

CITY OF CENTER  
Center, Texas

ANNUAL FINANCIAL REPORT

September 30, 2010

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CITY OF CENTER, TEXAS  
PRINCIPAL CITY OFFICIALS  
September 30, 2010

GOVERNING BODY

Honorable John D. Windham, Mayor

CITY COUNCIL

David Chadwick - At-Large (Mayor Protem)

James W. Forbes - At-Large

Gretchen McNealy - District 1

Charlie Byndom, Jr. - District 2

Chuck Lunsford - District 3

Charles Rushing - District 4

OTHER PRINCIPAL OFFICIALS

Chad Nehring ..... City Manager  
Robin Folsom Andrews ..... Finance Director  
Barbara Boyd ..... City Secretary

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Center  
Center, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Center's management. 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2010, on our consideration of City of Center's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 6 through 13, and the budgetary comparison schedule for the General Fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
April 20, 2011



## 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, 2010.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$23,281,528 (*net assets*). Of this amount, 8.72% or \$2,030,561 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The net assets of the Utility fund increased by \$412,958 to \$12,527,997.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$831,571, a decrease of \$1,735,624 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,197,532 or 21.9% of total general fund expenditures and decreased \$784,157 during this fiscal year.
- The Utility Fund operating revenues exceeded expenses by \$412,958.
- The combined non-major governmental funds experienced a decrease in fund balance of \$511,219.

### 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Center's progress in funding its obligations to provide retirement benefits to its employees. This required supplementary information can be found in the notes to financial statements on pages 37-39 of this report.

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

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$23,281,528 at the close of fiscal year 2010. This represents an increase of \$2,010,844 over the 2009 assets over liabilities of \$21,270,684.

By far the largest portion of the City's net assets 89.7% reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less the outstanding balance of related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Center's Combined Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 2 253 486	\$ 3 824 313	\$ 1 462 244	\$ 1 368 526	\$ 3 715 730	\$ 5 192 839
Capital assets (net of depreciation)	14 252 539	11 239 415	13 725 811	13 903 775	27 978 350	25 143 190
Total Assets	<u>16 506 025</u>	<u>15 063 728</u>	<u>15 188 055</u>	<u>15 272 301</u>	<u>31 694 080</u>	<u>30 336 029</u>
Long-term liabilities outstanding	4 422 259	4 924 593	1 900 062	2 700 180	6 322 321	7 624 773
Other liabilities	1 330 235	1 014 170	759 996	426 402	2 090 231	1 440 572
Total Liabilities	<u>5 752 494</u>	<u>5 938 763</u>	<u>2 660 058</u>	<u>3 126 582</u>	<u>8 412 552</u>	<u>9 065 345</u>
Net Assets:						
Invested in capital assets, net of related debt	9 555 202	6 361 108	11 425 077	11 217 413	20 980 279	17 578 521
Restricted	270 688	711 405	-	-	270 688	711 405
Unrestricted	927 641	2 052 452	1 102 920	928 306	2 030 561	2 980 758
Total Net Assets	<u>\$ 10 753 531</u>	<u>\$ 9 124 965</u>	<u>\$ 12 527 997</u>	<u>\$ 12 145 719</u>	<u>\$ 23 281 528</u>	<u>\$ 21 270 684</u>

An additional minor portion of the City's net assets, \$270,688 (1.2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,030,561 may be used to meet the government's ongoing obligations to citizens and creditors.

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



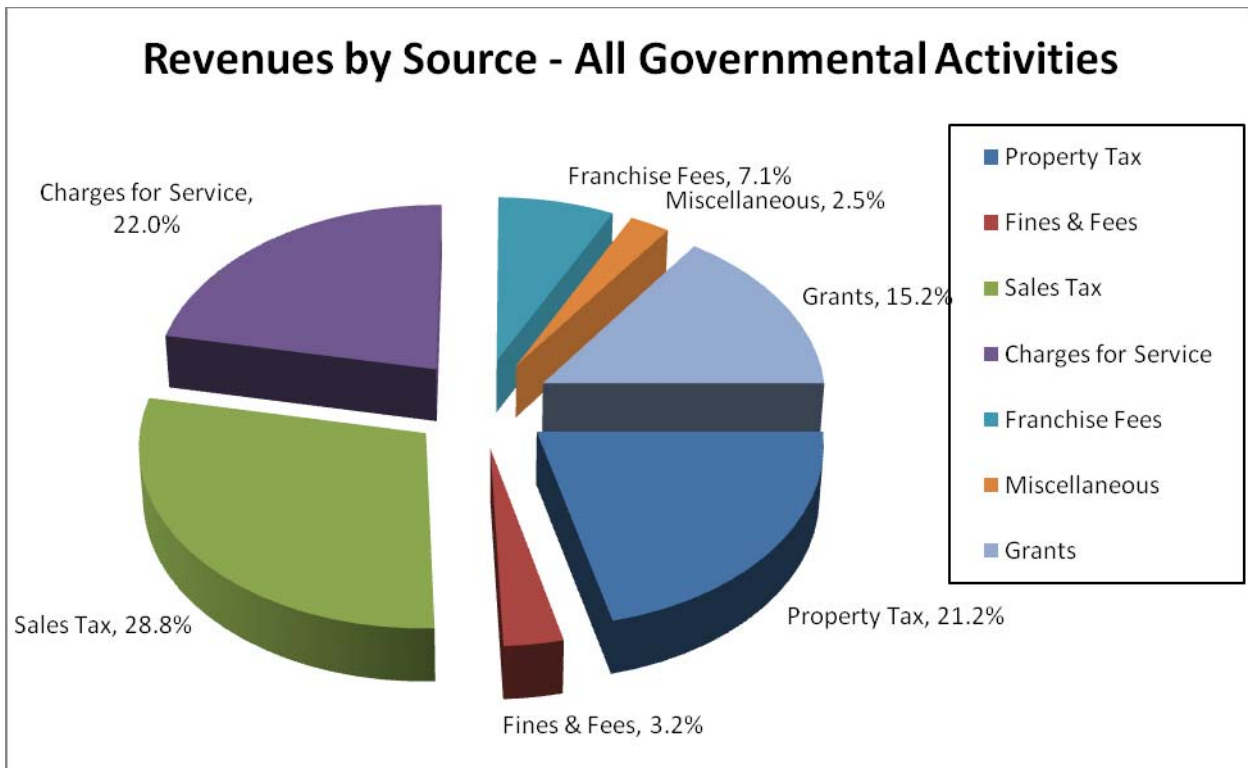
## City of Center's Change in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for services	\$ 1 759 928	\$ 1 485 587	\$ 3 378 490	\$ 2 888 059	\$ 5 138 418	\$ 4 373 646
Operating grants and contributions	52 128	295 520	-	-	52 128	295 520
Capital grants and contributions	1 734 676	940 176	191 628	170 514	1 926 304	1 110 690
General Revenues:						
Property taxes	1 475 529	1 356 766	-	-	1 475 529	1 356 766
Other taxes	2 383 568	2 363 465	-	-	2 383 568	2 363 465
Other	117 126	240 311	12 713	24 857	129 839	265 168
Total Revenues	<u>7 522 955</u>	<u>6 681 825</u>	<u>3 582 831</u>	<u>3 083 430</u>	<u>11 105 786</u>	<u>9 765 255</u>
Expenses:						
General government	920 189	921 207	-	-	920 189	921 207
Public safety	2 195 458	1 949 218	-	-	2 195 458	1 949 218
Community services	714 748	601 687	-	-	714 748	601 687
Streets and drainage	722 962	596 118	-	-	722 962	596 118
Sanitation	1 131 102	1 048 876	-	-	1 131 102	1 048 876
Inspections	175 039	187 267	-	-	175 039	187 267
Interest on long-term debt	213 271	224 684	-	-	213 271	224 684
Water and sewer	-	-	2 997 078	3 096 048	2 997 078	3 096 048
Total Expenses	<u>6 072 769</u>	<u>5 529 057</u>	<u>2 997 078</u>	<u>3 096 048</u>	<u>9 069 847</u>	<u>8 625 105</u>
Transfers	178 377	132 127	(172 795)	(132 127)	5 582	-
Increase (Decrease) in Net Assets	1 628 563	1 284 895	412 958	(144 745)	2 041 521	1 140 150
Net assets, restated	9 124 968	7 840 070	12 115 039	12 290 464	21 240 007	20 130 534
Net Assets, Ending	<u>\$ 10 753 531</u>	<u>\$ 9 124 965</u>	<u>\$ 12 527 997</u>	<u>\$ 12 145 719</u>	<u>\$ 23 281 528</u>	<u>\$ 21 270 684</u>

**Governmental Activities.** Governmental activities increased the City of Center's net assets by \$765,824. Key elements of this increase are as follows:

- Governmental Fund Revenues exceeded Expenses by \$587,447 including:
  - Current year revenues \$520,880 over prior year revenues;
  - Current year expenses \$1,086,201 higher than prior year expenses;
  - Capital expense increases related to the civic center construction of \$2,407,495;

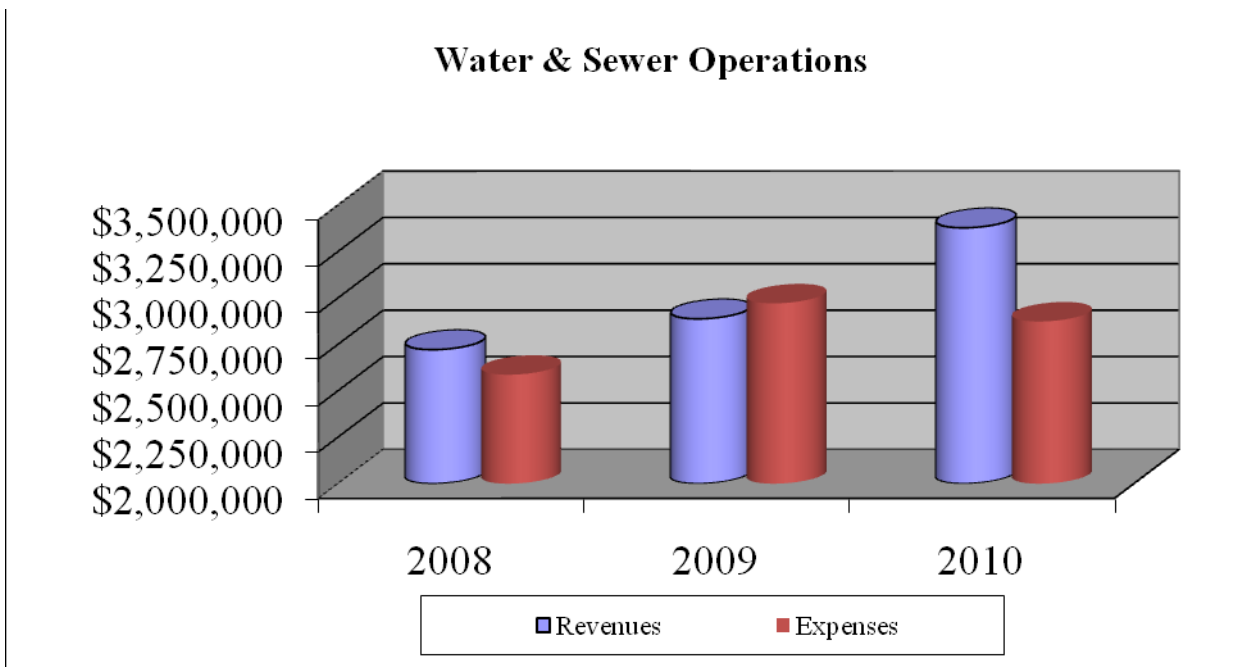
**Revenues by Source - All Governmental Activities (reference page 19)**



**Business-Type Activities.** Business-type activities increased the total government's net assets by \$412,958. Key elements of this increase are as follows:

- Revenues exceeded expenses by \$585,753;
- Revenues from utility charges increased by \$490,431 over the prior year;
- Operational transfers accounted for \$172,795.

**Operating Revenues and Expenses - Business-type Activities**



## Financial Analysis of the Government's Funds

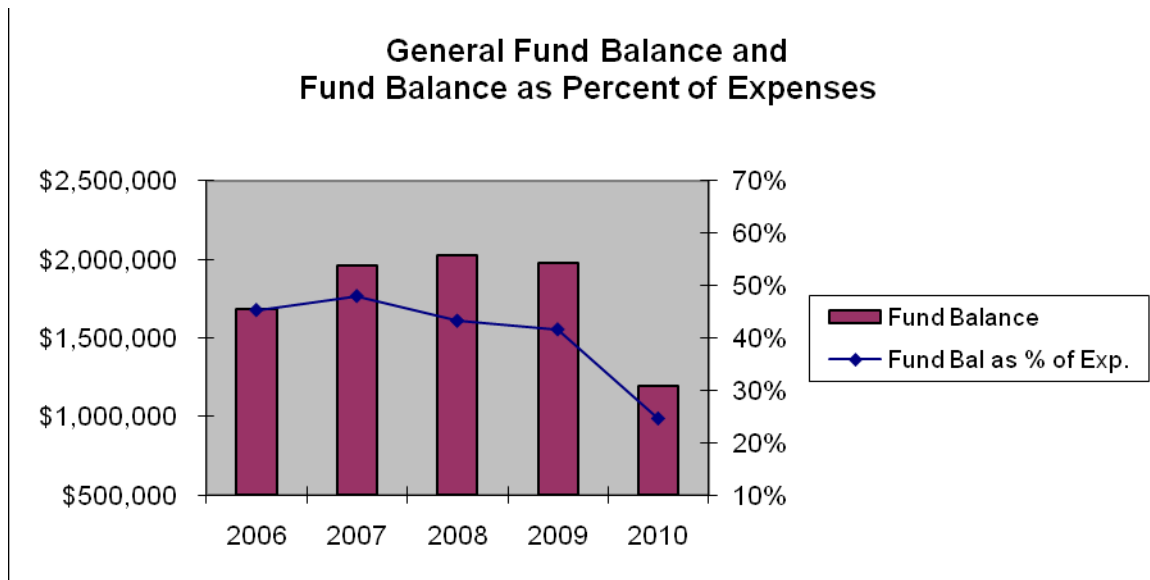
As noted earlier, the City of Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Center's governmental funds reported combined ending fund balances of \$837,571, a decrease of \$1,735,624 from the prior year. This decrease is almost entirely the result of the prior bond proceeds and designated fund balances used toward the construction of the civic center project and two other smaller capital projects designated by the Council for use of fund balance.

Approximately 67% of this total amount, \$566,884, constitutes *unreserved fund balance*, which is available for spending at the government's discretion and decreased from prior year balance of \$1,981,689. The remaining 33% of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service, 2) for perpetual care of cemeteries and 3) construction of a civic center.

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 \$1,197,532, and is completely unreserved. The fund balance of the City's general fund decreased by \$784,157 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 25% of total general fund expenditures.



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

Unrestricted net assets of the Water and Sewer Utility Fund at the end of the current fiscal year amounted to \$1,102,920. The increase in net assets for Water and Sewer Utility totaled \$412,958. Other factors concerning these two funds have been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences in the original and the final amended budget amounted to \$41,997 in decreased revenues. Differences in the original and the final amended budget expenditures amounted to \$127,500 in increased appropriations and \$524,000 in transfers into capital construction funds.

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues decreased from the original budget by \$22,665 but increased from the final amended budget by \$19,332. Total expenditures increased from original budget by \$244,134 but from the final amended budget by \$116,634. After transfers to and from other funds these adjustments produced a decrease in the fund balance of \$784,159.

## 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 \$27,978,350 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$25,143,190. This investment in capital assets includes land, buildings, improvements, vehicles and equipment. Due to the size of the City, past asset valuations for major infrastructure (streets, bridges, drainage, etc.) are not required to comply with new reporting requirements, however beginning in fiscal year 2004, the City began prospectively accumulating values for these major capital assets.

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

### Governmental

- Construction of Civic Center - \$1,426,940
  - Total Project to Date - \$3,911,400
- Civic Center Drive Installation (construction in progress) - \$43,900
- Downtown Sidewalk Partnership Grant Program Funding - \$12,270
- Accepted Dedication of Street Improvements - \$826,483
  - 2009 Street Renovation Projects - \$370,307
  - Hampton Drive - \$151,836
  - Civic Center Drive & Foster Street - \$304,340
- City Hall Renovations and Sign - \$20,099
- Police Department - Jail Cameras & Video - \$17,451
- Purchased one Fleet Vehicle (Police) - \$25,021
- Street & Drainage Projects - \$20,812
- Replacement Mosquito Fogger - \$7,395
- Parks Improvements (primarily Lights, Electrical & Paving) - \$24,372
- Completion of 250' Baseball Field Construction - \$139,156
  - Total Project to Date - \$162,606

### Business-type

- 2008 TCDP Project - Sewer Extension/1<sup>st</sup> Time Service - \$185,129
  - Total Project to Date - \$238,907
- Continued meter reading system upgrades - Meter replacements & equipment - \$50,516
  - Total Project to date - \$577,319
- Generators Grant Project (Disaster Recovery Funds) - \$5,700
- Loop 500 Water Line Extension - \$62,580
- Sludge Box for Mill Creek Lagoon (Water Production) - \$55,488
- Water Plant Equipment Upgrades/Replacement - \$32,269
- Purchased one Fleet Vehicle (Water) - \$16,571
- Sewer Line Extensions (Loop 500 & Outreach Ministries & EDC projects) - \$85,067

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

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ -	\$ -	\$ 592 783	\$ 592 783	\$ 592 783	\$ 592 783
Buildings	6 637 940	2 248 180	-	-	6 637 940	2 248 180
Improvements other than buildings	1 140 878	831 617	-	-	1 140 878	831 617
Machinery and equipment	474 048	293 954	528 506	176 813	1 002 554	470 767
Buildings and systems	-	-	12 080 972	12 932 870	12 080 972	12 932 870
Infrastructure	5 948 982	5 034 081	-	-	5 948 982	5 034 081
Construction in progress	50 691	2 831 583	523 547	201 309	574 238	3 032 892
Total	\$ 14 252 539	\$ 11 239 415	\$ 13 725 808	\$ 13 903 775	\$ 27 978 347	\$ 25 143 190

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

**Long-Term Debt.** At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$6,580,000 decreased from last year's total bonded debt of \$7,185,000. All is backed by the full faith and credit of the government.

**City of Center's Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 4 600 000	\$ 4 850 000	\$ 1 980 000	\$ 2 335 000	\$ 6 580 000	\$ 7 185 000
Compensated absences	82 259	74 593	27 466	31 127	109 725	105 720
Notes payable	-	-	308 807	353 241	308 807	353 241
Total	\$ 4 682 259	\$ 4 924 593	\$ 2 316 273	\$ 2 719 368	\$ 6 998 532	\$ 7 643 961

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

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

Additional information on the City's long-term debt can be found in note 3. D. on pages 33-34 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate as of September, 2010 for Shelby County, according to Texas Workforce Commission statistics, is 7.9%. The Texas unemployment rate for September 2010, according to the Texas Workforce Commission is 7.9% and 8.8% for the Deep East Texas Region.
- The state sales tax receipts, including only the 1¼% for governmental purposes for the current fiscal year, totaled \$1,864,890 an increase of \$13,138 or (0.7%) from the previous year (\$1,851,752), indicating a stable retail economy despite national and state economic trends. The continued growth of retail outlets has produced increases in overall retail sales.
- Economic trends in the region compare favorably with state and national indices.

All of these factors were considered in preparing the City of Center's budget for the 2011 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 ASSETS  
September 30, 2010

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1 234 536	\$ 450 985	\$ 1 685 521	\$ 2 166 080
Receivables (net)	661 809	463 670	1 125 479	-
Due from other governments	257 753	-	257 753	-
Due from component units	-	1 000	1 000	-
Due from primary government	-	-	-	96 758
Prepaid expenses	39 395	-	39 395	-
Inventories	21 709	64 509	86 218	-
Capitalized bond issue cost	38 284	-	38 284	-
Restricted Assets:				
Cash and cash equivalents	-	473 850	473 850	175 701
Deferred asset	-	8 230	8 230	16 804
Capital assets (net of accumulated depreciation)	14 252 539	13 725 811	27 978 350	-
<b>TOTAL ASSETS</b>	<u>16 506 025</u>	<u>15 188 055</u>	<u>31 694 080</u>	<u>2 455 343</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	777 494	86 580	864 074	-
Accrued liabilities	135 992	42 933	178 925	-
Deferred revenue	-	80 000	80 000	-
Due to component units	96 758	-	96 758	-
Due to primary government	-	-	-	1 000
Accrued interest payable	25 702	11 927	37 629	1 845
Premium on bond issue	34 289	-	34 289	-
Customer deposits payable	-	122 345	122 345	-
<b>Noncurrent Liabilities:</b>				
Due within one year	260 000	416 211	676 211	150 000
Due in more than one year	4 422 259	1 900 062	6 322 321	270 000
<b>TOTAL LIABILITIES</b>	<u>5 752 494</u>	<u>2 660 058</u>	<u>8 412 552</u>	<u>422 845</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9 555 202	11 425 077	20 980 279	-
Restricted for:				
Debt service	137 505	-	137 505	175 000
Perpetual care	133 183	-	133 183	-
Unrestricted	927 641	1 102 920	2 030 561	1 857 498
<b>TOTAL NET ASSETS</b>	<u>\$ 10 753 531</u>	<u>\$ 12 527 997</u>	<u>\$ 23 281 528</u>	<u>\$ 2 032 498</u>

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

CITY OF CENTER, TEXAS  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 920 189	\$ 40 855	\$ -	\$ -
Public safety	2 195 458	412 391	52 128	-
Community services	714 748	6 802	-	958 250
Streets and drainage	722 962	25 658	-	776 426
Sanitation	1 131 102	1 270 442	-	-
Inspections	175 039	3 780	-	-
Interest on long-term debt	213 271	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>6 072 769</b>	<b>1 759 928</b>	<b>52 128</b>	<b>1 734 676</b>
Business-Type Activities:				
Water and sewer fund	2 997 078	3 378 490	-	191 628
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2 997 078</b>	<b>3 378 490</b>	<b>-</b>	<b>191 628</b>
 <b>TOTAL PRIMARY GOVERNMENT</b>	 <b>\$ 9 069 847</b>	 <b>\$ 5 138 418</b>	 <b>\$ 52 128</b>	 <b>\$ 1 926 304</b>
Component Units:				
Economic Development	\$ 196 791	\$ -	\$ -	\$ -
Economic Development				
Street Improvement	509 075	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 705 866</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General Revenues:				
Taxes:				
Property taxes				
Other taxes and permits				
Unrestricted investment earnings				
Other unrestricted revenue				
Transfers				
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				
<b>CHANGE IN NET ASSETS</b>				
Net assets - Before restated				
Prior period adjustment				
Net assets - As restated				
<b>NET ASSETS - ENDING</b>				

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



NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	ECONOMIC DEVELOPMENT CORPORATIONS
\$ (879 334)	\$ -	\$ (879 334)	\$ -
(1 730 939)	-	(1 730 939)	-
250 304	-	250 304	-
79 122	-	79 122	-
139 340	-	139 340	-
(171 259)	-	(171 259)	-
(213 271)	-	(213 271)	-
<u>(2 526 037)</u>	<u>-</u>	<u>(2 526 037)</u>	<u>-</u>
<u>-</u>	<u>573 040</u>	<u>573 040</u>	<u>-</u>
<u>-</u>	<u>573 040</u>	<u>573 040</u>	<u>-</u>
<u>(2 526 037)</u>	<u>573 040</u>	<u>(1 952 997)</u>	<u>-</u>
-	-	-	(196 791)
-	-	-	(509 075)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(705 866)</u>
1 475 529	-	1 475 529	-
2 383 568	-	2 383 568	1 118 796
30 247	12 713	42 960	28 835
86 879	-	86 879	62 257
178 377	(172 795)	5 582	-
<u>4 154 600</u>	<u>(160 082)</u>	<u>3 994 518</u>	<u>1 209 888</u>
<u>1 628 563</u>	<u>412 958</u>	<u>2 041 521</u>	<u>504 022</u>
9 124 968	12 195 039	21 320 007	1 528 476
-	(80 000)	(80 000)	-
<u>9 124 968</u>	<u>12 115 039</u>	<u>21 240 007</u>	<u>1 528 476</u>
\$ <u><u>10 753 531</u></u>	\$ <u><u>12 527 997</u></u>	\$ <u><u>23 281 528</u></u>	\$ <u><u>2 032 498</u></u>

CITY OF CENTER, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2010

	GENERAL	CIVIC CENTER CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 831 277	\$ -	\$ 403 259	\$ 1 234 536
Receivables (Net of Uncollectibles):				
Taxes	180 373	-	-	180 373
Accounts	142 232	-	-	142 232
Court fines receivable	39 120	-	-	39 120
Governmental agencies	257 753	-	-	257 753
Sundry	86 084	-	214 000	300 084
Due from other funds	253 496	-	-	253 496
Prepaid expenses	39 395	-	-	39 395
Inventories	21 709	-	-	21 709
<b>TOTAL ASSETS</b>	<b>\$ 1 851 439</b>	<b>\$ -</b>	<b>\$ 617 259</b>	<b>\$ 2 468 698</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 267 771	\$ -	\$ 509 724	\$ 777 495
Accrued liabilities	69 885	-	-	69 885
Due to other funds	-	-	253 496	253 496
Due to component units	96 758	-	-	96 758
Deferred revenue	219 493	-	214 000	433 493
<b>TOTAL LIABILITIES</b>	<b>653 907</b>	<b>-</b>	<b>977 220</b>	<b>1 631 127</b>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt service	-	-	137 505	137 505
Other purposes	-	-	133 183	133 183
<b>Unreserved, Reported In:</b>				
Special revenue funds	-	-	(630 649)	(630 649)
General fund	1 197 532	-	-	1 197 532
<b>TOTAL FUND BALANCES</b>	<b>1 197 532</b>	<b>-</b>	<b>(359 961)</b>	<b>837 571</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1 851 439</b>	<b>\$ -</b>	<b>\$ 617 259</b>	

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.	14 252 539
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	367 386
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4 703 966)
Rounding	1
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 10 753 531</b>

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  
Year Ended September 30, 2010

	GENERAL	CIVIC CENTER CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 677 607	\$ -	\$ 729 348	\$ 1 406 955
Other local taxes and permits	2 383 568	-	-	2 383 568
Fines and fees	195 394	-	14 889	210 283
Charges for services	1 462 868	-	-	1 462 868
Contributions and grants	62 830	-	947 548	1 010 378
Miscellaneous	83 918	60	80 805	164 783
<b>TOTAL REVENUES</b>	<u>4 866 185</u>	<u>60</u>	<u>1 772 590</u>	<u>6 638 835</u>
Expenditures:				
General government	910 183	-	-	910 183
Public safety	2 110 816	-	18 560	2 129 376
Community services	661 795	-	2 581 152	3 242 947
Streets and drainage	458 887	-	45 284	504 171
Sanitation	1 126 814	-	-	1 126 814
Inspections	175 039	-	-	175 039
Debt Service:				
Principal	-	-	250 000	250 000
Interest and fiscal charges	-	-	214 308	214 308
<b>TOTAL EXPENDITURES</b>	<u>5 443 534</u>	<u>-</u>	<u>3 109 304</u>	<u>8 552 838</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(577 349)</u>	<u>60</u>	<u>(1 336 714)</u>	<u>(1 914 003)</u>
Other Financing Sources (Uses):				
Transfers in	317 055	-	1 429 610	1 746 665
Transfers (out)	(523 865)	(440 308)	(604 115)	(1 568 288)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(206 810)</u>	<u>(440 308)</u>	<u>825 495</u>	<u>178 377</u>
<b>NET CHANGE IN FUND BALANCES</b>	(784 159)	(440 248)	(511 219)	(1 735 626)
Fund balances at beginning of year	1 981 691	440 248	151 258	2 573 197
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 1 197 532</u>	<u>\$ -</u>	<u>\$ (359 961)</u>	<u>\$ 837 571</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, 2010

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

Net change in fund balances - Total governmental funds	\$	(1 735 626)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		2 150 385
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		107 694
The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>243 371</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>765 824</u></b>

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

CITY OF CENTER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2010

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 450 985
Receivables (Net):	
Accounts	429 418
Sundry	34 252
Due from component units	1 000
Inventories	64 509
TOTAL CURRENT ASSETS	980 164
Noncurrent Assets:	
Restricted cash	473 850
Deferred charges	8 230
Capital Assets:	
Land	592 783
Utility systems	25 402 499
Equipment	2 573 878
Construction in progress	523 547
Less accumulated depreciation	(15 366 896)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	13 725 811
TOTAL NONCURRENT ASSETS	14 207 891
TOTAL ASSETS	15 188 055
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	86 580
Accrued expenses	42 933
Deferred revenue	80 000
Debt payable - Current	416 211
Accrued interest payable	11 927
Customer deposits payable	122 345
TOTAL CURRENT LIABILITIES	759 996
Noncurrent Liabilities:	
Compensated absences	27 466
Long term debt payable	1 872 596
TOTAL NONCURRENT LIABILITIES	1 900 062
TOTAL LIABILITIES	2 660 058
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	11 425 077
Unrestricted	1 102 920
TOTAL NET ASSETS	\$ 12 527 997

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

CITY OF CENTER, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year Ended September 30, 2010

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
Operating Revenues:	
Charges for service	\$ 3 261 869
Taps and connections	17 315
Miscellaneous	99 306
TOTAL OPERATING REVENUES	3 378 490
Operating Expenses:	
Nondepartmental	52 102
Public works	156 674
Water production	1 078 210
Water distribution	322 489
Sewer collection	200 663
Sewer treatment	435 767
Depreciation	627 978
TOTAL OPERATING EXPENSES	2 873 883
OPERATING INCOME	504 607
Nonoperating Revenues (Expenses):	
Income from investments	12 713
Interest and fiscal charges	(123 195)
TOTAL NONOPERATING REVENUES (EXPENSES)	(110 482)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	394 125
Grants and capital contribution	191 628
Operating transfers in (out)	(172 795)
TOTAL NET OPERATING TRANSFERS	18 833
CHANGE IN NET ASSETS	412 958
Net assets before prior period adjustment	12 195 039
Prior period adjustment	(80 000)
NET ASSETS AS RESTATED	12 115 039
NET ASSETS AT END OF YEAR	\$ 12 527 997

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

CITY OF CENTER, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended September 30, 2010

	BUSINESS-TYPE ACTIVITIES WATER AND SEWER FUND
Cash Flows from Operating Activities:	
Received from customers	\$ 3 222 768
Payments to suppliers	(1 447 335)
Payments to employees	(943 990)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	831 443
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	(172 795)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(172 795)
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(480 694)
Capital grant	191 628
Principal paid on debt	(383 595)
Interest paid on debt	(123 195)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(795 856)
Cash Flows from Investing Activities:	
Interest on investments	12 713
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	12 713
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(124 495)
Cash at beginning of year	1 049 330
CASH AT END OF YEAR	\$ 924 835

Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities

Operating income (loss)	\$ 504 607
Adjustments:	
Depreciation	627 978
Changes in:	
Accounts receivable	(237 432)
Inventory	16 035
Deferred charges	3 184
Accounts payable	(137 115)
Accrued expense	(27 212)
Deferred revenue	80 000
Accrued compensated absences	(312)
Customer deposits	1 710
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 831 443

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

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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 assets 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, 2010

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.

Civic Center Construction Fund - The civic center construction fund is used to account for monies earmarked for the construction of a civic center.

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

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

The government reports the following proprietary funds:

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

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

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

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

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

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

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments:

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

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 allowance for uncollectible. 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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets:

Restricted assets include cash and investments or the proprietary funds that are legally restricted as to their use. The primary restricted assets are related to debt retirement, renewal and replacement, and construction activity of the Water and Sewer enterprise fund.

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

The City, a Phase 3 government as described by GASB 34, has elected to not report major general infrastructure assets retroactively.

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.

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Long-Term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates:

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

10. Subsequent Events:

Management has evaluated subsequent events through April 20, 2011, the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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).

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and cash equivalents - The carrying amount of cash and investments (bank balances net of outstanding checks and deposits) as of September 30, 2010 are classified in the accompanying financial statements as follows:

Primary Government:		
Unrestricted cash and investments	\$	1 563 352
Restricted cash and investments		473 850
Component Units:		
Cash and investments		2 341 781
TOTAL CASH AND INVESTMENTS	\$	<u>4 378 983</u>

Cash and investments as of September 30, 2010, consists of the following:

Primary Government:		
Cash on hand	\$	3 500
Deposits with financial institutions		1 493 652
Investments in LOGIC		540 050
Component Units:		
Deposits with financial institutions		1 771 250
Investments in LOGIC		570 531
TOTAL CASH AND INVESTMENTS	\$	<u>4 378 983</u>

At September 30, 2010, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$1,894,665 and \$1,771,250, respectively. Deposits were with the contracted depository bank, Farmers State Bank, in a combination of interest and non-interest bearing accounts and interest bearing CD's. 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 a AAA rated investment pool administered by First Southwest Asset Management, Inc and JP Morgan Chase.

As of September 30, 2010, the City had the following investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 540 050	57
Component units - LOGIC	570 531	57
	<u>\$ 1 110 581</u>	

Although Local Government Investment Cooperative had a weighted average maturity of 57 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.

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Receivables as of year end for the City's individual major funds including the applicable allowances for uncollectibles accounts are as follows:

	<u>GENERAL FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTAL</u>
Receivables:			
Taxes	\$ 180 373	\$ -	\$ 180 373
Accounts	216 052	497 992	714 044
Fines	60 184	-	60 184
Other	98 185	34 252	132 437
Due from other governments	257 753	-	257 753
Due from component unit	-	1 000	1 000
	<u>812 547</u>	<u>533 244</u>	<u>1 345 791</u>
Less allowance for uncollectibles	<u>(106 985)</u>	<u>(68 574)</u>	<u>(175 559)</u>
 NET TOTAL RECEIVABLES	 <u>\$ 705 562</u>	 <u>\$ 464 670</u>	 <u>\$ 1 170 232</u>

The City contracts with the Texas Department of Economic Development 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, 2010 the City has three active loans. The following is a summary of transactions for the year ended September 30, 2010.

	<u>LOANS RECEIVABLE</u>	<u>LOANS PAYABLE</u>
Balance at October 1, 2009	\$ 767 635	\$ 767 635
Loan payments received	(69 125)	-
Loans paid	-	(69 125)
Balance at September 30, 2010	<u>\$ 698 510</u>	<u>\$ 698 510</u>

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 233 333
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	207 052
1999 Texas Capital Fund, \$525,000, due in 240 monthly payments of \$2,187	<u>258 125</u>
TOTAL	<u>\$ 698 510</u>

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Future requirements are as follows:

YEAR	PAYABLE/ RECEIVABLE
2011	\$ 69 125
2012	69 125
2013	69 125
2014	69 125
2015	69 125
2016 - 2020	345 625
2021	7 260
	\$ 698 510

C. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	TRANSFERS	ENDING BALANCE
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Construction in progress	\$ 2 831 583	\$ 2 260 173	\$ -	\$ (5 041 065)	\$ 50 691
TOTAL ASSETS NOT BEING DEPRECIATED	2 831 583	2 260 173	-	(5 041 065)	50 691
Capital Assets, Being Depreciated:					
Buildings	2 862 370	-	-	4 465 120	7 327 490
Improvements other than buildings	1 281 807	192 790	-	165 140	1 639 737
Vehicles and equipment	885 936	294 222	-	-	1 180 158
Infrastructure	6 310 665	791 641	-	410 805	7 513 111
TOTAL ASSETS BEING DEPRECIATED	11 340 778	1 278 653	-	5 041 065	17 660 496
Less Accumulated Depreciation For:					
Buildings	614 190	75 360	-	-	689 550
Improvements other than buildings	450 190	48 669	-	-	498 859
Vehicles and equipment	591 982	114 128	-	-	706 110
Infrastructure	1 276 584	287 545	-	-	1 564 129
TOTAL ACCUMULATED DEPRECIATION	2 932 946	525 702	-	-	3 458 648
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	8 407 832	752 951	-	5 041 065	14 201 848
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 11 239 415	\$ 3 013 124	\$ -	\$ -	\$ 14 252 539
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 592 783	\$ -	\$ -	\$ -	\$ 592 783
Construction in progress	201 309	322 238	-	-	523 547
TOTAL ASSETS NOT BEING DEPRECIATED	794 092	322 238	-	-	1 116 330
Capital Assets, Being Depreciated:					
Buildings and systems	25 394 128	8 370	-	-	25 402 498
Vehicles and equipment	2 454 473	119 406	-	-	2 573 879
TOTAL ASSETS BEING DEPRECIATED	27 848 601	127 776	-	-	27 976 377
Less Accumulated Depreciation For:					
Buildings and systems	12 750 825	626 986	56 285	-	13 321 526
Vehicles and equipment	1 994 093	51 277	-	-	2 045 370
TOTAL ACCUMULATED DEPRECIATION	14 744 918	678 263	56 285	-	15 366 896
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	13 103 683	(550 487)	56 285	-	12 609 481
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 13 897 775	\$ (228 249)	\$ 56 285	\$ -	\$ 13 725 811



CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental Activities:	
General government	\$ 22 199
Public safety	119 096
Community services	161 328
Sanitation	4 288
Street and drainage	<u>218 791</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 525 702</u>
Business-Type Activities:	
Water	\$ 452 261
Sewer	<u>226 002</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 678 263</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, 2010:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 4 850 000	\$ -	\$ 250 000	\$ 4 600 000	\$ 260 000
Compensated absences	<u>74 593</u>	<u>7 666</u>	<u>-</u>	<u>82 259</u>	<u>-</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 4 924 593</u>	<u>\$ 7 666</u>	<u>\$ 250 000</u>	<u>\$ 4 682 259</u>	<u>\$ 260 000</u>
Business-Type Activities:					
General obligation bonds	\$ 2 335 000	\$ -	\$ 355 000	\$ 1 980 000	\$ 370 000
Notes payable	353 241	-	44 434	308 807	46 211
Compensated absences	<u>31 127</u>	<u>-</u>	<u>3 661</u>	<u>27 466</u>	<u>-</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 2 719 368</u>	<u>\$ -</u>	<u>\$ 403 095</u>	<u>\$ 2 316 273</u>	<u>\$ 416 211</u>

Bonds payable at September 30, 2010 are comprised of the following individual issues:

General Obligation Debt:

\$3,775,000 1998 Tax and Water and Sewer System Surplus Revenue Certificates of Obligation due in annual installments of \$35,000 to \$420,000 through August 15, 2015; interest at 4.40 to 6.50 percent (Liability recorded in the Water and Sewer Enterprise Fund)	\$ 1 980 000
\$2,000,000 2003 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation due in annual installments of \$25,000 to \$225,000 through August 15, 2023; interest at 4.40 to 5.50 percent (Liability recorded in governmental activities)	1 800 000
\$2,455,000 2005 General Obligation Refunding Bonds due in annual installments of \$130,000 to \$265,000 through February 2019; interest at 3.00 to 4.2 percent (Liability recorded in governmental activities)	1 525 000
\$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)	<u>1 275 000</u>
	<u>\$ 6 580 000</u>

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

YEAR ENDING SEPTEMBER	GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2011	\$ 260 000	\$ 200 878	\$ 370 000	\$ 92 118
2012	275 000	189 215	385 000	75 282
2013	285 000	176 673	405 000	57 572
2014	300 000	163 520	420 000	38 740
2015	350 000	149 606	400 000	19 000
2016-2020	2 215 000	457 767	-	-
2021-2023	915 000	72 570	-	-
TOTAL	\$ 4 600 000	\$ 1 410 229	\$ 1 980 000	\$ 282 712

Notes payable at September 30, 2010 are comprised of the following:

Notes Payable:

\$475,000 loan from the Texas Department of Transportation State Infrastructure Bank (SIB) for the Highway 7 water main reconstruction project to be paid in 10 annual payments of \$58,563 with an interest rate of 4.0% \$ 308 807

YEAR ENDING SEPTEMBER	BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST
2011	\$ 46 211	\$ 12 352
2012	48 059	10 504
2013	49 982	8 582
2014	51 981	6 582
2015	54 060	4 503
2016-2017	58 514	2 433
TOTAL	\$ 308 807	\$ 44 956

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.

Bonds payable at September 30, 2010 by City of Center Street Improvements for Economic Development Corporation:

\$1,230,000 Sales Tax Revenue Refunding Bonds, Series 2004 due in annual installments of \$130,000 to \$270,000 through August 15, 2012; interest at 2.0 to 3.55 percent \$ 420 000

Changes in long-term debt is as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Bonds Payable:					
Sales tax revenue refunding bonds	\$ 565 000	\$ -	\$ 145 000	\$ 420 000	\$ 150 000

The annual requirements to maturity for the bonds are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST
2011	\$ 150 000	\$ 14 760
2012	270 000	9 585
TOTAL	\$ 420 000	\$ 24 345

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010

NOTE 4 - OTHER INFORMATION

A. Component Units Condensed Statements

Condensed Statement of Net Assets

	CITY OF CENTER ECONOMIC DEVELOPMENT CORPORATION	CITY OF CENTER STREET IMPROVEMENTS FOR ECONOMIC DEVELOPMENT CORPORATION	TOTAL COMPONENT UNITS
Assets:			
Cash, investments and other assets	\$ 1 957 859	\$ 497 484	\$ 2 455 343
TOTAL ASSETS	1 957 859	497 484	2 455 343
Liabilities:			
Accounts payable and other current liabilities	-	2 845	2 845
Long-term liabilities	-	420 000	420 000
TOTAL LIABILITIES	-	422 845	422 845
Net Assets:			
Restricted for debt service	-	175 000	175 000
Unrestricted	1 957 859	(100 361)	1 857 498
TOTAL NET ASSETS	\$ 1 957 859	\$ 74 639	\$ 2 032 498

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010

NOTE 4 - OTHER INFORMATION - CONTINUED

Condensed Statement of Activities

	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	ECONOMIC DEVELOPMENT	STREET IMPROVEMENT ECONOMIC DEVELOPMENT	TOTAL
Center Economic Development Corporation:							
Projects	\$ 169 320	\$ -	\$ -	\$ -	\$ (169 320)	\$ -	\$ (169 320)
Other operating expenses	27 471	-	-	-	(27 471)	-	(27 471)
TOTAL	<u>196 791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196 791)</u>	<u>-</u>	<u>(196 791)</u>
Center Street Improvements for Economic Development Corporation:							
Projects	469 041	-	-	-	-	(469 041)	(469 041)
Other operating expenses	12 362	-	-	-	-	(12 362)	(12 362)
Interest and fees on long-term debt	27 672	-	-	-	-	(27 672)	(27 672)
TOTAL	<u>509 075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(509 075)</u>	<u>(509 075)</u>
TOTAL COMPONENT UNITS	<u>\$ 705 866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(196 791)</u>	<u>(509 075)</u>	<u>(705 866)</u>
		General Revenues:					
		Sales tax			372 932	745 864	1 118 796
		Interest income			24 414	4 421	28 835
		Miscellaneous			62 257	-	62 257
		TOTAL GENERAL REVENUE			<u>459 603</u>	<u>750 285</u>	<u>1 209 888</u>
		Change in net assets			<u>262 812</u>	<u>241 210</u>	<u>504 022</u>
		Net assets - Beginning			<u>1 695 047</u>	<u>(166 571)</u>	<u>1 528 476</u>
		NET ASSETS - ENDING			<u>\$ 1 957 859</u>	<u>\$ 74 639</u>	<u>\$ 2 032 498</u>

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010

NOTE 4 - OTHER INFORMATION - CONTINUED

B. Pension Plan

Plan Description

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

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

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010

NOTE 4 - OTHER INFORMATION - CONTINUED

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

Actuarial Valuation Information:

Actuarial valuation date	12/31/2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	28 years - Closed Period
Asset valuation method	10 year Smooth Market
Actuarial Assumptions:	
Investment rate of return	7.5%
Projected salary increases	Varies By Age and Service
Inflation	3.0%
Cost-of-living adjustment	2.1%

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
09/30/2007	\$ 149 409	100%	\$ -
09/30/2008	\$ 267 602	100%	\$ -
09/30/2009	\$ 284 432	100%	\$ -

Schedule of Actuarial Liabilities and Funding Progress:

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARILY ACCRUED LIABILITY	(3) PERCENTAGE FUNDED (1) / (2)	(4) UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (UAAL)	(5) ANNUAL COVERED PAYROLL	(6) UAAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
12/31/2002	\$ 2 655 620	\$ 3 020 526	87.9%	\$ 364 906	\$ 1 589 117	23.0%
12/31/2003	\$ 2 873 427	\$ 3 374 321	85.2%	\$ 500 894	\$ 1 557 619	32.2%
12/31/2004	\$ 2 891 694	\$ 3 545 008	81.6%	\$ 653 314	\$ 1 697 372	38.5%
12/31/2005	\$ 2 543 528	\$ 3 277 404	77.6%	\$ 733 876	\$ 1 766 354	41.5%
12/31/2006	\$ 2 372 458	\$ 3 227 915	73.5%	\$ 855 457	\$ 1 907 141	44.9%
12/31/2007	\$ 2 671 064	\$ 5 335 260	50.1%	\$ 2 664 196	\$ 2 073 177	128.5%
12/31/2008	\$ 3 044 172	\$ 5 727 438	53.2%	\$ 2 683 266	\$ 2 311 349	116.1%
12/31/2009	\$ 3 404 371	\$ 6 198 435	54.9%	\$ 2 794 064	\$ 2 448 820	114.9%

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

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

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010

NOTE 4 - OTHER INFORMATION - CONTINUED

	PLAN YEAR 2008	PLAN YEAR 2009
Your City Offers Supplemental Death to:		
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

SCHEDULE OF CONTRIBUTION RATES			
PLAN/ CALENDAR YEAR	ANNUAL REQUIRED CONTRIBUTION	ACTUAL CONTRIBUTION MADE	PERCENTAGE OF ARC CONTRIBUTED
2008	0.07%	0.07%	100.0%
2009	0.05%	0.05%	100.0%
2010	0.05%	0.05%	100.0%

C. Risk Management

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

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 617 800	\$ 639 800	\$ 631 467	\$ (8 333)
Delinquent taxes	22 500	22 500	27 809	5 309
Penalties, interest and cost	17 500	17 500	18 331	831
<b>TOTAL GENERAL PROPERTY TAXES</b>	<u>657 800</u>	<u>679 800</u>	<u>677 607</u>	<u>(2 193)</u>
Other Local Taxes and Permits:				
City sales taxes	1 866 750	1 832 600	1 864 980	32 380
Franchise taxes	508 000	515 400	473 970	(41 430)
Mixed drink taxes	3 000	3 000	3 663	663
License and permit fees	40 180	40 180	40 955	775
<b>TOTAL LOCAL TAXES AND PERMITS</b>	<u>2 417 930</u>	<u>2 391 180</u>	<u>2 383 568</u>	<u>(7 612)</u>
Fines and Fees:				
Municipal court fines	200 000	162 988	162 988	-
Court cost fees	31 950	33 962	31 808	(2 154)
Miscellaneous	450	6 450	598	(5 852)
<b>TOTAL FINES AND FEES</b>	<u>232 400</u>	<u>203 400</u>	<u>195 394</u>	<u>(8 006)</u>
Charges For Service:				
Solid waste	1 220 500	1 223 143	1 272 050	48 907
Administration	5 000	22 500	33 193	10 693
Airport fuel	200 000	135 000	133 000	(2 000)
Airport hangar lease	7 500	10 571	10 570	(1)
Recreation fees	9 500	9 500	5 850	(3 650)
Building rental	10 750	26 429	8 205	(18 224)
<b>TOTAL CHARGES FOR SERVICES</b>	<u>1 453 250</u>	<u>1 427 143</u>	<u>1 462 868</u>	<u>35 725</u>
Contributions and Grants:				
Grant proceeds	22 120	43 620	44 228	608
Donations	18 500	18 500	18 602	102
<b>TOTAL CONTRIBUTIONS AND GRANTS</b>	<u>40 620</u>	<u>62 120</u>	<u>62 830</u>	<u>710</u>
Miscellaneous Revenue:				
Interest income	60 750	30 750	23 696	(7 054)
Miscellaneous receipts	26 100	52 460	60 222	7 762
<b>TOTAL MISCELLANEOUS REVENUE</b>	<u>86 850</u>	<u>83 210</u>	<u>83 918</u>	<u>708</u>
<b>TOTAL REVENUES</b>	<u>4 888 850</u>	<u>4 846 853</u>	<u>4 866 185</u>	<u>19 332</u>

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - CONTINUED  
Year Ended September 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Expenditures:				
General Government:				
City Hall:				
Payroll	558 251	558 251	536 793	21 458
Supplies	13 850	13 850	13 033	817
Contractual services	21 250	21 250	21 121	129
Utilities	14 400	14 400	15 106	(706)
Sundry charges	14 700	14 700	15 790	(1 090)
Maintenance	11 300	11 300	16 730	(5 430)
Capital outlay	14 500	14 500	26 744	(12 244)
TOTAL CITY HALL	<u>648 251</u>	<u>648 251</u>	<u>645 317</u>	<u>2 934</u>
Nondepartmental:				
Payroll	8 400	8 400	4 548	3 852
Supplies	8 000	8 000	5 585	2 415
Contractual services	131 200	131 200	169 849	(38 649)
Sundry charges	77 350	77 350	51 163	26 187
Maintenance	-	-	2 738	(2 738)
Capital outlay	17 500	17 500	30 983	(13 483)
TOTAL NONDEPARTMENTAL	<u>242 450</u>	<u>242 450</u>	<u>264 866</u>	<u>(22 416)</u>
TOTAL GENERAL GOVERNMENT	<u>890 701</u>	<u>890 701</u>	<u>910 183</u>	<u>(19 482)</u>
Public Safety:				
Police Department:				
Payroll	1 394 859	1 394 859	1 401 759	(6 900)
Supplies	35 285	35 285	43 473	(8 188)
Contractual services	25 950	25 950	21 374	4 576
Utilities	23 950	23 950	27 018	(3 068)
Sundry charges	15 800	15 800	24 510	(8 710)
Maintenance	57 400	57 400	81 210	(23 810)
Capital outlay	82 000	82 000	97 561	(15 561)
TOTAL POLICE DEPARTMENT	<u>1 635 244</u>	<u>1 635 244</u>	<u>1 696 905</u>	<u>(61 661)</u>
Fire Department:				
Payroll	331 840	331 840	333 306	(1 466)
Supplies	8 250	8 250	6 791	1 459
Contractual services	11 650	11 650	9 765	1 885
Utilities	11 650	11 650	11 154	496
Sundry charges	22 000	22 000	5 198	16 802
Maintenance	29 850	29 850	16 841	13 009
Capital outlay	25 500	25 500	18 269	7 231
TOTAL FIRE DEPARTMENT	<u>440 740</u>	<u>440 740</u>	<u>401 324</u>	<u>39 416</u>
Animal Control Department:				
Supplies	1 000	1 000	579	421
Contractual services	11 500	11 500	9 792	1 708
Utilities	-	-	123	(123)
Sundry charges	1 500	1 500	2 093	(593)
Maintenance	1 800	1 800	-	1 800
Capital outlay	2 500	2 500	-	2 500
TOTAL ANIMAL CONTROL DEPARTMENT	<u>18 300</u>	<u>18 300</u>	<u>12 587</u>	<u>5 713</u>

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - CONTINUED  
Year Ended September 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Emergency Management Department:				
Sundry charges	1 000	1 000	-	1 000
TOTAL EMERGENCY MANAGEMENT DEPARTMENT	1 000	1 000	-	1 000
TOTAL PUBLIC SAFETY	2 095 284	2 095 284	2 110 816	(15 532)
Community Services:				
Airport Department:				
Payroll	43 125	43 125	42 084	1 041
Supplies	1 650	1 650	737	913
Contractual services	1 075	1 075	3 043	(1 968)
Utilities	5 450	5 450	12 748	(7 298)
Fuel (resale)	140 000	90 000	98 718	(8 718)
Sundry charges	6 100	6 100	3 288	2 812
Maintenance	11 900	11 900	9 761	2 139
Capital outlay	8 000	8 000	935	7 065
TOTAL AIRPORT DEPARTMENT	217 300	167 300	171 314	(4 014)
Cemetery Department:				
Supplies	-	-	72	(72)
Contractual services	29 500	29 500	32 480	(2 980)
TOTAL CEMETERY DEPARTMENT	29 500	29 500	32 552	(3 052)
Parks Department:				
Payroll	38 415	38 415	35 326	3 089
Supplies	3 900	3 900	2 051	1 849
Contractual services	38 000	38 000	44 804	(6 804)
Utilities	8 500	8 500	14 610	(6 110)
Sundry	-	-	1	(1)
Maintenance	13 500	13 500	21 897	(8 397)
Capital outlay	17 500	155 000	140 165	14 835
TOTAL PARKS DEPARTMENT	119 815	257 315	258 854	(1 539)
Recreation Program:				
Payroll	16 250	16 250	419	15 831
Supplies	2 250	2 250	1 924	326
Contractual services	11 000	11 000	16 649	(5 649)
Sundry	1 000	1 000	493	507
TOTAL RECREATION PROGRAM	30 500	30 500	19 485	11 015
Civic Center Department:				
Payroll	45 000	45 000	40 107	4 893
Supplies	-	-	8 973	(8 973)
Contractual services	-	-	11 314	(11 314)
Utilities	8 000	8 000	9 802	(1 802)
Sundry	17 000	17 000	7 491	9 509
Maintenance	-	-	2 596	(2 596)
Capital outlay	-	15 000	14 197	803
TOTAL CIVIC CENTER DEPARTMENT	70 000	85 000	94 480	(9 480)

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - CONTINUED  
Year Ended September 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Community Facilities Department:				
Supplies	-	-	197	(197)
Contractual services	52 050	55 590	55 107	483
Utilities	10 750	12 210	10 184	2 026
Sundry	150	150	-	150
Maintenance	3 800	3 800	-	3 800
Capital outlay	-	-	19 622	(19 622)
TOTAL COMMUNITY FACILITIES DEPARTMENT	<u>66 750</u>	<u>71 750</u>	<u>85 110</u>	<u>(13 360)</u>
TOTAL COMMUNITY SERVICES	<u>533 865</u>	<u>641 365</u>	<u>661 795</u>	<u>(20 430)</u>
Streets and Drainage:				
Streets Department:				
Payroll	179 685	179 685	195 019	(15 334)
Supplies	18 000	18 000	4 713	13 287
Contractual services	73 900	73 900	73 321	579
Utilities	70 000	70 000	78 816	(8 816)
Sundry charges	3 100	3 100	308	2 792
Maintenance	104 750	104 750	91 500	13 250
Capital outlay	5 500	5 500	15 210	(9 710)
TOTAL STREETS DEPARTMENT	<u>454 935</u>	<u>454 935</u>	<u>458 887</u>	<u>(3 952)</u>
TOTAL STREETS AND DRAINAGE	<u>454 935</u>	<u>454 935</u>	<u>458 887</u>	<u>(3 952)</u>
Sanitation:				
Sanitation Department:				
Contractual services	1 015 000	1 015 000	1 121 356	(106 356)
Sundry charges	12 200	12 200	996	11 204
Bad debts	-	-	2 164	(2 164)
Maintenance	3 500	3 500	2 298	1 202
TOTAL SANITATION DEPARTMENT	<u>1 030 700</u>	<u>1 030 700</u>	<u>1 126 814</u>	<u>(96 114)</u>
TOTAL SANITATION	<u>1 030 700</u>	<u>1 030 700</u>	<u>1 126 814</u>	<u>(96 114)</u>
Inspection Services:				
Inspection Department:				
Payroll	174 215	174 215	154 920	19 295
Supplies	6 000	6 000	3 329	2 671
Contractual services	400	400	348	52
Utilities	5 000	5 000	5 211	(211)
Sundry	10 000	10 000	3 979	6 021
Maintenance	10 000	10 000	4 709	5 291
Capital outlay	8 300	8 300	2 543	5 757
TOTAL INSPECTION DEPARTMENT	<u>213 915</u>	<u>213 915</u>	<u>175 039</u>	<u>38 876</u>
TOTAL EXPENDITURES	<u>5 219 400</u>	<u>5 326 900</u>	<u>5 443 534</u>	<u>(116 634)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(330 550)</u>	<u>(480 047)</u>	<u>(577 349)</u>	<u>(97 302)</u>
Other Financing Sources (Uses):				
Operating transfers in	315 000	315 000	317 055	2 055
Operating transfers (out)	-	(524 000)	(523 865)	135
TOTAL OTHER FINANCING SOURCES (USES)	<u>315 000</u>	<u>(209 000)</u>	<u>(206 810)</u>	<u>2 190</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(15 550)</u>	<u>(689 047)</u>	<u>(784 159)</u>	<u>(95 112)</u>
Fund balance at beginning of year	1 981 691	1 981 691	1 981 691	-
FUND BALANCE AT END OF YEAR	<u>\$ 1 966 141</u>	<u>\$ 1 292 644</u>	<u>\$ 1 197 532</u>	<u>\$ (95 112)</u>

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 Grant Repayment Funds - To account revenues and expenditures related to Texas Department of Economic Development loans.

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

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

Civic Center Fund - To account for the activity of the civic center.

Tax Increment Financing Fund - To account for activities related to the tax incremental financing.

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

### Debt Service Fund

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

### Permanent Fund

Fairview Cemetery 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 cemetery.

CITY OF CENTER, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND CEMETERY ENDOWMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 137 505	\$ 132 571	\$ 133 183	\$ 403 259
Accounts receivable	-	214 000	-	214 000
<b>TOTAL ASSETS</b>	<u>\$ 137 505</u>	<u>\$ 346 571</u>	<u>\$ 133 183</u>	<u>\$ 617 259</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 509 724	\$ -	\$ 509 724
Deferred revenue	-	214 000	-	214 000
Due to other funds	-	253 496	-	253 496
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>977 220</u>	<u>-</u>	<u>977 220</u>
 Fund Balances:				
Reserved For:				
Debt service	137 505	-	-	137 505
Other purposes	-	-	133 183	133 183
Unreserved, Reported in:				
Special revenue fund	-	(630 649)	-	(630 649)
<b>TOTAL FUND BALANCES</b>	<u>137 505</u>	<u>(630 649)</u>	<u>133 183</u>	<u>(359 961)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 137 505</u>	<u>\$ 346 571</u>	<u>\$ 133 183</u>	<u>\$ 617 259</u>

See independent auditors' report.

CITY OF CENTER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ending September 30, 2010

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND CEMETERY ENDOWMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:				
Taxes	\$ 422 530	\$ 306 818	\$ -	\$ 729 348
Grants and contributions	-	947 548	-	947 548
Fines and fees	-	14 889	-	14 889
Other	2 276	75 856	2 673	80 805
TOTAL REVENUES	424 806	1 345 111	2 673	1 772 590
Expenditures:				
Public safety	-	18 560	-	18 560
Community services	-	2 580 427	725	2 581 152
Streets and drainage	-	45 284	-	45 284
Debt Service:				
Principal	250 000	-	-	250 000
Interest and fiscal charges	214 308	-	-	214 308
TOTAL EXPENDITURES	464 308	2 644 271	725	3 109 304
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(39 502)	(1 299 160)	1 948	(1 336 714)
Other Financing Sources (Uses):				
Operating transfers in	37 085	1 392 525	-	1 429 610
Operating transfers (out)	-	(604 115)	-	(604 115)
TOTAL OTHER FINANCING SOURCES (USES)	37 085	788 410	-	825 495
NET CHANGE IN FUND BALANCE	(2 417)	(510 750)	1 948	(511 219)
Fund balance at beginning of year	139 922	(119 899)	131 235	151 258
FUND BALANCES AT END OF YEAR	\$ 137 505	\$ (630 649)	\$ 133 183	\$ (359 961)

See independent auditors' report.



CITY OF CENTER, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 September 30, 2010

	TEXAS CAPITAL GRANT REPAYMENT FUND	2006 TEXAS CAPITAL FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FACILITIES FUND	COURT TECHNOLOGY FUND
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22	\$ -	\$ 106	\$ 102 526	\$ 10 064
Due from other funds	-	-	199 000	15 000	-
<b>TOTAL ASSETS</b>	<b>\$ 22</b>	<b>\$ -</b>	<b>\$ 199 106</b>	<b>\$ 117 526</b>	<b>\$ 10 064</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 506 836	\$ 650	\$ 2 238
Deferred revenue	-	-	199 000	15 000	-
Due to other funds	-	-	224 402	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>930 238</b>	<b>15 650</b>	<b>2 238</b>
Fund Balance:					
Unreserved, Reported in:					
Special revenue fund	22	-	(731 132)	101 876	7 826
<b>TOTAL FUND BALANCE</b>	<b>22</b>	<b>-</b>	<b>(731 132)</b>	<b>101 876</b>	<b>7 826</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 22</b>	<b>\$ -</b>	<b>\$ 199 106</b>	<b>\$ 117 526</b>	<b>\$ 10 064</b>

See independent auditors' report

COURT SECURITY FUND	AIRPORT CONSTRUCTION FUND	2008 HOME PROGRAM	2008 TEXAS CDBG GRANT	TAX INCREMENT FINANCING FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 19 783	\$ 30	\$ 20	\$ 10	\$ 10	\$ 132 571
-	-	-	-	-	214 000
<u>\$ 19 783</u>	<u>\$ 30</u>	<u>\$ 20</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 346 571</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 509 724
-	-	-	-	-	214 000
-	-	-	-	29 094	253 496
-	-	-	-	29 094	977 220
19 783	30	20	10	(29 084)	(630 649)
<u>19 783</u>	<u>30</u>	<u>20</u>	<u>10</u>	<u>(29 084)</u>	<u>(630 649)</u>
<u>\$ 19 783</u>	<u>\$ 30</u>	<u>\$ 20</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 346 571</u>

CITY OF CENTER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ending September 30, 2010

	TEXAS CAPITAL GRANT REPAYMENT FUND	2006 TEXAS CAPITAL FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FACILITIES FUND	COURT TECHNOLOGY FUND
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 306 818	\$ -
Grants and contributions	-	7 000	888 466	50 000	-
Fines and fees	-	-	-	-	5 128
Other	69 125	-	5 357	1 309	21
<b>TOTAL REVENUES</b>	<u>69 125</u>	<u>7 000</u>	<u>893 823</u>	<u>358 127</u>	<u>5 149</u>
Expenditures:					
Public safety	-	-	-	-	7 515
Community services	69 125	-	2 407 495	94 380	-
Streets and drainage	-	10 500	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>69 125</u>	<u>10 500</u>	<u>2 407 495</u>	<u>94 380</u>	<u>7 515</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(3 500)</u>	<u>(1 513 672)</u>	<u>263 747</u>	<u>(2 366)</u>
Other Financing Sources (Uses):					
Operating transfers in	-	3 527	1 375 923	-	-
Operating transfers (out)	-	-	-	(604 115)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>3 527</u>	<u>1 375 923</u>	<u>(604 115)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>27</u>	<u>(137 749)</u>	<u>(340 368)</u>	<u>(2 366)</u>
Fund balance at beginning of year	<u>22</u>	<u>(27)</u>	<u>(593 383)</u>	<u>442 244</u>	<u>10 192</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ (731 132)</u>	<u>\$ 101 876</u>	<u>\$ 7 826</u>

See independent auditors' report.

COURT SECURITY FUND	AIRPORT CONSTRUCTION FUND	2008 HOME GRANT	2008 TEXAS CDBG GRANT	TAX INCREMENT FINANCING FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306 818
-	2 082	-	-	-	947 548
9 761	-	-	-	-	14 889
44	-	-	-	-	75 856
<u>9 805</u>	<u>2 082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 345 111</u>
11 045	-	-	-	-	18 560
-	2 082	7 345	-	-	2 580 427
-	-	-	5 700	29 084	45 284
<u>11 045</u>	<u>2 082</u>	<u>7 345</u>	<u>5 700</u>	<u>29 084</u>	<u>2 644 271</u>
(1 240)	-	(7 345)	(5 700)	(29 084)	(1 299 160)
-	-	7 365	5 710	-	1 392 525
-	-	-	-	-	(604 115)
-	-	7 365	5 710	-	788 410
(1 240)	-	20	10	(29 084)	(510 750)
<u>21 023</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119 899)</u>
<u>\$ 19 783</u>	<u>\$ 30</u>	<u>\$ 20</u>	<u>\$ 10</u>	<u>\$ (29 084)</u>	<u>\$ (630 649)</u>

CITY OF CENTER, TEXAS  
 SCHEDULE OF REVENUES  
 PROPRIETARY FUNDS  
 Year Ended September 30, 2010

	<u>WATER AND SEWER ENTERPRISE FUND</u>
Operating Revenues:	
Charges for Service:	
Water charges	\$ 2 380 950
Sewer charges	<u>880 919</u>
TOTAL	<u>3 261 869</u>
Taps and Connections:	
Water taps and connections	12 400
Sewer taps and connections	<u>4 915</u>
TOTAL	<u>17 315</u>
Miscellaneous Revenue:	
Administrative fees	6 420
Penalties	52 441
Reconnection fees	15 674
Miscellaneous receipts	<u>24 771</u>
TOTAL	<u>99 306</u>
TOTAL OPERATING REVENUES	<u>\$ 3 378 490</u>
Nonoperating Revenues:	
Income from investments	\$ 12 713
Capital grants and contributions	<u>191 628</u>
TOTAL NONOPERATING REVENUES	<u>\$ 204 341</u>

See independent auditors' report.

CITY OF CENTER, TEXAS  
SCHEDULE OF EXPENSES AND OPERATING TRANSFERS  
PROPRIETARY FUNDS  
Year Ended September 30, 2010

	WATER AND SEWER ENTERPRISE FUND
Operating Expenses:	
Nondepartmental:	
Supplies	\$ 24 725
Contractual services	9 193
Sundry charges	5 121
Bad debts	13 063
TOTAL	52 102
Public Works:	
Payroll	132 834
Supplies	1 723
Contractual services	5 743
Utilities	10 174
Sundry charges	1 142
Maintenance	497
Capital outlay	4 561
TOTAL	156 674
Water Production:	
Payroll	371 634
Supplies	306 824
Contractual services	61 267
Utilities	183 363
Sundry charges	19 425
Maintenance	94 823
Capital outlay	40 874
TOTAL	1 078 210
Water Distribution:	
Payroll	157 215
Supplies	3 073
Contractual services	3 796
Utilities	1 226
Sundry charges	1 135
Maintenance	69 456
Capital outlay	86 588
TOTAL	322 489
Sewer Collection:	
Payroll	112 678
Supplies	4 177
Contractual services	5 600
Utilities	20 303
Sundry charges	711
Maintenance	30 545
Capital outlay	26 649
TOTAL	200 663

CITY OF CENTER, TEXAS  
 SCHEDULE OF EXPENSES AND OPERATING TRANSFERS  
 ENTERPRISE FUNDS - CONTINUED  
 Year Ended September 30, 2010

	WATER AND SEWER ENTERPRISE FUND <hr style="border: 0.5px solid black;"/>
Sewer Treatment:	
Payroll	142 105
Supplies	31 251
Contractual services	86 278
Utilities	54 711
Sundry charges	17 543
Maintenance	99 047
Capital outlay	4 832
TOTAL	<hr style="border: 0.5px solid black;"/> <u>435 767</u>
Depreciation:	
Depreciation	627 978
TOTAL OPERATING EXPENSES	\$ <hr style="border: 0.5px solid black;"/> <u>2 873 883</u>
Nonoperating Expenses:	
Interest and fiscal charges	\$ 120 011
Amortization	<hr style="border: 0.5px solid black;"/> <u>3 184</u>
TOTAL NONOPERATING EXPENSES	\$ <hr style="border: 0.5px solid black;"/> <u>123 195</u>

See independent auditors' report.

STATISTICAL SECTION



CITY OF CENTER, TEXAS  
INSURANCE COVERAGE  
September 30, 2010  
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/09 to 10/01/10	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/09 to 10/01/10	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/09 to 10/01/10	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/09 to 10/01/10	\$ 14 708 372
Texas Municipal League	General Liability	* 10/01/09 to 10/01/10	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/09 to 10/01/10	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/09 to 10/01/10	\$ 259 482
Texas Municipal League	Automobile Liability	* 10/01/09 to 10/01/10	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/09 to 10/01/10	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/09 to 10/01/10	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/09 to 10/01/10	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/09 to 10/01/10	\$ 1 000 000

\* Renewed at 10/01/2010

See independent auditors' report.

CITY OF CENTER, TEXAS  
 WATER AND SEWER RATES AND SYSTEM CONNECTIONS  
 September 30, 2010  
 "UNAUDITED"

The following schedule of rates was in effect for year ending September 30, 2010:

Water Rates:

A. Monthly Minimum Charge:

Meter Size	Residential/Commercial	Small Industrial/Manufacturer 1 <sup>st</sup> 200,000 Gallons Incl.	Wholesale 1 <sup>st</sup> 50,000 Gallons Incl.	Large Industrial Manufacturer 1 <sup>st</sup> 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges Same Facility
5/8	\$ 9.15				
3/4	\$ 9.15				
1	\$12.95				
1.5	\$19.40				
2	\$25.85	\$ 622	\$ 183	\$ 9 600	\$ 37
3	\$38.75	\$ 689	\$ 250	\$ 9 720	\$ 102
4	\$51.70	\$ 817	\$ 378	\$ 9 960	\$ 229
6	\$77.50	\$1 043	\$ 604	\$10 400	\$ 459
8		\$1 389	\$ 950	\$11 060	\$ 802
10		\$1 847	\$1 408	\$11 930	\$1 260
Sprinklers	\$12.95				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.00
Small industrial/manufacturer	\$ 2.50
Wholesale	\$ 2.64
Large industrial/manufacturer	\$ 1.51

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 \$7.50 per thousand gallons metered.

Sewer Rates:

Residential:

Inside City Limits:

Minimum	\$8.40 plus ½ of Water
Maximum	\$24.00

Commercial:

Minimum	\$8.40 plus ½ of Water
Maximum	None

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.

At September 30, 2010, the records of the City indicated the following system connections:

Water System	2 444
Sewer System	2 027

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 the financial statements of the governmental activities, the business-type activities, the 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, 2010, which collectively comprise the City of Center's basic financial statements, and have issued our report thereon dated April 20, 2011. We conducted our audit in accordance with 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Center, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain other matters that we reported to management in a separate letter with recommendations to improve internal controls.

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
April 20, 2011



AXLEY & RODE, LLP

CERTIFIED PUBLIC ACCOUNTANTS • SINCE 1949

CROCKETT - JASPER - LIVINGSTON - LUFKIN - NACOGDOCHES

INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council  
City of Center  
Center, Texas

Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of Center, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of Center, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Center, Texas' management. Our responsibility is to express an opinion on the City of Center, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Center, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Center, Texas' compliance with those requirements.

In our opinion, the City of Center, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The administration of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and should not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lufkin, Texas  
April 20, 2011

  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CENTER, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended September 30, 2010

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?  Yes  No

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.039	Federal Emergency Management (Hazard Mitigation)

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

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE



CITY OF CENTER, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2010

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

CITY OF CENTER, TEXAS  
CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2010

None required for the current year.

CITY OF CENTER, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2010

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
U.S. Department of Homeland Security:			
Passed Through Office of the Governor:			
Federal emergency management (Hazard Mitigation)	97.039	DR-1606-065	\$ 727 564
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			727 564
U.S. Department of Housing and Urban Development:			
Passed Through Texas Department of Rural Community Affairs:			
Community Development Block Grant	14.228	728089	191 628
Community Development Block Grant	14.228	726052-TDA	7 000
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			198 628
U.S. Department of Justice:			
Passed Through Deep East Texas Council of Governments:			
Bulletproof Vest Partnership Program	16.607	N/A	2 545
2009 Recovery Act, Justice Assistance Grant	16.738	N/A	18 871
TOTAL U.S. DEPARTMENT OF JUSTICE			21 416
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 947 608

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

CITY OF CENTER, TEXAS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2010

Basis of Presentation

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