

CITY OF CENTER  
Center, Texas  
ANNUAL FINANCIAL REPORT  
September 30, 2012

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CITY OF CENTER, TEXAS  
PRINCIPAL CITY OFFICIALS  
September 30, 2012

GOVERNING BODY

Honorable David Chadwick, Mayor

CITY COUNCIL

James W. Forbes - At-Large (Mayor Protem)

Leigh Porterfield - At Large

Joyce Johnson - District 1

Charlie Byndom, Jr. - District 2

Howell Howard - 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, 2012, 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, 2012, 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 June 10, 2013, 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  
June 10, 2013



## 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, 2012.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$25,594,000 (*net assets*). Of this amount, 29% or \$7,412,443 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's governmental funds reported combined ending fund balances of \$4,364,699, an increase of \$2,711,274 from the prior year.
- The fund balance for the general fund was \$1,382,900 or 23.7% of total general fund expenditures and decreased \$67,526 during this fiscal year.
- The net assets of the Utility Fund increased by \$34,864 to \$12,899,716.
- The Utility Fund operating revenues exceeded expenses resulting in operating income of \$234,336 and the fund generated net income of \$428,455.
- The combined non-major governmental funds experienced an increase in fund balance of \$168,479.

### 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 Capital Project Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds, including the Debt Service Fund, is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

### Government-Wide Financial Analysis

As noted earlier, net 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 \$25,594,000 at the close of fiscal year 2012. This represents a decrease of \$237,149 from the 2011 net assets of \$25,831,149.

By far the largest portion of the City's net assets, 69.9%, reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less the outstanding balance of related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This year's net assets values indicate reductions because of recently issued debt for the future purchase, acquisition and construction of assets through the Capital Projects Fund.

### City of Center's Combined Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 5 353 395	\$ 2 771 379	\$ 3 329 297	\$ 1 319 594	\$ 8 682 692	\$ 4 090 973
Capital assets (net of depreciation)	16 543 159	15 645 146	13 491 600	13 795 242	30 034 759	29 440 388
Total Assets	<u>21 896 554</u>	<u>18 416 525</u>	<u>16 820 897</u>	<u>15 114 836</u>	<u>38 717 451</u>	<u>33 531 361</u>
Long-term liabilities outstanding	8 160 288	4 435 172	3 103 353	1 471 792	11 263 641	5 906 965
Other liabilities	1 041 982	1 015 056	817 828	778 192	1 859 770	1 793 247
Total Liabilities	<u>9 202 270</u>	<u>5 450 228</u>	<u>3 921 181</u>	<u>2 249 984</u>	<u>13 123 451</u>	<u>7 700 212</u>
Net Assets:						
Invested in capital assets, net of related debt	7 961 087	10 895 719	9 940 063	11 922 946	17 901 150	22 818 665
Restricted	280 406	274 557	-	-	280 406	274 557
Unrestricted	4 452 791	1 796 021	2 959 653	942 206	7 412 444	2 738 227
Total Net Assets	<u>\$ 12 694 284</u>	<u>\$ 12 966 297</u>	<u>\$ 12 899 716</u>	<u>\$ 12 864 852</u>	<u>\$ 25 594 000</u>	<u>\$ 25 831 149</u>

An additional minor portion of the City's net assets, \$280,406 (1.1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$7,412,443, 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 capital assets.



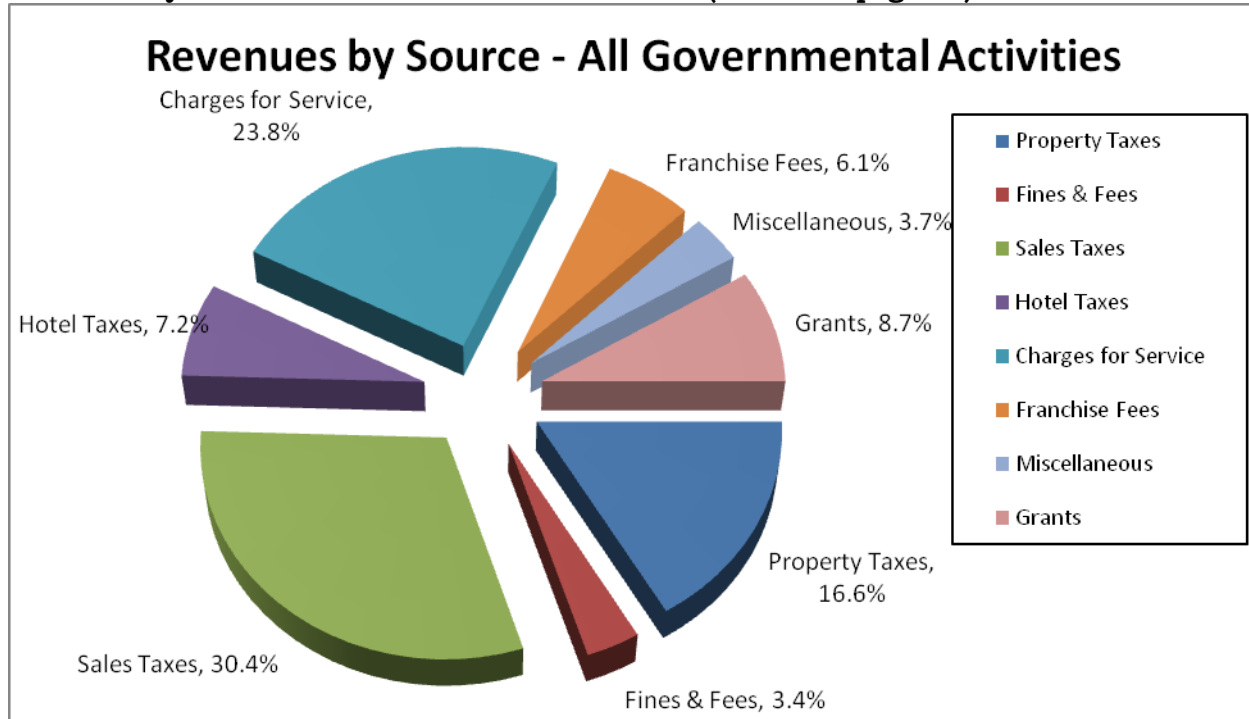
## City of Center's Change in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for services	\$ 1 933 839	\$ 1 864 854	\$ 3 371 976	\$ 3 371 747	\$ 5 305 815	\$ 5 236 601
Operating grants and contributions	189 527	577 396	-	-	189 527	557 396
Capital grants and contributions	426 576	619 166	237 000	442 463	663 576	1 061 629
General Revenues:						
Property taxes	1 131 976	1 197 760	-	-	1 131 976	1 197 760
Other taxes	3 103 557	3 349 038	-	-	3 103 557	3 349 038
Other	281 514	339 164	5 222	6 599	286 736	345 763
Total Revenues	<u>7 066 989</u>	<u>7 947 378</u>	<u>3 614 198</u>	<u>3 820 809</u>	<u>10 681 187</u>	<u>11 768 187</u>
Expenses:						
General government	1 122 445	984 140	-	-	1 122 445	984 140
Public safety	2 213 008	2 306 498	-	-	2 213 008	2 306 498
Community services	1 258 134	1 250 186	-	-	1 258 134	1 250 186
Streets and drainage	1 412 334	691 510	-	-	1 412 334	691 510
Sanitation	1 104 619	1 001 916	-	-	1 104 619	1 001 916
Inspections	167 304	167 885	-	-	167 304	167 885
Interest on long-term debt	325 263	200 877	-	-	325 263	200 877
Bond issue cost and fees	310 825	(72 707)	-	-	310 825	(72 707)
Water and sewer	-	-	3 185 743	3 177 558	3 185 743	3 177 558
Total Expenses	<u>7 913 932</u>	<u>6 530 305</u>	<u>3 185 743</u>	<u>3 177 558</u>	<u>11 099 675</u>	<u>9 707 863</u>
Transfers	574 930	281 396	(393 591)	(306 396)	181 339	(25 000)
Increase (decrease) in net assets	(272 013)	1 698 469	34 864	336 855	(237 149)	2 035 324
Net assets, restated	<u>12 966 297</u>	<u>11 267 828</u>	<u>12 864 852</u>	<u>12 527 997</u>	<u>25 831 149</u>	<u>23 795 825</u>
Net Assets, Ending	<u>\$ 12 694 284</u>	<u>\$ 12 966 297</u>	<u>\$ 12 899 716</u>	<u>\$ 12 864 852</u>	<u>\$ 25 594 000</u>	<u>\$ 25 831 149</u>

**Governmental Activities.** Governmental activities decreased the City of Center's net assets by \$272,013. Key elements of this decrease are as follows:

- Governmental Revenues decreased \$880,389 from prior year revenues;
  - Reduction in realized operational grant and donations (\$387,869)
  - Reduction of grant funds for capital projects (\$192,590)
  - Reduction of Other taxes primarily from reductions in sales tax receipts (\$245,481)
- Governmental Expenses increased \$1,383,627 from prior year expenses;
  - Increase in Streets & Drainage of \$720,824 including Projects
    - 2011 CDBG for gravel Streets (\$390,063)
    - TXDoT Sidewalk (\$166,600)
    - CDBG-DRS - MLK Drive reconstruction (\$79,961)
  - Increase interest on long term debt (\$124,396) from new debt issue
  - Increase bond issuance costs and fees from new debt and refunding (\$383,532)

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



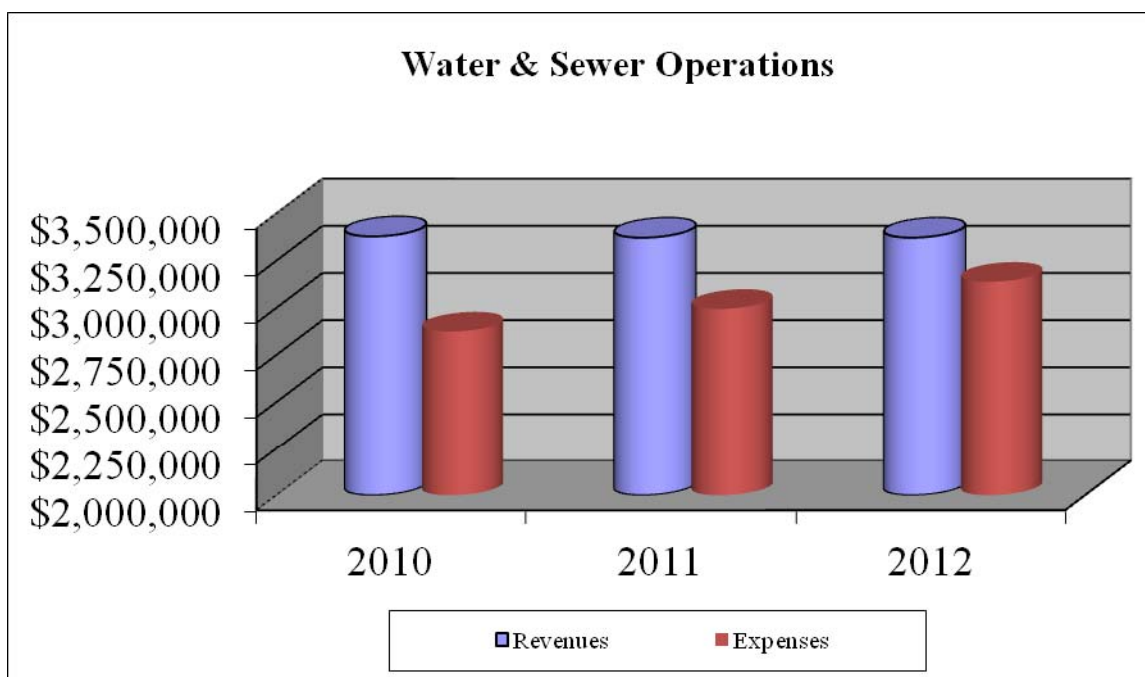
**Business-Type Activities.** Business-type activities increased the total government's net assets by \$34,864. Key elements of this increase are as follows:

- Revenues decreased \$206,611 from the prior year to \$3,614,198
  - Charges for services increased \$229
  - Capital grants decreased \$205,463
- Expenses increased \$8,785 from prior year to \$3,185,743
- Transfers increased \$87,195 from prior year to \$393,591

**Proprietary Funds.** The City of Center's proprietary funds (pages 21-23) provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

- Operating Revenues exceeded expenses resulting in Operating Income of \$234,336.
- Including non-operating expenses, primarily costs of debt, Net Income is \$194,119.

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



Unrestricted net assets of the Water and Sewer Utility Fund at the end of the current fiscal year are \$2,959,653, increased by the availability of debt proceeds not yet expended. The increase in net assets for Water and Sewer Utility totaled \$34,864. Other factors concerning these two funds have been addressed in the discussion of the City's business-type activities.

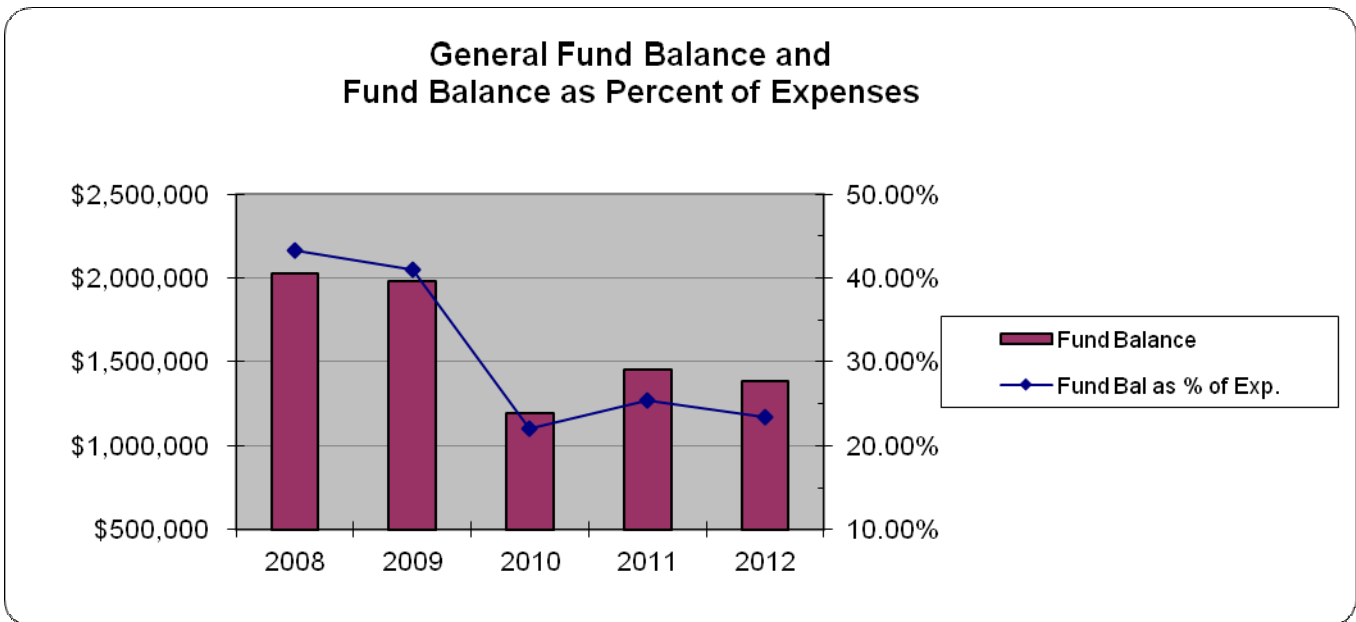
**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Center's governmental funds reported combined ending fund balances of \$4,364,699, an increase of \$2,711,274 from the prior year. Approximately 31% of this total amount, \$1,335,737, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining 69% of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed and dedicated to 1) pay debt service and 2) for perpetual care of cemeteries or 3) for capital projects. The Capital Project Fund became significant this year with the issuance of debt, the proceeds of which are dedicated to specific capital projects identified by the City Council.

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 \$1,382,900. The fund balance of the City's general fund decreased by \$67,526 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 23.4% of total general fund operational expenditures.



**General Fund Budgetary Highlights**

The General Fund accounts for the primary operations of the City and a budget comparison is provided on pages 42-45. Differences in the original and the final amended budget provided for \$4,800 in increased revenues. Differences in the original and the final amended budget expenditures amounted to \$109,800 in increased appropriations.

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues increased from the original budget by \$94,024 but increased from the final amended budget by \$89,224. Total expenditures increased from original budget by \$203,992 but from the final amended budget by \$94,192. After transfers to and from other funds these adjustments produced a decrease in the fund balance of \$67,526.

### 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 \$30,034,759 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$29,440,338. This investment in capital assets includes land, buildings, improvements, vehicles and equipment. Due to the size of the City, past asset valuations for major infrastructure (streets, bridges, drainage, etc.) are not required to comply with new reporting requirements, however beginning in fiscal year 2004, the City began prospectively accumulating values for these major capital assets.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 11 233	\$ -	\$ 592 783	\$ 592 783	\$ 604 016	\$ 592 783
Buildings	6 878 636	7 054 638	-	-	6 878 636	7 054 638
Improvements other than buildings	1 063 846	1 074 317	-	-	1 063 846	1 074 317
Machinery and equipment	1 184 701	677 369	794 640	520 833	1 979 341	1 198 202
Buildings and systems	-	-	12 016 098	12 039 020	12 016 098	12 039 020
Infrastructure	6 369 709	6 630 233	-	-	6 369 709	6 630 233
Construction in progress	1 035 034	208 589	88 079	642 606	1 123 113	851 195
Total	\$ 16 543 159	\$ 15 645 146	\$ 13 491 600	\$ 13 795 242	\$ 30 034 759	\$ 29 440 388

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

#### Governmental

- Center Mini Park - \$482,969
- CDBG Street Project (Gravel street paving) - \$326,443
- Center Park Playground Addition - \$56,085
- Land - adjoining Community House - \$11,233
- Civic Center Projector & Sound System - \$17,686
- Fleet Vehicles:
  - Police Department - Two Patrol Units - \$52,762
  - Fire Department - Martin Aerial Fire Apparatus - \$584,240
  - Street Department - Tractor/Backhoe - \$15,959
  - Sanitation Department - Second Recycling Trailer - \$9,800

#### Business-type

- Water Pump Replacements and Repairs - \$49,970
- Purchased one Fleet Vehicle (Water Dept.) - \$22,519
- Plant Filter Rehabilitations - \$56,345

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

#### Capital Construction In Progress

- Community House Renovations - \$20,996
  - Total Project - \$20,996
- Downtown Streetscape Enhancement - \$50,985
  - Total Project - \$50,985
- TXDoT STEP Project (Sidewalks & Trails) - \$49,931
  - Total Project - \$95,935

- Center Park Expansion Softball Complex - \$46,606
  - Total Project - \$46,606
- Generators Grant Project (Disaster Recovery Funds) - \$99,086
  - Total Project - \$282,153
- Sewer Collection System Planning/TWDB Project - \$23,236
  - Total Project - \$333,528
- Loop 500 Water Line Extension - \$11,198
  - Total Project - \$61,359

Additional information on the City of Center's capital assets can be found in note 3. C. on pages 33-34 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$11,452,000 an increase from last year's total bonded debt of \$5,950,000. This includes Series 2011 for the Capital Improvement Plan, 2011 Series for Refunding. All is backed by the full faith and credit of the government.

**Short-Term Notes Payable** - Short-term notes payable include a note by the City's Tax Increment Reinvestment Zone Fund to the Center Economic Development Corporation in 2011 and a note to TXDoT's State Infrastructure Bank for the Highway 96S line relocation in 2006.

**City of Center's Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 8 115 000	\$ 4 340 000	\$ 3 337 000	\$ 1 610 000	\$ 11 452 000	\$ 5 950 000
Compensated absences	93 360	83 448	30 799	32 255	124 159	115 703
Notes payable	373 712	409 427	214 537	262 596	588 249	672 023
Total	\$ 8 582 072	\$ 4 832 875	\$ 3 582 336	\$ 1 904 851	\$ 12 164 408	\$ 6 737 726

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

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

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

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

- The unemployment rate as of September, 2012 for Shelby County, according to Texas Workforce Commission statistics, is 6.2%. The unemployment rates for September 2012, according to the Texas Workforce Commission, are 6.3% for the State of Texas and 7.5% for the Deep East Texas Region.
- The state sales tax receipts, including only the 1¼% for governmental purposes for the current fiscal year, totaled \$2,132,186 a decrease of \$252,816 or (-10.6%) from the previous year (\$2,385,002). This reduction indicates a significant slowing of the rapid growth of the prior two years primarily resulting from decreases in retail outlets and taxable sales related to oil and gas industry activities.
- Economic trends in the area are contrary to state and national indices and trends due to reduced operations and activities on the local oil and gas industry.

All of these factors were considered in preparing the City of Center's budget for the 2013 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, 2012

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATIONS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4 138 370	\$ 365 876	\$ 4 504 246	\$ 944 514
Receivables (net)	680 618	391 712	1 072 330	474 094
Due from other governments	153 720	-	153 720	-
Due from component units	-	1 000	1 000	-
Due from other funds	50 000	-	50 000	-
Prepaid expenses	10 313	-	10 313	-
Inventories	36 850	85 569	122 419	-
Capitalized bond issue cost	283 529	-	283 529	-
Restricted Assets:				
Cash and cash equivalents	-	2 398 061	2 398 061	-
Deferred asset	-	87 079	87 079	-
Capital assets (net of accumulated depreciation)	<u>16 543 159</u>	<u>13 491 600</u>	<u>30 034 759</u>	<u>1 010 805</u>
<b>TOTAL ASSETS</b>	<u><u>21 896 559</u></u>	<u><u>16 820 897</u></u>	<u><u>38 717 456</u></u>	<u><u>2 429 413</u></u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	230 970	123 432	354 402	
Accrued liabilities	73 026	15 667	88 693	-
Due to other funds	-	50 000	50 000	1 000
Due to primary government	-	-	-	-
Accrued interest payable	51 634	9 760	61 394	-
Premium on bond issue	264 568	-	264 568	-
Customer deposits payable	-	139 987	139 987	-
Noncurrent Liabilities:				
Due within one year	421 784	478 982	900 766	-
Due in more than one year	<u>8 160 288</u>	<u>3 103 353</u>	<u>11 263 641</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>9 202 270</u></u>	<u><u>3 921 181</u></u>	<u><u>13 123 451</u></u>	<u><u>1 000</u></u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7 961 087	9 940 063	17 901 150	1 010 805
Restricted for:				
Debt service	144 674	-	144 674	-
Perpetual care	135 732	-	135 732	-
Unrestricted	<u>4 452 791</u>	<u>2 959 653</u>	<u>7 412 444</u>	<u>1 417 608</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 12 694 284</u></u>	<u><u>\$ 12 899 716</u></u>	<u><u>\$ 25 594 000</u></u>	<u><u>\$ 2 428 413</u></u>

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

CITY OF CENTER, TEXAS  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1 122 445	\$ 128 925	\$ -	\$ -
Public safety	2 213 008	182 453	82 005	-
Community services	1 258 134	337 483	107 522	-
Streets and drainage	1 412 334	-	-	416 776
Sanitation	1 104 619	1 284 978	-	9 800
Inspections	167 304	-	-	-
Interest on long-term debt	325 263	-	-	-
Bond cost and fees	310 825	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	7 913 932	1 933 839	189 527	426 576
Business-Type Activities:				
Water and sewer fund	3 185 743	3 371 976	-	237 000
TOTAL BUSINESS-TYPE ACTIVITIES	3 185 743	3 371 976	-	237 000
 TOTAL PRIMARY GOVERNMENT	 \$ 11 099 675	\$ 5 305 815	\$ 189 527	\$ 663 576
 Component Units:				
Economic Development	\$ 241 156	\$ -	\$ -	\$ -
Economic Development Street Improvement	588 206	-	-	-
TOTAL COMPONENT UNITS	\$ 829 362	\$ -	\$ -	\$ -

General Revenues:

  Taxes:

    Property taxes  
    Other taxes and permits  
    Unrestricted investment earnings  
    Other unrestricted revenue

  Transfers

    TOTAL GENERAL REVENUES AND TRANSFERS  
    CHANGE IN NET ASSETS

Net assets - Beginning

NET ASSETS - ENDING

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
\$ (993 520)	\$ -	\$ (993 520)	\$ -
(1 948 550)	-	(1 948 550)	-
(813 129)	-	(813 129)	-
(995 558)	-	(995 558)	-
190 159	-	190 159	-
(167 304)	-	(167 304)	-
(325 263)	-	(325 263)	-
(310 825)	-	(310 825)	-
<u>(5 363 990)</u>	<u>-</u>	<u>(5 363 990)</u>	<u>-</u>
<u>-</u>	<u>423 233</u>	<u>423 233</u>	<u>-</u>
<u>-</u>	<u>423 233</u>	<u>423 233</u>	<u>-</u>
<u>(5 363 990)</u>	<u>423 233</u>	<u>(4 940 757)</u>	<u>-</u>
-	-	-	(241 156)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(588 206)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(829 362)</u>
1 131 976	-	1 131 976	-
3 103 557	-	3 103 557	1 278 504
19 914	5 222	25 136	21 327
261 600	-	261 600	61 347
574 930	(393 591)	181 339	(181 339)
<u>5 091 977</u>	<u>(388 369)</u>	<u>4 703 608</u>	<u>1 179 839</u>
<u>(272 013)</u>	<u>34 864</u>	<u>(237 149)</u>	<u>350 477</u>
<u>12 966 297</u>	<u>12 864 852</u>	<u>25 831 149</u>	<u>2 077 936</u>
\$ <u>12 694 284</u>	\$ <u>12 899 716</u>	\$ <u>25 594 000</u>	\$ <u>2 428 413</u>

CITY OF CENTER, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2012

	GENERAL	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 774 228	\$ 2 623 472	\$ 740 665	\$ 4 138 365
Receivables (Net of Uncollectibles):				
Taxes	181 088	-	-	181 088
Accounts	171 452	-	-	171 452
Court fines receivable	55 103	-	-	55 103
Governmental agencies	153 720	-	-	153 720
Sundry	163 975	-	109 000	272 975
Due from other funds	417 571	-	-	417 571
Prepaid expenses	10 313	-	-	10 313
Inventories	36 850	-	-	36 850
<b>TOTAL ASSETS</b>	<b>\$ 1 964 300</b>	<b>\$ 2 623 472</b>	<b>\$ 849 665</b>	<b>\$ 5 437 437</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 216 203	\$ 13 151	\$ 1 616	\$ 230 970
Accrued liabilities	73 026	-	-	73 026
Due to other funds	-	-	367 571	367 571
Deferred revenue	292 171	-	109 000	401 171
<b>TOTAL LIABILITIES</b>	<b>581 400</b>	<b>13 151</b>	<b>478 187</b>	<b>1 072 738</b>
Fund Balances:				
Nonspendable:	47 163	-	-	47 163
Restricted For:				
Debt service	-	-	144 674	144 674
Grants	-	-	91 072	91 072
Capital Projects	-	2 610 321	-	2 610 321
Other purposes	-	-	135 732	135 732
Unassigned:				
General fund	1 335 737	-	-	1 335 737
<b>TOTAL FUND BALANCES</b>	<b>1 382 900</b>	<b>2 610 321</b>	<b>371 478</b>	<b>\$ 4 364 699</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1 964 300</b>	<b>\$ 2 623 472</b>	<b>\$ 849 665</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.	16 543 159
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	401 171
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(8 614 745)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 12 694 284</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  
For the Year Ended September 30, 2012

	GENERAL	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 606 703	\$ -	\$ 570 260	\$ 1 176 963
Other local taxes and permits	2 591 817	-	511 740	3 103 557
Fines and fees	233 917	-	10 363	244 280
Charges for services	1 689 559	-	-	1 689 559
Contributions and grants	91 805	-	524 298	616 103
Miscellaneous	186 573	-	75 027	261 600
TOTAL REVENUES	5 400 374	-	1 691 688	7 092 062
Expenditures:				
General government	1 108 957	-	-	1 108 957
Public safety	2 326 691	-	9 471	2 336 162
Community services	693 716	-	329 879	1 023 595
Streets and drainage	499 477	-	684 622	1 184 099
Sanitation	1 112 747	-	-	1 112 747
Inspections	167 304	-	-	167 304
Capital expenditures	-	1 242 993	-	1 242 993
Debt Service:				
Principal	-	-	1 721 595	1 721 595
Interest and fiscal charges	-	-	496 237	496 237
TOTAL EXPENDITURES	5 908 892	1 242 993	3 241 804	10 393 689
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(508 518)	(1 242 993)	(1 550 116)	(3 301 627)
Other Financing Sources (Uses):				
Debt proceeds	-	4 000 000	1 418 057	5 418 057
Interest income	-	19 914	-	19 914
Transfers in	456 306	-	555 568	1 011 874
Transfers (out)	(15 314)	(166 600)	(255 030)	(436 944)
TOTAL OTHER FINANCING SOURCES (USES)	440 992	3 853 314	1 718 595	6 012 901
NET CHANGE IN FUND BALANCES	(67 526)	2 610 321	168 479	2 711 274
Fund balances at beginning of year	1 450 426	-	202 999	1 653 425
FUND BALANCES AT END OF YEAR	\$ 1 382 900	\$ 2 610 321	\$ 371 478	\$ 4 364 699

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, 2012

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

Net change in fund balances - Total governmental funds	\$ 2 711 274
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.	898 013
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(44 987)
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>(3 836 313)</u>
 CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	 \$ <u><u>(272 013)</u></u>

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

CITY OF CENTER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2012

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 365 876
Receivables (Net):	
Accounts	382 913
Sundry	8 799
Due from component unit	1 000
Inventories	85 569
TOTAL CURRENT ASSETS	844 157
Noncurrent Assets:	
Restricted cash	2 398 061
Deferred charges	87 079
Capital Assets:	
Land	592 783
Utility systems	26 605 346
Equipment	2 987 648
Construction in progress	88 079
Less accumulated depreciation	(16 782 256)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	13 491 600
TOTAL NONCURRENT ASSETS	15 976 740
TOTAL ASSETS	16 820 897
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	123 432
Accrued expense	15 667
Due to other funds	50 000
Debt payable - Current	478 982
Accrued interest payable	9 760
Customer deposits payable	139 987
TOTAL CURRENT LIABILITIES	817 828
Noncurrent Liabilities:	
Compensated absences	30 798
Long term debt payable	3 072 555
TOTAL NONCURRENT LIABILITIES	3 103 353
TOTAL LIABILITIES	3 921 181
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	9 940 063
Unrestricted	2 959 653
TOTAL NET ASSETS	\$ 12 899 716

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, 2012

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
Operating Revenues:	
Charges for service	\$ 3 027 788
Taps and connections	11 945
Miscellaneous	332 243
TOTAL OPERATING REVENUES	3 371 976
Operating Expenses:	
Nondepartmental	46 764
Public works	157 658
Water production	1 218 620
Water distribution	261 710
Sewer collection	262 474
Sewer treatment	459 784
Depreciation	730 630
TOTAL OPERATING EXPENSES	3 137 640
OPERATING INCOME	234 336
Nonoperating Revenues (Expenses):	
Income from investments	5 222
Interest and fiscal fees	(48 103)
Interest and fiscal fees	237 000
TOTAL NONOPERATING REVENUES (EXPENSES)	194 119
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	428 455
Operating transfers in (out)	(393 591)
TOTAL NET OPERATING TRANSFERS	(393 591)
CHANGE IN NET ASSETS	34 864
Beginning net assets	12 864 852
NET ASSETS, END OF YEAR	\$ 12 899 716

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, 2012

	BUSINESS-TYPE ACTIVITIES
	WATER AND SEWER FUND
Cash Flows from Operating Activities:	
Received from customers	\$ 3 340 629
Payments to suppliers	(1 395 167)
Payments to employees	(1 023 899)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	921 563
Cash Flows from Noncapital Financing Activities:	
Operating transfers in (out)	2 943 409
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	2 943 409
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(1 761 210)
Interest paid on debt	(48 103)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1 809 313)
Cash Flows from Investing Activities:	
Interest on investments	5 222
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5 222
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2 060 881
Cash at beginning of year	703 056
CASH AT END OF YEAR	\$ 2 763 937
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 234 336
Adjustments:	
Depreciation	730 630
Changes in:	
Accounts receivable	55 681
Inventory	3 997
Deferred charges	(80 825)
Accounts payable	(9 366)
Accrued expense	(4 147)
Accrued compensated absences	1 457
Customer deposits	(10 200)
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 921 563

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

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

The government reports the following governmental funds:

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

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

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

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

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The government reports the following proprietary funds:

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

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

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

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

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

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

D. Assets, Liabilities, and Net 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.

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City's investment policies are governed by state statutes and city ordinances. Permissible investments include direct obligations of the U. S. Government, certificates of deposit and savings accounts. Collateral is required for demand deposits and certificates of deposits of all amounts not covered by federal deposit insurance.

The Center Economic Development Corporation and the Center Street Improvements for Economic Development are authorized by their governing board to invest in obligations of the U. S. Government, certificates of deposit and savings accounts.

Investments for the government, as well as for its component units, are reported at fair value. Collateral is required for demand deposits and certificates of deposits of all amounts not covered by federal deposit insurance.

2. Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of the allowance for uncollectibles. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property taxes are levied on October 1, attach as an enforceable lien on property on January 1, and become delinquent on June 30 of every fiscal year.

3. Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first out (FIFO) method. 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.

5. Capital Assets:

All purchased capital assets are valued at cost where historical records are available and estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received or placed into service. Assets contributed by the general government to proprietary funds are valued at the lesser of their fair market value at the date of the transfer or original cost.

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

For implementation of GASB 34 requirements for capital assets the City established the following categories and thresholds:

Land/land improvement	Any Amount
Buildings/building improvements	\$ 25 000
Facilities and other improvements	\$ 25 000
Infrastructure	\$ 25 000
Personal property	\$ 5 000
Leasehold improvements	\$ 25 000

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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.

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.

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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:

During the year ended September 30, 2012, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

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

9. Use of Estimates:

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

10. Subsequent Events:

Management has evaluated subsequent events through June 10, 2013, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

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).

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, 2012 are classified in the accompanying financial statements as follows:

Primary Government:	
Unrestricted cash and investments	\$ 4 504 246
Restricted cash and investments	2 398 061
Component Units:	
Cash and investments	944 514
TOTAL CASH AND INVESTMENTS	\$ 7 846 821

Cash and investments as of September 30, 2012, consists of the following:

Primary Government:	
Cash on hand	\$ 5 320
Deposits with financial institutions	6 187 590
Investments in LOGIC	709 397
Component Units:	
Deposits with financial institutions	629 676
Investments in LOGIC	314 838
TOTAL CASH AND INVESTMENTS	\$ 7 846 821

At September 30, 2012, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$1,576,313 and \$1,253,207, respectively. Deposits were with the contracted depository bank, Farmers State Bank, in a combination of interest and non-interest bearing accounts and interest bearing Certificates of Deposits. The deposits were fully secured at the balance sheet date by federal depository coverage and by pledged U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of deposits.

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments - The State Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires the City to adopt, implement, and publicize an investment policy. The investment policy must address requirements outlined by the Act. Management of the City believes it is in compliance with those requirements and local policies. The City's temporary investments consist of balances held by the Local Government Investment Cooperative (LOGIC). LOGIC is an AAA rated investment pool administered by First Southwest Asset Management, Inc and JP Morgan Chase.

As of September 30, 2012, the City had the following investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 709 397	57
Component units - LOGIC	314 838	57
	\$ 1 024 235	

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.

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:

	GENERAL FUND	WATER AND SEWER FUND	TOTAL
Receivables:			
Taxes	\$ 181 088	\$ -	\$ 181 088
Accounts	171 452	445 131	616 583
Fines	84 774	-	84 774
Other	163 975	7 799	171 774
Due from other governments	153 720	-	153 720
Due from component unit	-	1 000	1 000
	755 009	453 930	1 208 939
Less allowance for uncollectibles	(29 671)	(62 218)	(91 889)
NET TOTAL RECEIVABLES	\$ 725 338	\$ 391 712	\$ 1 117 050

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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, 2012 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2012.

	<u>LOANS RECEIVABLE</u>	<u>LOANS PAYABLE</u>
Balance at October 1, 2011	\$ 399 000	\$ 399 000
Loan payments received	(44 365)	-
Loans paid	-	(44 365)
Balance at September 30, 2012	<u>\$ 354 635</u>	<u>\$ 354 635</u>

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 183 333
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	171 302
TOTAL	<u>\$ 354 635</u>

Future requirements are as follows:

<u>YEAR</u>	<u>PAYABLE/ RECEIVABLE</u>
2013	\$ 42 876
2014	42 876
2015	42 876
2016	42 876
2017	42 876
2018 - 2021	140 255
	<u>\$ 354 635</u>



CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 208 589	\$ 1 088 116	\$ (261 671)	\$ 1 035 034
Land	-	11 233	-	11 233
TOTAL ASSETS NOT BEING DEPRECIATED	<u>208 589</u>	<u>1 099 349</u>	<u>(261 671)</u>	<u>1 046 267</u>
Capital Assets, Being Depreciated:				
Buildings	7 946 656	24 671	-	7 971 327
Improvements other than buildings	1 639 737	56 085	-	1 695 822
Vehicles and equipment	1 534 117	680 446	-	2 214 563
Infrastructure	8 533 263	131 281	-	8 664 544
TOTAL ASSETS BEING DEPRECIATED	<u>19 653 773</u>	<u>892 483</u>	<u>-</u>	<u>20 546 256</u>
Less Accumulated Depreciation For:				
Buildings	892 018	200 673	-	1 092 691
Improvements other than buildings	565 420	66 556	-	631 976
Vehicles and equipment	856 748	173 114	-	1 029 862
Infrastructure	1 903 030	391 805	-	2 294 835
TOTAL ACCUMULATED DEPRECIATION	<u>4 217 216</u>	<u>832 148</u>	<u>-</u>	<u>5 049 364</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>15 436 557</u>	<u>60 335</u>	<u>-</u>	<u>15 496 892</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 15 645 146</u>	<u>\$ 1 159 684</u>	<u>\$ (261 671)</u>	<u>\$ 16 543 159</u>
	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 592 783	\$ -	\$ -	\$ 592 783
Construction in progress	642 606	61 154	(615 681)	88 079
TOTAL ASSETS NOT BEING DEPRECIATED	<u>1 235 389</u>	<u>61 154</u>	<u>(615 681)</u>	<u>680 862</u>
Capital Assets, Being Depreciated:				
Buildings and systems	25 989 664	615 682	-	26 605 346
Vehicles and equipment	2 621 815	365 833	-	2 987 648
TOTAL ASSETS BEING DEPRECIATED	<u>28 611 479</u>	<u>981 515</u>	<u>-</u>	<u>29 592 994</u>
Less Accumulated Depreciation For:				
Buildings and systems	13 950 643	638 605	-	14 589 248
Vehicles and equipment	2 100 983	92 025	-	2 193 008
TOTAL ACCUMULATED DEPRECIATION	<u>16 051 626</u>	<u>730 630</u>	<u>-</u>	<u>16 782 256</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>12 559 853</u>	<u>250 885</u>	<u>-</u>	<u>12 810 738</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 13 795 242</u>	<u>\$ 312 039</u>	<u>\$ (615 681)</u>	<u>\$ 13 491 600</u>

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

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	\$ 13 488
Public safety	156 787
Community services	333 189
Sanitation	1 672
Street and drainage	<u>327 012</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 832 148</u>
Business-Type Activities:	
Water	\$ 491 975
Sewer	<u>238 655</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 730 630</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, 2012:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 4 340 000	\$ 5 400 000	\$ 1 625 000	\$ 8 115 000	\$ 385 000
Note payable	409 427	-	35 715	373 712	36 784
Compensated absences	<u>83 448</u>	<u>9 912</u>	<u>-</u>	<u>93 360</u>	<u>-</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 4 832 875</u>	<u>\$ 5 409 912</u>	<u>\$ 1 660 715</u>	<u>\$ 8 582 072</u>	<u>\$ 421 784</u>
Business-Type Activities:					
General obligation bonds	\$ 1 610 000	\$ 2 751 000	\$ 2 024 000	\$ 3 337 000	\$ 429 000
Notes payable	262 596	-	48 059	214 537	49 982
Compensated absences	<u>32 255</u>	<u>-</u>	<u>1 456</u>	<u>30 799</u>	<u>-</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 1 904 851</u>	<u>\$ 2 751 000</u>	<u>\$ 2 073 515</u>	<u>\$ 3 582 336</u>	<u>\$ 478 982</u>

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Bonds payable at September 30, 2012 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 - REFUNDED	\$	-
\$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)		1 725 000
\$2,455,000, 2005 General Obligation Refunding Bonds due in annual installments of \$130,000 to \$265,000 through February 2019; interest at 3.0 to 4.2 percent) - REFUNDED		-
\$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)		1 110 000
\$1,290,000, 2011 General Obligation Refunding Bond, due in annual installments of \$25,000 to \$190,000 through August 15, 2019 interest at 2.0 to 3.0 percent (Liability recorded in governmental activities)		1 265 000
\$3,941,314, 2011 Combination Tax and Revenue Certificate of Obligation, due in annual installments of \$95,000 to \$505,000 through August 15, 2030, interest at 2.0 to 4.0 percent (Liability recorded in governmental activities)		3 846 314
\$168 686, 2011 Combination Tax and Revenue Capital Appreciation Bonds, due in annual installments of \$116,448 to \$104,978 through August 15, 2023, interest at 3.10 to 3.50 percent (Liability recorded in governmental activities)		168 686
\$2,070,000, 2012 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$10,000 to \$125,000 through August 15, 2035, interest at 0.0 to 3.05 percent (Liability recorded in business-type activities)		2 070 000
\$1,681,000, 2012 Tax and Wastewater and Sanitary Sewer Revenue Refunding Bonds, due in annual installments of \$412,000 to \$429,000 through August 15, 2015, interest at 1.56 percent (Liability recorded in business-type activities)		1 267 000
	\$	<u>11 452 000</u>

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

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 385 000	\$ 288 085	\$ 429 000	\$ 60 495
2014	405 000	275 685	436 000	53 803
2015	430 000	262 979	442 000	47 157
2016	445 000	248 748	90 000	40 730
2017	460 000	230 707	90 000	40 685
Thereafter	5 990 000	1 497 935	1 850 000	461 574
TOTAL	\$ 8 115 000	\$ 2 804 139	\$ 3 337 000	\$ 704 444

The refunding of bonds with the issue of the \$1,290,000, 2011 General Obligation Refunding Bond during the year resulted in a reduction of debt service payments of \$34,428, and an economic gain of \$34,265. The refunding of bonds with the issue of the \$1,681,000, 2012 Tax and Wastewater and Sanitary Sewer Refunding Bond during the year resulted in a reduction of debt service payments of \$34,603, and an economic gain of \$34,204. The proceeds from both refunding issues were placed in escrow accounts with a trustee and removed from the liabilities of the City.

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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%	\$ <u>214 537</u>
\$450,000 loan from the City of Center Economic Development Corporation to be paid in 10 annual installments, with an interest rate of 3%	\$ <u><u>373 712</u></u>

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 36 784	\$ 11 211	\$ 49 982	\$ 8 582
2014	37 891	10 108	51 981	6 582
2015	39 026	8 971	54 060	4 503
2016	40 197	7 800	56 223	2 341
2017	41 403	6 594	2 291	92
Thereafter	178 411	13 579	-	-
TOTAL	\$ <u>373 712</u>	\$ <u>58 263</u>	\$ <u>214 537</u>	\$ <u>22 100</u>

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

NOTE 4 - OTHER INFORMATION

A. Component Units Condensed Statements

Condensed Statement of Net Assets

	CITY OF CENTER ECONOMIC DEVELOPMENT CORPORATION	CITY OF CENTER STREET IMPROVEMENTS FOR ECONOMIC DEVELOPMENT CORPORATION	TOTAL COMPONENT UNITS
<b>Assets:</b>			
Cash, investments and other assets	\$ 872 679	\$ 545 929	\$ 1 418 608
Capital assets	1 010 805	-	1 010 805
TOTAL ASSETS	1 883 484	545 929	2 429 413
<b>Liabilities:</b>			
Accounts payable and other current liabilities	-	1 000	1 000
TOTAL LIABILITIES	-	1 000	1 000
<b>Net Assets:</b>			
Capital Assets, net of related debt	1 010 805	-	1 010 805
Unrestricted	872 679	544 929	1 417 608
TOTAL NET ASSETS	\$ <u>1 883 484</u>	\$ <u>544 929</u>	\$ <u>2 428 413</u>

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

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	\$ 172 454	\$ -	\$ -	\$ -	\$ (172 454)	\$ -	\$ (172 454)
Other operating expenses	68 702	-	-	-	(68 702)	-	(68 702)
TOTAL	<u>241 156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241 156)</u>	<u>-</u>	<u>(241 156)</u>
Center Street Improvements for Economic Development Corporation:							
Projects	557 330	-	-	-	-	(557 330)	(557 330)
Other operating expenses	13 764	-	-	-	-	(13 764)	(13 764)
Interest and fees on long-term debt	17 112	-	-	-	-	(17 112)	(17 112)
TOTAL	<u>588 206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(588 206)</u>	<u>(588 206)</u>
TOTAL COMPONENT UNITS	<u>\$ 829 362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(241 156)</u>	<u>(588 206)</u>	<u>(829 362)</u>
		General Revenues:					
					426 168	852 336	1 278 504
					17 874	3 453	21 327
					61 347	-	61 347
					(66 276)	(115 063)	(181 339)
					<u>439 113</u>	<u>740 726</u>	<u>1 179 839</u>
					197 957	152 520	350 477
					1 685 527	392 409	2 077 936
					<u>\$ 1 883 484</u>	<u>\$ 544 929</u>	<u>\$ 2 428 413</u>

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

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 2012
Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Contributions

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

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

NOTE 4 - OTHER INFORMATION - CONTINUED

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

Actuarial Valuation Information:

Valuation Date	12/31/2009	12/31/2010 - Restructured	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.0 years; closed period	27.1 years; closed period	26.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.5%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.00% 2.1%	3.00% 2.1%	3.00% 2.1%

Funded Status and Funding Progress - In June 2012, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2012 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

FISCAL YEAR ENDING	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
09/30/2010	\$ 284 432	100%	\$ -
09/30/2011	\$ 467 253	100%	\$ -
09/30/2012	\$ 470 980	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)
12/31/2009	\$ 3 404 371	\$ 6 198 435	54.9%	\$ 2 794 064	\$ 2 448 820	114.9%
12/31/2010	\$ 5 960 618	\$ 8 789 747	67.8%	\$ 2 829 129	\$ 2 665 178	106.2%
12/31/2011	\$ 6 696 107	\$ 9 464 647	70.7%	\$ 2 768 540	\$ 2 805 119	98.7%

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2012

NOTE 4 - OTHER INFORMATION - CONTINUED

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

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

	PLAN YEAR 2011	PLAN YEAR 2012
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
2009	0.05%	0.05%	100.0%
2010	0.05%	0.05%	100.0%
2011	0.06%	0.06%	100.0%
2012	0.06%	0.06%	100.0%

C. Risk Management

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



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, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 502 500	\$ 560 000	\$ 524 164	\$ (35 836)
Delinquent taxes	30 000	30 000	55 989	25 989
Penalties, interest and cost	17 500	17 500	26 550	9 050
TOTAL GENERAL PROPERTY TAXES	<u>550 000</u>	<u>607 500</u>	<u>606 703</u>	<u>(797)</u>
Other Local Taxes and Permits:				
City sales taxes	2 312 800	2 187 800	2 132 186	(55 614)
Franchise taxes	492 000	492 000	432 522	(59 478)
Mixed drink taxes	4 000	4 000	3 135	(865)
License and permit fees	47 500	27 500	23 974	(3 526)
TOTAL OTHER LOCAL TAXES AND PERMITS	<u>2 856 300</u>	<u>2 711 300</u>	<u>2 591 817</u>	<u>(119 483)</u>
Fines and Fees:				
Municipal court fines	185 000	185 000	197 957	12 957
Court cost fees	36 000	36 000	34 412	(1 588)
Miscellaneous	3 200	3 200	1 548	(1 652)
TOTAL FINES AND FEES	<u>224 200</u>	<u>224 200</u>	<u>233 917</u>	<u>9 717</u>
Charges For Service:				
Solid waste	1 267 500	1 267 500	1 286 253	18 753
Administration	52 500	52 500	65 850	13 350
Airport fuel	162 500	212 500	230 598	18 098
Airport hangar lease	25 000	25 000	28 172	3 172
Recreation fees	1 000	1 000	1 000	-
Building rental	79 250	79 250	77 686	(1 564)
TOTAL CHARGES FOR SERVICES	<u>1 587 750</u>	<u>1 637 750</u>	<u>1 689 559</u>	<u>51 809</u>
Contributions and Grants:				
Grant proceeds	41 700	64 000	63 899	(101)
Donations	5 000	25 000	27 906	2 906
TOTAL CONTRIBUTIONS AND GRANTS	<u>46 700</u>	<u>89 000</u>	<u>91 805</u>	<u>2 805</u>
Miscellaneous Revenue:				
Interest income	15 500	15 500	7 260	(8 240)
Miscellaneous receipts	25 900	25 900	179 313	153 413
TOTAL MISCELLANEOUS REVENUE	<u>41 400</u>	<u>41 400</u>	<u>186 573</u>	<u>145 173</u>
TOTAL REVENUES	<u>5 306 350</u>	<u>5 311 150</u>	<u>5 400 374</u>	<u>89 224</u>

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - CONTINUED  
Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Expenditures:				
General Government:				
City Hall:				
Payroll	692 250	692 250	693 086	(836)
Supplies	14 450	14 450	12 753	1 697
Contractual services	19 800	19 800	21 774	(1 974)
Utilities	15 400	15 400	17 563	(2 163)
Sundry charges	16 850	16 850	17 648	(798)
Maintenance	10 800	10 800	1 912	8 888
Capital outlay	25 000	25 000	10 934	14 066
TOTAL CITY HALL	<u>794 550</u>	<u>794 550</u>	<u>775 670</u>	<u>18 880</u>
Nondepartmental:				
Payroll	8 400	8 400	8 457	(57)
Supplies	5 800	5 800	2 332	3 468
Contractual services	146 200	171 200	184 353	(13 153)
Sundry charges	79 850	118 850	122 071	(3 221)
Capital outlay	45 000	70 000	16 074	53 926
TOTAL NONDEPARTMENTAL	<u>285 250</u>	<u>374 250</u>	<u>333 287</u>	<u>40 963</u>
TOTAL GENERAL GOVERNMENT	<u>1 079 800</u>	<u>1 168 800</u>	<u>1 108 957</u>	<u>59 843</u>
Public Safety:				
Police Department:				
Payroll	1 552 400	1 552 400	1 550 932	1 468
Supplies	36 550	36 550	37 499	(949)
Contractual services	19 900	31 900	31 502	398
Utilities	27 300	27 300	30 845	(3 545)
Sundry charges	17 500	17 500	18 128	(628)
Maintenance	77 500	85 000	94 565	(9 565)
Capital outlay	88 000	88 000	89 102	(1 102)
TOTAL POLICE DEPARTMENT	<u>1 819 150</u>	<u>1 838 650</u>	<u>1 852 573</u>	<u>(13 923)</u>
Fire Department:				
Payroll	347 850	347 850	363 786	(15 936)
Supplies	9 400	9 400	5 168	4 232
Contractual services	12 300	12 300	27 764	(15 464)
Utilities	11 050	11 050	10 070	980
Sundry charges	14 300	14 300	6 609	7 691
Maintenance	27 600	27 600	25 955	1 645
Capital outlay	40 200	40 200	17 266	22 934
TOTAL FIRE DEPARTMENT	<u>462 700</u>	<u>462 700</u>	<u>456 618</u>	<u>6 082</u>
Animal Control Department:				
Supplies	1 200	1 200	2 714	(1 514)
Contractual services	10 000	10 000	11 059	(1 059)
Utilities	100	100	146	(46)
Sundry charges	2 000	2 000	2 590	(590)
Maintenance	1 800	1 800	-	1 800
Capital outlay	1 000	1 000	991	9
TOTAL ANIMAL CONTROL DEPARTMENT	<u>16 100</u>	<u>16 100</u>	<u>17 500</u>	<u>(1 400)</u>
TOTAL PUBLIC SAFETY	<u>2 297 950</u>	<u>2 317 450</u>	<u>2 326 691</u>	<u>(9 241)</u>

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - CONTINUED  
Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Community Services:				
Airport Department:				
Payroll	45 500	45 500	45 762	(262)
Supplies	1 850	1 850	1 306	544
Contractual services	3 250	3 250	9 821	(6 571)
Utilities	7 850	7 850	9 936	(2 086)
Sundry charges	119 600	159 600	185 560	(25 960)
Maintenance	11 600	11 600	5 140	6 460
Capital outlay	1 000	1 000	-	1 000
TOTAL AIRPORT DEPARTMENT	<u>190 650</u>	<u>230 650</u>	<u>257 525</u>	<u>(26 875)</u>
Cemetery Department:				
Supplies	600	600	-	600
Contractual services	33 000	37 700	37 150	550
Maintenance	-	-	657	(657)
TOTAL CEMETERY DEPARTMENT	<u>33 600</u>	<u>38 300</u>	<u>37 807</u>	<u>493</u>
Parks Department:				
Payroll	38 650	38 650	39 179	(529)
Supplies	2 950	2 950	2 741	209
Contractual services	48 600	48 600	40 043	8 557
Utilities	10 000	10 000	11 141	(1 141)
Maintenance	6 000	6 000	10 222	(4 222)
Capital outlay	42 500	25 000	28 320	(3 320)
TOTAL PARKS DEPARTMENT	<u>148 700</u>	<u>131 200</u>	<u>131 646</u>	<u>(446)</u>
Civic Center Department:				
Payroll	98 150	105 650	107 036	(1 386)
Supplies	5 650	5 650	9 090	(3 440)
Contractual services	11 750	11 750	13 883	(2 133)
Utilities	22 250	22 250	19 465	2 785
Sundry charges	2 100	2 100	2 940	(840)
Maintenance	6 500	6 500	10 079	(3 579)
Capital outlay	20 750	20 750	18 450	2 300
TOTAL CIVIC CENTER DEPARTMENT	<u>167 150</u>	<u>174 650</u>	<u>180 943</u>	<u>(6 293)</u>
Community Facilities Department:				
Supplies	-	-	567	(567)
Contractual services	61 300	61 300	60 883	417
Utilities	9 100	9 100	8 955	145
Sundry charges	5 200	5 200	-	5 200
Maintenance	4 500	4 500	3 189	1 311
Capital outlay	-	11 300	12 201	(901)
TOTAL COMMUNITY FACILITIES DEPARTMENT	<u>80 100</u>	<u>91 400</u>	<u>85 795</u>	<u>5 605</u>
TOTAL COMMUNITY SERVICES	<u>620 200</u>	<u>666 200</u>	<u>693 716</u>	<u>(27 516)</u>

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - CONTINUED  
Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	199 300	199 300	185 988	13 312
Supplies	14 600	14 600	14 079	521
Contractual services	78 050	68 050	62 938	5 112
Utilities	70 500	70 500	71 942	(1 442)
Sundry charges	2 800	2 800	473	2 327
Maintenance	109 650	82 150	77 997	4 153
Capital outlay	6 000	6 000	86 060	(80 060)
TOTAL STREETS DEPARTMENT	<u>480 900</u>	<u>443 400</u>	<u>499 477</u>	<u>(56 077)</u>
TOTAL STREETS AND DRAINAGE	<u>480 900</u>	<u>443 400</u>	<u>499 477</u>	<u>(56 077)</u>
Sanitation:				
Sanitation Department:				
Contractual services	1 010 000	1 010 000	1 090 407	(80 407)
Sundry charges	10 000	10 000	6 673	3 327
Maintenance	2 750	2 750	5 369	(2 619)
Capital outlay	-	10 300	10 298	2
TOTAL SANITATION DEPARTMENT	<u>1 022 750</u>	<u>1 033 050</u>	<u>1 112 747</u>	<u>(79 697)</u>
TOTAL SANITATION	<u>1 022 750</u>	<u>1 033 050</u>	<u>1 112 747</u>	<u>(79 697)</u>
Inspection Services:				
Inspection Department:				
Payroll	170 500	153 000	148 642	4 358
Supplies	6 600	6 600	4 653	1 947
Contractual services	500	500	473	27
Utilities	6 500	6 500	4 770	1 730
Sundry charges	6 200	6 200	1 986	4 214
Maintenance	9 000	9 000	6 359	2 641
Capital outlay	4 000	4 000	421	3 579
TOTAL INSPECTION DEPARTMENT	<u>203 300</u>	<u>185 800</u>	<u>167 304</u>	<u>18 496</u>
TOTAL INSPECTION SERVICES	<u>203 300</u>	<u>185 800</u>	<u>167 304</u>	<u>18 496</u>
TOTAL EXPENDITURES	<u>5 704 900</u>	<u>5 814 700</u>	<u>5 908 892</u>	<u>(94 192)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(398 550)</u>	<u>(503 550)</u>	<u>(508 518)</u>	<u>(4 968)</u>
Other Financing Sources (Uses):				
Operating transfers in	390 000	495 000	440 992	(54 008)
TOTAL OTHER FINANCING SOURCES (USES)	<u>390 000</u>	<u>495 000</u>	<u>440 992</u>	<u>(54 008)</u>
CHANGE IN FUND BALANCE	(8 550)	(8 550)	(67 526)	(58 976)
Fund balance at beginning of year	1 450 426	1 450 426	1 450 426	-
FUND BALANCE AT END OF YEAR	<u>\$ 1 441 876</u>	<u>\$ 1 441 876</u>	<u>\$ 1 382 900</u>	<u>\$ (58 976)</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 Fund - Grant Repayment Funds - To account revenues and expenditures related to Texas Department of Agriculture loans.

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

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

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

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

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

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

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

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

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

### Debt Service Fund

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

### Permanent Fund

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

CITY OF CENTER, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2012

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND CEMETERY ENDOWMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 144 674	\$ 460 259	\$ 135 732	\$ 740 665
Other receivable	-	109 000	-	109 000
<b>TOTAL ASSETS</b>	<u>\$ 144 674</u>	<u>\$ 569 259</u>	<u>\$ 135 732</u>	<u>\$ 849 665</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 1 616	\$ -	\$ 1 616
Deferred revenue	-	109 000	-	109 000
Due to other funds	-	367 571	-	367 571
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>478 187</u>	<u>-</u>	<u>478 187</u>
 Fund Balances:				
Restricted for grants	-	91 072	-	91 072
Restricted for debt service	144 674	-	-	144 674
Other restrictions	-	-	135 732	135 732
<b>TOTAL FUND BALANCES</b>	<u>144 674</u>	<u>91 072</u>	<u>135 732</u>	<u>371 478</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 144 674</u>	<u>\$ 569 259</u>	<u>\$ 135 732</u>	<u>\$ 849 665</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 Ended September 30, 2012

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND CEMETERY ENDOWMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:				
Taxes	\$ 534 787	\$ 547 213	\$ -	\$ 1 082 000
Grants and contributions	-	524 286	12	524 298
Fines and fees	-	10 363	-	10 363
Other	11 722	62 293	1 012	75 027
<b>TOTAL REVENUES</b>	<b>546 509</b>	<b>1 144 155</b>	<b>1 024</b>	<b>1 691 688</b>
Expenditures:				
Public safety	-	9 471	-	9 471
Community services	-	329 879	-	329 879
Streets and drainage	-	684 622	-	684 622
Debt Service:				
Principal	1 721 595	-	-	1 721 595
Interest and fiscal charges	496 237	-	-	496 237
<b>TOTAL EXPENDITURES</b>	<b>2 217 832</b>	<b>1 023 972</b>	<b>-</b>	<b>3 241 804</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1 671 323)</b>	<b>120 183</b>	<b>1 024</b>	<b>(1 550 116)</b>
Other Financing Sources (Uses):				
Debt proceeds	1 418 057	-	-	1 418 057
Operating transfers in	258 091	297 477	-	555 568
Operating transfers (out)	-	(255 030)	-	(255 030)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1 676 148</b>	<b>42 447</b>	<b>-</b>	<b>1 718 595</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>4 825</b>	<b>162 630</b>	<b>1 024</b>	<b>168 479</b>
Fund balance, beginning of year	139 849	(71 558)	134 708	202 999
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 144 674</b>	<b>\$ 91 072</b>	<b>\$ 135 732</b>	<b>\$ 371 478</b>

See independent auditors' report.

CITY OF CENTER, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 September 30, 2012

		TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECH- NOLOGY FUND	COURT SECURITY FUND	POLICE DEPT. FORFEI- TURE FUND
<b>ASSETS</b>							
Cash and cash equivalents	\$	22	\$ 1 004	\$ 413 236	\$ 9 752	\$ 13 576	\$ 15 136
Other receivable		-	109 000	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>22</b>	<b>\$ 110 004</b>	<b>\$ 413 236</b>	<b>\$ 9 752</b>	<b>\$ 13 576</b>	<b>\$ 15 136</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities:</b>							
Accounts payable	\$	-	\$ -	\$ 1 616	\$ -	\$ -	\$ -
Deferred revenue		-	109 000	-	-	-	-
Due to other funds		-	214 084	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>-</b>	<b>323 084</b>	<b>1 616</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance:</b>							
Restricted		22	(213 080)	411 620	9 752	13 576	15 136
<b>TOTAL FUND</b>		<b>22</b>	<b>(213 080)</b>	<b>411 620</b>	<b>9 752</b>	<b>13 576</b>	<b>15 136</b>
<b>TOTAL LIABILITIES FUND BALANCE</b>	<b>\$</b>	<b>22</b>	<b>\$ 110 004</b>	<b>\$ 413 236</b>	<b>\$ 9 752</b>	<b>\$ 13 576</b>	<b>\$ 15 136</b>

See independent auditors' report.

AIRPORT CONST- RUCTION FUND	HOME GRANT	TEXAS CDBG GRANT	TAX INCREMENT FINANCING FUND	TXDOT STEP GRANT	INDUSTRIAL DEVELOP- MENT FUND	2011 TXCDBG STREET GRANT	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ 10	\$ -	\$ 10	\$ 10	\$ 7 493	\$ 10	\$ 460 259
-	-	-	-	-	-	-	109 000
<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 7 493</u>	<u>\$ 10</u>	<u>\$ 569 259</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1 616
-	-	-	-	-	-	-	109 000
-	130 952	-	12 525	-	-	10 010	367 571
<u>-</u>	<u>130 952</u>	<u>-</u>	<u>12 525</u>	<u>-</u>	<u>-</u>	<u>10 010</u>	<u>478 187</u>
-	(130 942)	-	(12 515)	10	7 493	(10 000)	91 072
<u>-</u>	<u>(130 942)</u>	<u>-</u>	<u>(12 515)</u>	<u>10</u>	<u>7 493</u>	<u>(10 000)</u>	<u>91 072</u>
<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 7 493</u>	<u>\$ 10</u>	<u>\$ 569 259</u>

CITY OF CENTER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended September 30, 2012

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECH- NOLOGY FUND	COURT SECURITY FUND	POLICE DEPT. FORFEI- TURE FUND
Revenues:						
Taxes	\$ -	\$ -	\$ 511 740	\$ -	\$ -	\$ -
Grants and contributions	-	41 000	2 000	-	-	-
Fines and fees	-	-	-	5 921	4 442	-
Other	44 365	13 771	2 668	62	27	1 383
<b>TOTAL REVENUES</b>	<u>44 365</u>	<u>54 771</u>	<u>516 408</u>	<u>5 983</u>	<u>4 469</u>	<u>1 383</u>
Expenditures:						
Public safety	-	-	-	4 430	580	4 461
Community services	42 875	89 757	74 071	-	-	-
Streets and drainage	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>42 875</u>	<u>89 757</u>	<u>74 071</u>	<u>4 430</u>	<u>580</u>	<u>4 461</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1 490</u>	<u>(34 986)</u>	<u>442 337</u>	<u>1 553</u>	<u>3 889</u>	<u>(3 078)</u>
Other Financing Sources (Uses):						
Operating transfers in	-	13 830	-	-	-	-
Operating transfers (out)	-	-	(255 000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>13 830</u>	<u>(255 000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>1 490</u>	<u>(21 156)</u>	<u>187 337</u>	<u>1 553</u>	<u>3 889</u>	<u>(3 078)</u>
Fund balance, beginning of year	<u>(1 468)</u>	<u>(191 924)</u>	<u>224 283</u>	<u>8 199</u>	<u>9 687</u>	<u>18 214</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 22</u>	<u>\$ (213 080)</u>	<u>\$ 411 620</u>	<u>\$ 9 752</u>	<u>\$ 13 576</u>	<u>\$ 15 136</u>

See independent auditors' report.

AIRPORT CONST- RUCTION FUND	HOME GRANT	TEXAS CDBG GRANT	TAX INCREMENT FINANCING FUND	TXDOT STEP GRANT	INDUSTRIAL DEVELOP- MENT FUND	2011 TXCDBG STREET GRANT	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ 35 473	\$ -	\$ -	\$ -	\$ 547 213
-	64 510	151 776	-	-	-	265 000	524 286
-	-	-	-	-	-	-	10 363
-	-	-	-	-	17	-	62 293
-	64 510	151 776	35 473	-	17	265 000	1 144 155
-	-	-	-	-	-	-	9 471
-	123 176	-	-	-	-	-	329 879
-	-	79 961	47 998	166 600	-	390 063	684 622
-	123 176	79 961	47 998	166 600	-	390 063	1 023 972
-	(58 666)	71 815	(12 525)	(166 600)	17	(125 063)	120 183
-	1 484	500	-	166 600	-	115 063	297 477
(30)	-	-	-	-	-	-	(255 030)
(30)	1 484	500	-	166 600	-	115 063	42 447
(30)	(57 182)	72 315	(12 525)	-	17	(10 000)	162 630
30	(73 760)	(72 315)	10	10	7 476	-	(71 558)
\$ -	\$ (130 942)	\$ -	\$ (12 515)	\$ 10	\$ 7 493	\$ (10 000)	\$ 91 072

CITY OF CENTER, TEXAS  
 SCHEDULE OF REVENUES  
 Year Ended September 30, 2012

	<u>WATER AND SEWER ENTERPRISE FUND</u>
Operating Revenues:	
Charges for Service:	
Water charges	\$ 2 280 211
Sewer charges	<u>747 577</u>
TOTAL	<u>3 027 788</u>
Taps and Connections:	
Water taps and connections	9 535
Sewer taps and connections	<u>2 410</u>
TOTAL	<u>11 945</u>
Miscellaneous Revenue:	
Administrative fees	5 925
Penalties	45 484
Reconnection fees	16 875
Miscellaneous receipts	<u>263 959</u>
TOTAL	<u>332 243</u>
TOTAL OPERATING REVENUES	\$ <u><u>3 371 976</u></u>
Nonoperating Revenues:	
Income from investments	\$ 5 222
Interest and fiscal fees	<u>237 000</u>
TOTAL NONOPERATING REVENUES	\$ <u><u>242 222</u></u>

See independent auditors' report.

CITY OF CENTER, TEXAS  
 SCHEDULE OF EXPENSES AND OPERATING TRANSFERS  
 Year Ended September 30, 2012

	WATER AND SEWER ENTERPRISE FUND
Operating Expenses:	
Nondepartmental:	
Payroll	\$ 201
Supplies	11 835
Contractual services	14 058
Sundry charges	20 670
TOTAL	46 764
Public Works:	
Payroll	136 161
Supplies	1 871
Contractual services	6 129
Utilities	10 237
Sundry charges	1 824
Maintenance	1 436
TOTAL	157 658
Water Production:	
Payroll	411 973
Supplies	273 683
Contractual services	87 931
Utilities	251 505
Sundry charges	16 366
Maintenance	122 542
Capital outlay	54 620
TOTAL	1 218 620
Water Distribution:	
Payroll	133 811
Supplies	2 927
Contractual services	2 079
Utilities	2 381
Sundry charges	880
Maintenance	85 629
Capital outlay	34 003
TOTAL	261 710
Sewer Collection:	
Payroll	139 840
Supplies	1 587
Contractual services	9 498
Utilities	18 742
Maintenance	31 460
Capital outlay	61 347
TOTAL	262 474

CITY OF CENTER, TEXAS  
 SCHEDULE OF EXPENSES AND OPERATING TRANSFERS- CONTINUED  
 Year Ended September 30, 2012

	WATER AND SEWER ENTERPRISE FUND
Sewer Treatment:	
Payroll	199 223
Supplies	35 369
Contractual services	71 373
Utilities	61 136
Sundry charges	17 432
Maintenance	70 616
Capital outlay	4 635
TOTAL	459 784
Depreciation:	
Depreciation	730 630
TOTAL OPERATING EXPENSES	\$ 3 137 640
Nonoperating Expenses:	
Interest and fiscal fees	\$ 48 103
TOTAL NONOPERATING EXPENSES	\$ 48 103

See independent auditors' report.



STATISTICAL SECTION

CITY OF CENTER, TEXAS  
INSURANCE COVERAGE  
September 30, 2012  
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/11 to 10/01/12	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/11 to 10/01/12	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/11 to 10/01/12	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/11 to 10/01/12	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/11 to 10/01/12	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/11 to 10/01/12	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/11 to 10/01/12	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/11 to 10/01/12	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/11 to 10/01/12	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/11 to 10/01/12	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/11 to 10/01/12	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/11 to 10/01/12	\$ 1 000 000

\* Renewed at 10/01/2012

See independent auditors' report.

CITY OF CENTER, TEXAS  
WATER AND SEWER RATES AND SYSTEM CONNECTIONS  
September 30, 2012  
"UNAUDITED"

The following schedule of rates was in effect for year ended September 30, 2012:

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 \$9.00 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, 2012, the records of the City indicated the following system connections:

Water System	2 487
Sewer System	2 070

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, 2012, which collectively comprise the City of Center's basic financial statements, and have issued our report thereon dated June 10, 2013. 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.

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.

*Axley & Rode LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
June 10, 2013



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, 2012. 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, 2012.

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  
June 10, 2013

  
CERTIFIED PUBLIC ACCOUNTANTS



CITY OF CENTER, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended September 30, 2012

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:

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

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

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF CENTER, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2012

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, 2012

None required for the current year.

CITY OF CENTER, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
<hr/>			
U.S. Department of Environmental Protection Agency:			
Clean water state revolving fund	66.458	73623	\$ 37 599
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<hr/> 37 599 <hr/>
U.S. Department of Housing and Urban Development:			
Passed Through Texas Department of Rural Community Affairs:			
Community Development Block Grant	14.228	DRS010023	151 776
Home Investment Partnership	14.239	1001010	64 510
Passed Through Texas Department of Agriculture:			
Community Development Block Grant	14.228	711109	265 000
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<hr/> 481 286 <hr/>
U.S. Department of Justice:			
Community Policing Grant	16.710	N/A	53 774
TOTAL U.S. DEPARTMENT OF JUSTICE			<hr/> 53 774 <hr/>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <hr/> 572 659 <hr/>

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, 2012

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.