and actual investment earnings	279 316	583 953
Contributions subsequent to the measurement date	482 106	-
TOTAL	\$ 766 398	\$ 1 771 467

\$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, 2018. 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
2019	\$ (331 804)
2020	(357 325)
2021	(448 477)
2022	(328 114)
2023	(21 455)
Thereafter	-
Total	\$ (1 487 175)

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

C. Other Postemployment Benefit (OPEB)

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

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

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered and other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

Employees Covered by Benefit Terms

Membership:

Number of:

Inactive employees currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	5
Active employees	71
TOTAL	<u>105</u>

Covered Payroll

\$ 3 092 802

Contributions

PLAN/ CALENDAR YEAR	TOTAL SDB CONTRIBUTION (RATE)	RETIREE PORTION OF SDB CONTRIBUTION (RATE)
2017	0.19%	0.07%
2018	0.18%	0.05%

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

The City's contributions to the SDBF for the year ended September 30, 2018 were \$1,723, and were equal to the required contribution.

Summary of Actuarial Assumptions

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - Service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - Disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in OPEB Liability

Total OPEB liability - Beginning of year	\$ 151 556
Changes for the Year:	
Service cost	6 804
Interest on total OPEB liability	5 816
Changes of benefit terms	-
Differences	-
Changes in assumptions or other inputs	14 252
Benefit payments	(2 165)
NET CHANGES	24 707
TOTAL OPEB LIABILITY - END OF YEAR	\$ 176 263

Total OPEB Liability as a Percentage of Covered Payroll 5.70%

Sensitivity of OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) or 1-percentage point higher (4.31%) than the current rate.

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB Liability	\$ 213 251	\$ 176 263	\$ 147 713

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 4 - OTHER INFORMATION - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$14,900.

As of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ -
Changes in actuarial assumptions	11 972	-
Difference between projected and actual earnings	-	-
Subsequent contributions	1 113	-
TOTAL	\$ 13 085	\$ -

\$1,113 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

YEAR ENDED AUGUST 31,	AMORTIZATION
2019	\$ 2 280
2020	2 280
2021	2 280
2022	2 280
2023	2 280
Thereafter	572
TOTAL	\$ 11 972

D. 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

During the current year, the City implemented GASB 75 related to the recognition of Other Post-Employment Benefits. This implementation required the liability be recognized at the beginning of the prior year resulting in an adjustment of \$15,556. The City determined that a project previously capitalized by the Economic Development Corporation would not progress and recorded a prior period adjustment to remove the asset in the amount of \$48,508.

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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 870 500	\$ 870 500	\$ 892 848	\$ 22 348
Delinquent taxes	27 000	27 000	32 961	5 961
Penalties, interest and cost	25 000	25 000	28 373	3 373
TOTAL GENERAL PROPERTY TAXES	922 500	922 500	954 182	31 682
Other Local Taxes and Permits:				
City sales taxes	1 950 000	1 998 800	2 003 672	4 872
Franchise taxes	646 800	664 800	687 494	22 694
Mixed drink taxes	4 000	4 000	4 189	189
License and permit fees	14 000	13 800	12 903	(897)
TOTAL OTHER LOCAL TAXES AND PERMITS	2 614 800	2 681 400	2 708 258	26 858
Fines and Fees:				
Municipal court fines	185 000	133 300	137 827	4 527
Court cost fees	38 100	37 800	24 848	(12 952)
Fines and fees	3 600	3 600	645	(2 955)
TOTAL FINES AND FEES	226 700	174 700	163 320	(11 380)
Charges For Service:				
Administration	80 000	80 000	82 390	2 390
Airport fuel	45 000	64 000	64 201	201
Airport hangar lease	24 000	29 500	29 699	199
Civic Center	60 200	60 200	50 233	(9 967)
Building rental	12 100	12 100	12 620	520
TOTAL CHARGES FOR SERVICES	221 300	245 800	239 143	(6 657)
Contributions and Grants:				
Grant proceeds	4 000	38 400	38 858	458
TOTAL CONTRIBUTIONS AND GRANTS	4 000	38 400	38 858	458
Miscellaneous Revenue:				
Miscellaneous receipts	4 100	13 400	7 939	(5 461)
TOTAL MISCELLANEOUS REVENUE	4 100	13 400	7 939	(5 461)
TOTAL REVENUES	3 993 400	4 076 200	4 111 700	35 500

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Expenditures:				
General Government:				
City Hall:				
Payroll	656 100	656 100	657 856	(1 756)
Supplies	19 100	19 100	14 312	4 788
Contractual services	46 100	46 100	42 285	3 815
Utilities	15 200	15 200	20 741	(5 441)
Sundry charges	17 500	17 500	14 532	2 968
Maintenance	4 800	4 800	6 360	(1 560)
Capital outlay	3 500	3 500	2 661	839
TOTAL CITY HALL	<u>762 300</u>	<u>762 300</u>	<u>758 747</u>	<u>3 553</u>
Nondepartmental:				
Payroll	2 700	2 700	10 303	(7 603)
Supplies	2 400	2 400	887	1 513
Contractual services	184 200	263 500	186 265	77 235
Sundry charges	89 100	89 100	59 278	29 822
Capital outlay	-	89 200	29 900	59 300
TOTAL NONDEPARTMENTAL	<u>278 400</u>	<u>446 900</u>	<u>286 633</u>	<u>160 267</u>
Municipal Court:				
Payroll	54 500	54 500	40 930	13 570
Supplies	2 200	2 200	620	1 580
Contractual services	55 800	55 800	55 324	476
Utilities	1 000	1 000	333	667
Sundry charges	1 000	1 000	1 453	(453)
Maintenance	300	300	-	300
TOTAL MUNICIPAL COURT	<u>114 800</u>	<u>114 800</u>	<u>98 660</u>	<u>16 140</u>
TOTAL GENERAL GOVERNMENT	<u>1 155 500</u>	<u>1 324 000</u>	<u>1 144 040</u>	<u>179 960</u>
Public Safety:				
Police Department:				
Payroll	1 641 800	1 641 800	1 630 466	11 334
Supplies	42 300	42 300	40 359	1 941
Contractual services	81 000	81 000	63 837	17 163
Utilities	40 800	40 800	44 694	(3 894)
Sundry charges	16 800	16 800	12 193	4 607
Maintenance	102 200	102 200	123 785	(21 585)
Capital outlay	-	24 400	26 839	(2 439)
TOTAL POLICE DEPARTMENT	<u>1 924 900</u>	<u>1 949 300</u>	<u>1 942 173</u>	<u>7 127</u>
Fire Department:				
Payroll	401 100	401 100	403 026	(1 926)
Supplies	10 700	10 700	8 757	1 943
Contractual services	17 300	17 300	17 379	(79)
Utilities	9 000	9 000	8 719	281
Sundry charges	8 400	8 400	2 611	5 789
Maintenance	36 000	34 300	31 395	2 905
Capital outlay	24 000	25 700	8 501	17 199
TOTAL FIRE DEPARTMENT	<u>506 500</u>	<u>506 500</u>	<u>480 388</u>	<u>26 112</u>

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Animal Control Department:				
Supplies	5 000	5 000	5 881	(881)
Contractual services	16 000	16 000	15 932	68
Utilities	700	700	726	(26)
Sundry charges	4 500	4 500	340	4 160
Maintenance	1 500	1 500	-	1 500
TOTAL ANIMAL CONTROL DEPARTMENT	27 700	27 700	22 879	4 821
TOTAL PUBLIC SAFETY	2 459 100	2 483 500	2 445 440	38 060
Community Services:				
Airport Department:				
Payroll	22 900	22 900	25 822	(2 922)
Supplies	1 700	1 700	249	1 451
Contractual services	4 700	4 700	10 502	(5 802)
Utilities	14 400	14 400	14 616	(216)
Sundry charges	31 500	31 500	55 256	(23 756)
Maintenance	8 500	8 500	6 252	2 248
Capital outlay	5 000	71 850	72 362	(512)
TOTAL AIRPORT DEPARTMENT	88 700	155 550	185 059	(29 509)
Cemetery Department:				
Contractual services	22 000	22 000	22 130	(130)
Maintenance	500	500	1 938	(1 438)
TOTAL CEMETERY DEPARTMENT	22 500	22 500	24 068	(1 568)
Parks Department:				
Payroll	71 200	71 200	72 672	(1 472)
Supplies	6 300	6 300	10 721	(4 421)
Contractual services	42 800	42 800	41 394	1 406
Utilities	10 600	10 600	12 254	(1 654)
Sundry charges	1 000	1 000	517	483
Maintenance	24 100	36 600	37 260	(660)
Capital outlay	-	-	5 252	(5 252)
TOTAL PARKS DEPARTMENT	156 000	168 500	180 070	(11 570)
Civic Center Department:				
Payroll	129 600	129 600	108 390	21 210
Supplies	6 650	6 650	7 725	(1 075)
Contractual services	27 200	27 200	20 925	6 275
Utilities	24 600	24 600	28 724	(4 124)
Sundry charges	7 700	7 700	3 816	3 884
Maintenance	23 900	23 900	15 000	8 900
Capital outlay	3 000	3 000	5 384	(2 384)
TOTAL CIVIC CENTER DEPARTMENT	222 650	222 650	189 964	32 686
Community Facilities Department:				
Supplies	900	900	17	883
Contractual services	63 900	63 900	62 101	1 799
Utilities	13 800	13 800	16 210	(2 410)
Sundry charges	1 000	1 000	-	1 000
Maintenance	6 600	6 600	2 392	4 208
TOTAL COMMUNITY FACILITIES DEPARTMENT	86 200	86 200	80 720	5 480
TOTAL COMMUNITY SERVICES	576 050	655 400	659 881	(4 481)

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	189 200	189 200	132 125	57 075
Supplies	11 100	11 100	12 314	(1 214)
Contractual services	21 250	21 250	16 517	4 733
Utilities	83 500	83 500	86 301	(2 801)
Sundry charges	2 700	2 700	70	2 630
Maintenance	73 600	73 600	72 240	1 360
Capital outlay	1 000	1 000	948	52
TOTAL STREETS DEPARTMENT	382 350	382 350	320 515	61 835
TOTAL STREETS AND DRAINAGE	382 350	382 350	320 515	61 835
Inspection Services:				
Inspection Department:				
Payroll	27 600	27 600	19 498	8 102
Supplies	1 300	1 300	171	1 129
Contractual services	7 000	7 000	16 190	(9 190)
Utilities	1 000	1 000	1 962	(962)
Sundry charges	2 700	2 700	890	1 810
Maintenance	2 200	2 200	2 489	(289)
TOTAL INSPECTION DEPARTMENT	41 800	41 800	41 200	600
TOTAL INSPECTION SERVICES	41 800	41 800	41 200	600
TOTAL EXPENDITURES	4 614 800	4 887 050	4 611 076	275 974
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(621 400)	(810 850)	(499 376)	311 474
Other Financing Sources (Uses):				
Interest income	2 500	21 100	23 344	2 244
Operating transfers in	618 900	871 800	693 410	(178 390)
Operating transfers (out)	-	-	(257 383)	(257 383)
TOTAL OTHER FINANCING SOURCES (USES)	621 400	892 900	459 371	(433 529)
CHANGE IN FUND BALANCE	-	82 050	(40 005)	(122 055)
Fund balance at beginning of year	1 583 305	1 583 305	1 583 305	-
FUND BALANCE AT END OF YEAR	\$ 1 583 305	\$ 1 665 355	\$ 1 543 300	\$ (122 055)

See independent auditors' report.

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

	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 522 065	\$ 516 676	\$ 463 237	\$ 443 966
Interest (on the total pension liability)	879 442	867 048	860 379	804 999
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(915 461)	(587 907)	(191 770)	21 180
Change of assumptions	-	-	(39 880)	-
Benefit payments, including refunds of employee contributions	(577 012)	(652 767)	(476 550)	(500 735)
NET CHANGE IN TOTAL PENSION LIABILITY	(90 966)	143 050	615 416	769 410
Total pension liability - Beginning	13 056 244	12 913 194	12 297 778	11 528 368
TOTAL PENSION LIABILITY - ENDING	12 965 278	13 056 244	12 913 194	12 297 778
Plan Fiduciary Net Position:				
Contributions - Employer	514 644	503 737	439 335	424 581
Contributions - Employee	216 496	212 499	199 181	197 742
Net investment income	1 420 322	645 178	13 834	500 976
Benefit payments, including refunds of employee contributions	(577 012)	(652 767)	(476 550)	(500 735)
Administrative	(7 356)	(7 282)	(8 424)	(5 230)
Other	(373)	(392)	(416)	(430)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1 566 721	700 973	166 960	616 904
Plan fiduciary net position - Beginning	10 241 284	9 540 311	9 373 351	8 756 447
PLAN FIDUCIARY NET POSITION - ENDING	11 808 005	10 241 284	9 540 311	9 373 351
NET PENSION LIABILITY - ENDING	\$ 1 157 273	\$ 2 814 960	\$ 3 372 883	\$ 2 924 427
Plan fiduciary net position as a percentage of total pension liability	91.07%	78.44%	73.88%	76.22%
Covered employee payroll	\$ 3 092 802	\$ 3 035 696	\$ 2 845 439	2 824 891
Net pension liability as a percentage of covered employee payroll	37.42%	97.73%	118.54%	103.52%

SCHEDULE OF CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially determine contribution				
Contributions in relation to the actuarially determined contribution	\$ 495 007	\$ 462 058	\$ 446 765	\$ 390 666
CONTRIBUTION DEFICIENCY (EXCESS)	(495 007)	(462 058)	(446 765)	(390 666)
	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3 097 987	\$ 3 035 696	\$ 2 845 439	2 824 891
Contributions as a percentage of covered employee payroll	15.98%	15.22%	15.70%	13.83%

Other Information

*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.

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

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF THE CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AND SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS*

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2017
Total OPEB Liability:	
Service cost	\$ 6 804
Interest on total OPEB liability	5 816
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	14 252
Benefit payments, including refunds of employee contributions	(2 165)
NET CHANGE IN TOTAL OPEB LIABILITY	24 707
Total OPEB liability, beginning	151 556
TOTAL PENSION LIABILITY, ENDING (a)	176 263
Plan Fiduciary Net Position:	
Contributions - Employer	-
Contributions - Employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expense	-
Other	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-
Plan fiduciary net position, beginning	-
FIDUCIARY NET POSITION, ENDING (b)	-
NET OPEB LIABILITY ENDING (a) - (b)	\$ 176 263
Plan fiduciary net position as a % of total OPEB liability	00.00%
Covered employee payroll	\$ 3 092 802
Net OPEB liability as a % of covered employee payroll	5.70%

SCHEDULE OF CONTRIBUTIONS

	2018
Actuarially determined contribution	\$ 1 723
Contributions in relation to the actuarially determined contribution	(1 723)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
Covered employee payroll	\$ 3 097 987
Contributions as a percentage of covered employee payroll	(0.06)%

Other Information:

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

Details of the plan are included in the notes on pages 45-47.

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 Funds - 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 Grant - 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.

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, 2018

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
ASSETS		
Cash and cash equivalents	\$ 96 654	\$ 736 427
Receivables	-	441 750
Due from other funds	-	500
TOTAL ASSETS	<u>\$ 96 654</u>	<u>\$ 1 178 677</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 6 414
Due to other funds	-	85 038
Accrued expenses	-	2 992
TOTAL LIABILITIES	<u>-</u>	<u>94 444</u>
Deferred Inflows:		
Unavailable revenue	-	441 750
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>441 750</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>536 194</u>
Fund Balances:		
Restricted for grants	-	642 483
Restricted for debt service	96 654	-
Other restrictions	-	-
TOTAL FUND BALANCES	<u>96 654</u>	<u>642 483</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 96 654</u>	<u>\$ 1 178 677</u>

See independent auditors' report.

PERMANENT FUND		
CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 123 253	\$ 41 564	\$ 997 898
-	-	441 750
-	-	500
<u>\$ 123 253</u>	<u>\$ 41 564</u>	<u>\$ 1 440 148</u>
\$ -	\$ -	\$ 6 414
-	-	85 038
-	-	2 992
<u>-</u>	<u>-</u>	<u>94 444</u>
-	-	441 750
-	-	441 750
<u>-</u>	<u>-</u>	<u>536 194</u>
-	-	642 483
-	-	96 654
<u>123 253</u>	<u>41 564</u>	<u>164 817</u>
<u>123 253</u>	<u>41 564</u>	<u>903 954</u>
<u>\$ 123 253</u>	<u>\$ 41 564</u>	<u>\$ 1 440 148</u>

CITY OF CENTER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
Revenues:		
Taxes	\$ 645 367	\$ 348 013
Grants and contributions	-	526 057
Fines and fees	-	6 991
Charges for services	-	175 621
Other	-	57 446
TOTAL REVENUES	<u>645 367</u>	<u>1 114 128</u>
Expenditures:		
Public safety	-	9 260
Community services	-	401 722
Streets	-	641 765
Debt Service:		
Principal	698 165	19 270
Interest and fiscal charges	<u>336 425</u>	<u>9 004</u>
TOTAL EXPENDITURES	<u>1 034 590</u>	<u>1 081 021</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(389 223)</u>	<u>33 107</u>
Other Financing Sources (Uses):		
Interest	6 429	11 632
Operating transfers in	357 511	658 178
Operating transfers (out)	-	(295 010)
TOTAL OTHER FINANCING SOURCES (USES)	<u>363 940</u>	<u>374 800</u>
NET CHANGE IN FUND BALANCE	(25 283)	407 907
Fund balance at beginning of year	<u>121 937</u>	<u>234 576</u>
FUND BALANCES AT END OF YEAR	<u>\$ 96 654</u>	<u>\$ 642 483</u>

See independent auditors' report.

PERMANENT FUND		
CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 993 380
12	-	526 069
-	-	6 991
-	-	175 621
-	-	57 446
<u>12</u>	<u>-</u>	<u>1 759 507</u>
-	-	9 260
-	-	401 722
-	-	641 765
-	-	717 435
-	-	345 429
<u>-</u>	<u>-</u>	<u>2 115 611</u>
<u>12</u>	<u>-</u>	<u>(356 104)</u>
2 175	539	20 775
-	-	1 015 689
-	-	(295 010)
<u>2 175</u>	<u>539</u>	<u>741 454</u>
2 187	539	385 350
<u>121 066</u>	<u>41 025</u>	<u>518 604</u>
\$ <u>123 253</u>	\$ <u>41 564</u>	\$ <u>903 954</u>

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
ASSETS					
Cash and cash equivalents	\$ 1 010	\$ -	\$ 225 771	\$ 2 152	\$ 6 229
Receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	\$ 1 010	\$ -	\$ 225 771	\$ 2 152	\$ 6 229
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	1 010	82 990	-	-	-
Accrued expenses	-	-	-	-	-
TOTAL LIABILITIES	1 010	82 990	-	-	-
Deferred Inflows:					
Unavailable revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	1 010	82 990	-	-	-
Fund Balance:					
Restricted	-	(82 990)	225 771	2 152	6 229
TOTAL FUND BALANCE	-	(82 990)	225 771	2 152	6 229
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 1 010	\$ -	\$ 225 771	\$ 2 152	\$ 6 229

See independent auditors' report.

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND
\$ 38 524	\$ 10 984	\$ 1 343	\$ 30 026	\$ 7 771	\$ 414 904
-	-	-	-	-	441 750
-	500	-	-	-	-
<u>\$ 38 524</u>	<u>\$ 11 484</u>	<u>\$ 1 343</u>	<u>\$ 30 026</u>	<u>\$ 7 771</u>	<u>\$ 856 654</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2 900
-	-	1 038	-	-	-
-	-	-	-	-	-
-	-	1 038	-	-	2 900
-	-	-	-	-	441 750
-	-	-	-	-	441 750
-	-	1 038	-	-	444 650
38 524	11 484	305	30 026	7 771	412 004
<u>38 524</u>	<u>11 484</u>	<u>305</u>	<u>30 026</u>	<u>7 771</u>	<u>412 004</u>
<u>\$ 38 524</u>	<u>\$ 11 484</u>	<u>\$ 1 343</u>	<u>\$ 30 026</u>	<u>\$ 7 771</u>	<u>\$ 856 654</u>

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS			
Cash and cash equivalents	\$ (2 287)	\$ -	\$ 736 427
Receivables	-	-	441 750
Due from other funds	-	-	500
TOTAL ASSETS	\$ <u>(2 287)</u>	\$ <u>-</u>	\$ <u>1 178 677</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 3 514	\$ -	\$ 6 414
Due to other funds	-	-	85 038
Accrued expenses	2 992	-	2 992
TOTAL LIABILITIES	<u>6 506</u>	<u>-</u>	<u>94 444</u>
Deferred Inflows:			
Unavailable revenue	-	-	441 750
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>441 750</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>6 506</u>	<u>-</u>	<u>536 194</u>
Fund Balance:			
Restricted	<u>(8 793)</u>	<u>-</u>	<u>642 483</u>
TOTAL FUND BALANCE	<u>(8 793)</u>	<u>-</u>	<u>642 483</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ <u>(2 287)</u>	\$ <u>-</u>	\$ <u>1 178 677</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2018

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
Revenues:					
Taxes	\$ -	\$ 3 994	\$ 323 109	\$ -	\$ -
Grants and contributions	-	-	-	-	-
Fines and fees	-	-	-	3 995	2 996
Charges for services	-	-	-	-	-
Other	42 875	-	5 442	-	-
TOTAL REVENUES	42 875	3 994	328 551	3 995	2 996
Expenditures:					
Public safety	-	-	-	2 844	6 416
Community services	42 907	-	35 070	-	-
Streets	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	42 907	-	35 070	2 844	6 416
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32)	3 994	293 481	1 151	(3 420)
Other Financing Sources (Uses):					
Interest	-	-	3 577	91	112
Operating transfers in	10	-	-	-	-
Operating transfers (out)	-	(10)	(223 400)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10	(10)	(219 823)	91	112
NET CHANGE IN FUND BALANCE	(22)	3 984	73 658	1 242	(3 308)
Fund balance, beginning of year	22	(86 974)	152 113	910	9 537
FUND BALANCE, END OF YEAR	\$ -	\$ (82 990)	\$ 225 771	\$ 2 152	\$ 6 229

See independent auditors' report.

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND
\$ -	\$ -	\$ -	\$ 20 910	\$ -	\$ -
-	6 314	154 401	-	-	360 029
-	-	-	-	-	-
-	-	-	-	-	-
9 129	-	-	-	-	-
<u>9 129</u>	<u>6 314</u>	<u>154 401</u>	<u>20 910</u>	<u>-</u>	<u>360 029</u>
-	-	-	-	-	-
-	4 665	102 815	-	-	32 764
-	-	-	-	-	-
-	-	-	28 274	-	-
<u>-</u>	<u>4 665</u>	<u>102 815</u>	<u>28 274</u>	<u>-</u>	<u>32 764</u>
9 129	1 649	51 586	(7 364)	-	327 265
477	-	-	450	137	6 788
-	-	-	16 403	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70 000)</u>
477	-	-	16 853	137	(63 212)
9 606	1 649	51 586	9 489	137	264 053
<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>38 524</u>	\$ <u>11 484</u>	\$ <u>305</u>	\$ <u>30 026</u>	\$ <u>7 771</u>	\$ <u>412 004</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, 2018

	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues:			
Taxes	\$ -	\$ -	\$ 348 013
Grants and contributions	5 313	-	526 057
Fines and fees	-	-	6 991
Charges for services	175 621	-	175 621
Other	-	-	57 446
TOTAL REVENUES	<u>180 934</u>	<u>-</u>	<u>1 114 128</u>
Expenditures:			
Public safety	-	-	9 260
Community services	183 501	-	401 722
Streets and drainage	-	641 765	641 765
Debt service	-	-	28 274
TOTAL EXPENDITURES	<u>183 501</u>	<u>641 765</u>	<u>1 081 021</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2 567)</u>	<u>(641 765)</u>	<u>33 107</u>
Other Financing Sources (Uses):			
Interest	-	-	11 632
Operating transfers in	-	641 765	658 178
Operating transfers (out)	<u>(1 600)</u>	<u>-</u>	<u>(295 010)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1 600)</u>	<u>641 765</u>	<u>374 800</u>
NET CHANGE IN FUND BALANCE	(4 167)	-	407 907
Fund balance, beginning of year	<u>(4 626)</u>	<u>-</u>	<u>234 576</u>
FUND BALANCE, END OF YEAR	\$ <u>(8 793)</u>	\$ <u>-</u>	\$ <u>642 483</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES - PROPRIETARY FUNDS
Year Ended September 30, 2018

BUSINESS TYPE ACTIVITIES			
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for Service:			
Water charges	\$ 2 859 209	\$ -	\$ 2 859 209
Sewer charges	868 856	-	868 856
Sanitation charges	-	1 588 873	1 588 873
TOTAL	<u>3 728 065</u>	<u>1 588 873</u>	<u>5 316 938</u>
Taps and Connections:			
Water taps and connections	4 515	-	4 515
Sewer taps and connections	1 600	-	1 600
TOTAL	<u>6 115</u>	<u>-</u>	<u>6 115</u>
Miscellaneous Revenue:			
Administrative fees	6 835	-	6 835
Penalties	49 617	-	49 617
Reconnection fees	21 660	-	21 660
Miscellaneous receipts	8 849	1 975	10 824
TOTAL	<u>86 961</u>	<u>1 975</u>	<u>88 936</u>
TOTAL OPERATING REVENUES	<u>\$ 3 821 141</u>	<u>\$ 1 590 848</u>	<u>\$ 5 411 989</u>
Nonoperating Revenues:			
Grants and contributions	\$ 186 429	\$ -	\$ 186 429
Other revenue	3 114	-	3 114
Income from investments	40 209	2 001	42 210
TOTAL NONOPERATING REVENUES	<u>\$ 229 752</u>	<u>\$ 2 001</u>	<u>\$ 231 753</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS
Year Ended September 30, 2018

BUSINESS TYPE ACTIVITIES			
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Expenses:			
Nondepartmental:			
Payroll	\$ 4 090	\$ -	\$ 4 090
Supplies	12 132	-	12 132
Contractual services	7 845	-	7 845
Sundry charges	3 155	-	3 155
Utilities	112 060	-	112 060
Capital outlay	36 781	-	36 781
TOTAL	<u>176 063</u>	<u>-</u>	<u>176 063</u>
Public Works:			
Payroll	189 588	-	189 588
Supplies	4 399	-	4 399
Contractual services	10 172	-	10 172
Utilities	12 191	-	12 191
Sundry charges	1 757	-	1 757
Maintenance	6 390	-	6 390
TOTAL	<u>224 497</u>	<u>-</u>	<u>224 497</u>
Water Production:			
Payroll	469 860	-	469 860
Supplies	191 888	-	191 888
Contractual services	145 248	-	145 248
Utilities	190 912	-	190 912
Sundry charges	14 013	-	14 013
Maintenance	183 113	-	183 113
Capital outlay	20 639	-	20 639
TOTAL	<u>1 215 673</u>	<u>-</u>	<u>1 215 673</u>
Water Distribution:			
Payroll	149 875	-	149 875
Supplies	9 268	-	9 268
Contractual services	13 083	-	13 083
Utilities	1 350	-	1 350
Sundry charges	1 438	-	1 438
Maintenance	110 386	-	110 386
Capital outlay	56 710	-	56 710
TOTAL	<u>342 110</u>	<u>-</u>	<u>342 110</u>
Sewer Collection:			
Payroll	137 568	-	137 568
Supplies	4 467	-	4 467
Contractual services	9 505	-	9 505
Utilities	30 263	-	30 263
Sundry charges	430	-	430
Maintenance	39 501	-	39 501
TOTAL	<u>221 734</u>	<u>-</u>	<u>221 734</u>

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS - CONTINUED
Year Ended September 30, 2018

BUSINESS TYPE ACTIVITIES			
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Sewer Treatment:			
Payroll	226 328	-	226 328
Supplies	64 191	-	64 191
Contractual services	112 857	-	112 857
Utilities	55 587	-	55 587
Sundry charges	18 104	-	18 104
Maintenance	63 890	-	63 890
Capital outlay	35 151	-	35 151
TOTAL	576 108	-	576 108
Sanitation:			
Supplies	-	400	400
Contractual services	-	1 246 814	1 246 814
Maintenance	-	8 355	8 355
Sundry charges	-	4 426	4 426
TOTAL	-	1 259 995	1 259 995
Depreciation:			
Depreciation	654 356	5 853	660 209
TOTAL OPERATING EXPENSES	\$ 3 410 541	\$ 1 265 848	\$ 4 676 389

See independent auditors' report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS
INSURANCE COVERAGE
September 30, 2018
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/17 to 10/01/18	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/17 to 10/01/18	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/17 to 10/01/18	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/17 to 10/01/18	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/17 to 10/01/18	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/17 to 10/01/18	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/17 to 10/01/18	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/17 to 10/01/18	\$ 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, 2018
"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	\$11.70				
3/4	\$11.70				
1	\$16.50				
1.5	\$24.40				
2	\$33.00	\$ 800	\$ 260	\$12 250	\$ 47.50
3	\$49.50	\$ 875	\$ 350	\$12 500	\$ 135.00
4	\$66.00	\$1 025	\$ 500	\$12 875	\$ 310.00
6	\$99.00	\$1 350	\$ 775	\$13 400	\$ 575.00
8		\$1 750	\$1 250	\$14 200	\$1 000.00
10		\$2 350	\$1 775	\$15 300	\$1 600.00
Sprinklers	\$19.00				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.80
Small industrial/manufacturer	\$ 3.25
Wholesale	\$ 3.25
Large industrial/manufacturer	\$ 2.00
Over 1.75M/day or 30M/month	\$ 2.40
Over 2M/day or 40M/month	\$ 3.25

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 \$10.85 per thousand gallons metered.

Sewer Rates:

Residential:

Inside City Limits:

Minimum	\$13.50 plus ½ of Water
Maximum	\$40.00

Commercial:

Minimum	\$13.75 plus ½ of Water
Maximum	None

Fixed Rates (Tyson office account)

\$260 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	\$0.25 per gallon
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See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2018
"UNAUDITED"

Garbage Rates:

Residential	\$21.25
Commercial Small	\$25.15
Commercial Large	\$34.15

Commercial Dumpster Rates:

p/u per week Size	1X	2X	3X	4X	5X	6X	Extra Collections
2 Yard	87	152	208	272	346		36
3 Yard	98	172	244	320	396		38
4 Yard	110	185	258	352	431		40
6 Yard	135	199	288	368	452		42
8 Yard	166	296	419	601	668	775	44

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	-	\$	115.00
Water, Sewer and Garbage Collection	-	\$	115.00
Garbage Collection Only	-	\$	40.00
Risk Account Additional Deposit	-	\$	100.00

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2018
"UNAUDITED"

Utility Account Fees:

Administrative Fee	-	\$	20.00
Broken Lock Fee	-	\$	30.00
Curb Stop Replacement Fee	-	\$	75.00
Payment Agreement Fee	-	\$	25.00

At September 30, 2018, the records of the City indicated the following system connections:

Water System	2 430
Sewer System	2 050
Garbage System	2 084

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, 2018, and the related notes to the financial statements, which collectively comprise City of Center, Texas' basic financial statements, and have issued our report thereon dated April 8, 2019.

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
April 8, 2019


CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CENTER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

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, 2018

<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, 2018

None required for the current year.