

OFFICIAL STATEMENT
Dated: April 14, 2021

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Bonds and (2) will not be included in computing the federal alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" herein.)

The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

CITY OF CENTER, TEXAS
(Shelby County)
\$3,080,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

Dated Date: April 15, 2021

Due: February 15, as shown on the inside cover page

The City of Center, Texas (the "City") General Obligation Refunding Bonds, Series 2021 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas, particularly Chapter 1207, as amended, Texas Government Code, as amended, and an ordinance (the "Bond Ordinance") adopted by the City Council on March 22, 2021. In the Bond Ordinance, the City Council delegated authority to certain City officials (each, a "Designated Financial Officer") the authority to execute a pricing certificate (the "Pricing Certificate") to establish the final terms and effectuate the sale of the Bonds, which terms are evidenced in the Pricing Certificate (the Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance"). The Pricing Certificate was executed by the Designated Financial Officer of the City on April 14, 2021, which completed the sale of the Bonds. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds constitute direct obligations of the City payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law. (See "The BONDS – Security for Payment" herein.)

Interest on the Bonds will accrue from April 15, 2021 (the "Dated Date") as shown above and will be payable on February 15 and August 15 of each year, commencing August 15, 2021 until stated maturity, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used primarily for (i) refund certain of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), (ii) and to pay the costs of issuing the Bonds. (See "THE BONDS – Use of Proceeds" herein.)

The Bonds are not subject to redemption prior to stated maturity.

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or will accompany the Bonds. It is expected that the Bonds will be available for delivery through DTC on or about May 18, 2021.

\$3,080,000
CITY OF CENTER, TEXAS
(A POLITICAL SUBDIVISION OF THE STATE OF TEXAS LOCATED IN SHELBY COUNTY, TEXAS)
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2021

MATURITY SCHEDULE
Base CUSIP No.: 151717⁽¹⁾

<u>Maturity</u> <u>(2/15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <u>Suffix ⁽¹⁾</u>
2022	\$15,000	2.00%	0.20%	QQ1
2023	15,000	2.00	0.25	QR9
2024	415,000	2.00	0.35	QS7
2025	420,000	1.75	0.45	QT5
2026	425,000	1.50	0.60	QU2
2027	440,000	2.00	0.75	QV0
2028	440,000	2.00	0.90	QW8
2029	450,000	2.00	1.05	QX6
2030	460,000	2.00	1.15	QY4

(Interest to accrue from the Dated Date)

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF CENTER, TEXAS

ELECTED OFFICIALS

<u>City Council</u>	<u>Year Initially Elected</u>	<u>Next Term Expires</u>	<u>Occupation</u>
David Chadwick, Mayor	1980	2022	Banker
Leigh Porterfield, Mayor Pro-Tem	2011	2023	Service Director
Dr. Randy Collard, Member	2018	2023	Optometrist
Howell Howard, Member	2012	2022	Poultry Farm Supply Owner
Joyce Johnson, Member	2011	2022	Retired
Jerry Lathan, Member	2013	2023	Retired
Terry Scull, Member	2017	2022	Business Owner

APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service with the City</u>
Chad Nehring	City Manager	20 Years
Brianna Suell	City Secretary	3 Months
Jim Gibson	Assistant City Manager	11 Years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP, Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc., Plano, Texas
Certified Public Accountants	Axley & Rode L.L.P., Lufkin, Texas

For additional information contact:

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City of Center
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Plano, Texas 75024
(214) 765-1470
(214) 279-8683 (Fax)

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the City, the Financial Advisors or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System as such information is provided by DTC.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all appendices hereto, to obtain information essential to making an informed investment decision.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1	INVESTMENT POLICIES	6
INFECTIOUS DISEASE OUTBREAK – COVID-19	1	Investments	6
PLAN OF FINANCING	1	Legal Investments	6
Purpose of Bonds	1	Investment Policies	7
Refunded Obligations	2	Additional Provisions	7
THE BONDS	2	Current Investments	8
General	2	AD VALOREM PROPERTY TAXATION	8
Authority for Issuance	2	TAX MATTERS	12
Security for Payment	2	Tax Exemption	12
No Redemption	2	Tax Accounting Treatment of Discount/Premium	
Sources and Uses of Funds	3	Bonds	12
Payment Record	3	Qualified Tax-Exempt Obligations for Financial	
Legality	3	Institutions	13
Defeasance	3	CONTINUING DISCLOSURE OF INFORMATION	13
Amendments	3	OTHER PERTINENT INFORMATION	14
REGISTERED OWNERS' REMEDIES	4	Registration and Qualification of Bonds for Sale	14
REGISTRATION, TRANSFER AND EXCHANGE	4	Litigation	15
Paying Agent/Registrar	4	Legal Investments and Eligibility to Secure Public	
Record Date	4	Funds in Texas	15
Future Registration	4	Legal Matters	15
Replacement Bonds	5	Rating	15
BOOK-ENTRY-ONLY SYSTEM	5	Financial Advisor	15
Use of Certain Terms in Other Sections of this Official		FORWARD LOOKING STATEMENTS	15
Statement	6	WINNING BIDDER	16
		CERTIFICATION OF THE OFFICIAL STATEMENT	16
		CONCLUDING STATEMENT	16

Financial Information of the City
General Information Regarding the City of Center and Shelby County
Form of Legal Opinion of Bond Counsel
Financial Statement for the Fiscal Year Ended September 30, 2019

Appendix A
Appendix B
Appendix C
Appendix D

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The City	The City of Center, Texas (the “City” or “Issuer”), located in Shelby County is a political subdivision of the State of Texas and is a home-rule municipality operating under a City Manager form of government with a City Council comprised of seven members including the Mayor. (See “General Information Regarding City of Center, Texas and Shelby County” herein.)
The Bonds	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Chapter 1207, as amended, Texas Government Code, as amended, and an ordinance (the “Ordinance”) adopted by the City Council on March 22, 2021. In the Bond Ordinance, the City Council delegated authority to certain City officials (each, a “Designated Financial Officer”) the authority to execute a pricing certificate (the “Pricing Certificate”) to establish the final terms and effectuate the sale of the Bonds, which terms are evidenced in the Pricing Certificate (the Bond Ordinance and the Pricing Certificate are collectively referred to herein as the “Ordinance”). The Pricing Certificate was executed by the Designated Financial Officer of the City on April 14, 2021, which completed the sale of the Bonds. (See “THE BONDS – Authority for Issuance” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Bonds constitute direct obligations of the City payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law. (See “The BONDS – Security for Payment” herein.)
No Redemption Provisions	The Bonds are not subject to redemption prior to stated maturity.
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein. (See “TAX MATTERS” and “Appendix C – Form of Legal Opinion of Bond Counsel” herein.)
Qualified Tax-Exempt Obligations	The City has designated the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations” herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used (i) to refund certain City’s currently outstanding obligations, as identified in Schedule I attached hereto (the “Refunded Obligations”), (ii) and to pay the costs of issuing the Bonds. (See “THE BONDS – Use of Proceeds” herein.)
Book-Entry-Only System	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Rating	The City’s current underlying, unenhanced rating on its outstanding tax supported debt is “A2” by Moody’s.
Payment Record	The City has never defaulted in the payment of its bonded indebtedness.
Delivery	When issued, anticipated on or about May 18, 2021.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Center, Texas (the "City") of its \$3,080,000 General Obligation Refunding Bonds, Series 2021 (the "Bonds") identified on the cover page hereof.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance"). Included in this Official Statement are descriptions of the Bonds and certain information about the City and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of this Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and reopening. These include, for example, the issuance on March 2, 2021 of Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. The Governor's order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Public schools are permitted to operate under the minimum standard health protocols found in and guidance issued by TEA. Nursing homes, state supported living centers, assisted living facilities, or long-term care facilities are encouraged to continue to follow guidance from the Texas Health and Human Services Commission. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Bonds. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City.

The City collects a sales and use tax on all taxable transactions within the City's boundaries, revenue from the sale of water and the collection of sewage, franchise fees based on private utility sales, and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

PLAN OF FINANCING

Purpose of Bonds

Proceeds from the sale of the Bonds will be used (1) to refund certain of the City's currently outstanding Bonds, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) to pay costs of issuance and expenses relating to the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with BOKF, NA, Dallas, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments, if any, held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

THE BONDS

General

The Bonds are dated April 15, 2021 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page ii of this Official Statement. The Bonds will be registered and issued in denominations of \$5,000 or any integral multiple thereof within a stated maturity. The Bonds will bear interest from the Dated Date and will be paid semiannually on February 15 and August 15 of each year, commencing August 15, 2021, until stated maturity. Principal of and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Bonds payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at stated maturity upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The City is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas. The Bonds are being issued pursuant to the provisions of Chapter 1207, as amended, Texas Government Code, as amended, and the Bond Ordinance adopted on March 22, 2021. In the Bond Ordinance, the City Council delegated authority to certain City officials (each, a "Designated Financial Officer") the authority to execute a pricing certificate (the "Pricing Certificate") to establish the final terms and effectuate the sale of the Bonds, which terms are evidenced in the Pricing Certificate (the Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance"). The Pricing Certificate was executed by the Designated Financial Officer of the City on April 14, 2021, which completed the sale of the Bonds.

Security for Payment

The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, as provided in the Ordinance. (See "The Bonds – Tax Rate Limitations.")

No Redemption

The Bonds are not subject to redemption prior to stated maturity.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with a contribution from the City, will be applied approximately as follows:

Sources

Par Amount of the Bonds	\$ 3,080,000.00
Premium	183,963.65
Accrued Interest on the Bonds	5,355.63
Issuer Contribution	43,525.00
Total Sources of Funds	\$ 3,312,844.28

Uses

Deposit to Escrow Fund	\$ 3,213,000.00
Costs of Issuance	72,500.00
Deposit to interest and sinking fund	7,128.72
Purchaser's Discount	20,215.56
Total Uses of Funds	\$ 3,312,844.28

Payment Record

The City has never defaulted in the payment of its bonded indebtedness.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Dallas, Texas. The legal opinion of Bond Counsel will accompany the global Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment or (2) Government Securities, certified by the City's financial advisor, an independent certified public accountant or another qualified third party to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, or (iii) a combination of cash and certified Government Securities in an amount sufficient to provide for the payment of the Bonds at maturity.

The Ordinance provides that "Government Securities" means (A) direct, noncallable Bonds of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (B) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (C) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings on investments used to defease Bonds will be maintained at any particular rating category.

After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, such Bonds shall no longer be deemed outstanding obligations payable from ad valorem taxes levied by, but will be payable only from the funds and Government Securities deposited in escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose.

Amendments

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, or any installment of interest is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bonds, or interest thereon is payable, or in any other way modify the terms of its payment, or (2) give any preference to any Bonds over any other applicable Bonds, or (3) reduce the aggregate principal amount of Bonds required to be held by registered owners for consent to any amendment, addition, or rescission.

REGISTERED OWNERS' REMEDIES

If the City defaults in the payment of principal or interest on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the State. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the covenants set forth in the Bonds or the Ordinance. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Bonds. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be a commercial bank, a trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for any of the Bonds, the City agrees to promptly cause written notice thereof to be sent to each registered owner of Bonds then outstanding by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal will be paid to the registered owner at stated maturity upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal or of interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Bond on any interest payment date means the last business day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

The Bonds are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued with respect to the Bonds, printed Bonds will be issued to the registered owners of the respective Bonds and thereafter such Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds

issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

Replacement Bonds

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Bonds, as the case may be, upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the City and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The City may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Purchaser.

DTC may discontinue providing its services as securities depository with respect to the Bonds, at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, printed Bonds for the Bonds are required to be furnished and delivered.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" above.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

INVESTMENT POLICIES

Investments

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

Legal Investments

Under State law, the City is authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is

selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with Federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (15) for bond proceeds, guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in mutual funds in the aggregate to more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

As of March 9, 2021, the City had approximately \$9,688,967 (unaudited) in LOGIC (a government investment pool that generally has the characteristics of a money-market mutual fund), \$1,722,857 (unaudited) in securities and \$393,903 (unaudited) in an interest bearing account at a local bank. State law does not require the City to periodically mark its investments to market price, and the City does not do so, other than annually upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the City's audited financial statements. Given the nature of its investments, the City does not believe that the market value of its investments differs materially from book value.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Appraisal District of Shelby County (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code herein.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year. The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds. Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

Levy and Collection of Taxes

The City is responsible for the levy and collection of its taxes unless it elects to contract for the collection of its taxes with another entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the City based upon the valuation of property within the City as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

City Application of Property Tax Code

The City does not tax personal property not used in the production of income, such as personal automobiles.

The City does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The City grants a local option exemption equal to 20% of the market value of all residence homesteads.

The City grants a local option exemption equal to \$5,000 of the market value of the residence homestead of persons 65 years of age or older.

The City has not authorized a local option freeze on taxes for persons 65 years of age or older or disabled persons.

The City levies a sales and use tax of $\frac{1}{4}$ percent for the purpose of reducing ad valorem taxes.

The Shelby County Tax Assessor-Collector collects the City's taxes on behalf of the City.

The City does allow split payments of taxes on homesteads but does not give discounts for early payment of taxes.

The City has not granted the freeport exemption.

The City has entered into fifteen tax abatement agreements.

The City has authorized a TIRZ. In 2010, the City created a TIRZ on a tract of approximately 75 acres for the purpose of funding street and other infrastructure in an under-developed area of the City that is targeted for industrial development.

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12 ⁽¹⁾	6	18 ⁽²⁾

⁽¹⁾ After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

⁽²⁾ Interest continues to accrue after July 1 at a rate of 1% per month until paid.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP ("Bond Counsel") to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of such Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount/Premium Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment.

In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of

such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the City, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The City has designated the Bonds as "qualified tax-exempt obligations" and represents that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the one-hundred percent (100%) disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, twenty percent (20%) of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds will not be deductible pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system, where it will be available to the general public, free of charge, at www.emma.msrb.org.

Annual Reports

The City will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Appendix A and Appendix D. The City will update and provide the information in Appendix A within six months after the end of each fiscal year ending in and after 2021. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2020. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified above or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Appendix A by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

Notices of Certain Events

The City will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Ordinance make any provision for a bond trustee, debt service reserves, or liquidity enhancement. The City will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to Rule 15c2-12 which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under Rule 15c2-12 after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the City issued prior to the EMMA Effective Date, the City remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the City receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the City has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or registered owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the rule or a court of final jurisdiction enters judgment that such provisions of the rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent a purchaser from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the last five years, the City has complied in all material respects with all prior continuing disclosure undertakings made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The offering of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

In the opinion of management of the City, the City is not a party to any litigation or other proceeding pending or to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which is decided adversely to the City, would have a material adverse effect on the financial condition of the City.

The delivery of the Bonds to the Purchaser is subject to the City delivering a certificate to the Purchaser to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds must be rated "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "Other Pertinent Information -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The City will furnish complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

Rating

The City's current underlying, unenhanced rating on its outstanding tax supported debt is "A2" by Moody's.

An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the City to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no Bond to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

WINNING BIDDER

After requesting competitive bids for the Bonds, the City accepted the bid of BOK Financial Securities, Inc. (the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of \$183,963.65 less a purchaser's discount of \$20,215.56 plus accrued interest. The City can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Bonds, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorized the issuance of the Bonds and has also approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Purchaser.

CITY OF CENTER, TEXAS

Chad Nehring
Designated Financial Officer

CITY OF CENTER, TEXAS

Schedule I - Schedule of Refunded Bonds

Combination Tax and Revenue Certificates of Obligation, Series 2011

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
2/15/2024	151717LU7	\$ 400,000.00	4.000%	\$ 400,000.00	August 15, 2021 @ Par	-
2/15/2025	151717LV5	415,000.00	4.000%	415,000.00	August 15, 2021 @ Par	-
2/15/2026	151717LW3	430,000.00	4.000%	430,000.00	August 15, 2021 @ Par	-
2/15/2027	151717LX1	450,000.00	4.000%	450,000.00	August 15, 2021 @ Par	-
2/15/2028	151717LY9	465,000.00	4.000%	465,000.00	August 15, 2021 @ Par	-
2/15/2029	151717LZ6	485,000.00	4.000%	485,000.00	August 15, 2021 @ Par	-
2/15/2030	151717MA0	505,000.00	4.000%	505,000.00	August 15, 2021 @ Par	-
		<u>\$ 3,150,000.00</u>		<u>\$ 3,150,000.00</u>		<u>\$ -</u>

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APPENDIX A
FINANCIAL INFORMATION OF THE CITY

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION ⁽¹⁾

TABLE 1

2020/21 Market Value of Taxable Property		\$ 330,935,470
Less Exemptions:		
Local Over-65/Disabled Exemption	\$ 1,867,884	
Local Optional Homestead Exemption	14,700,541	
Disabled/Veterans Homestead Exemption	1,010,565	
Veterans Exemption Loss	210,350	
Productivity Value Loss	11,109,041	
Abatement Value Loss	6,830,822	
Homestead Cap Loss	376,564	
	<u>\$ 36,105,767</u>	
2020/21 Net Taxable Assessed Valuation		\$ 294,829,703

(1) Source: Shelby County Appraisal District.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Outstanding:		
Combination Tax and Waterworks and Sewer System Revenue C/Os, Series 2007	\$ 140,000	
Combination Tax and Revenue C/Os, Series 2011 ⁽¹⁾	3,364,762	
Combination Tax and Waterworks and Sewer System Surplus Revenue C/Os, Series 2012	1,490,000	
General Obligation Refunding Bonds, Series 2012	660,000	
Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2016	3,330,000	
Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2019	<u>6,160,000</u>	
Total General Obligation Debt Outstanding:	\$ 15,144,762	
Less: Bonds to be Refunded		
Combination Tax and Revenue C/Os, Series 2011 ⁽¹⁾	<u>\$ (3,150,000)</u>	
Plus: Series 2021 Obligations		
General Obligation Refunding Bonds, Series 2021	<u>\$ 3,080,000</u>	
Total General Obligation Debt Outstanding:	\$ 15,074,762	
Less: Self-Supporting Debt		
Combination Tax and Waterworks and Sewer System Revenue C/Os, Series 2007 ⁽²⁾	\$ 140,000	
Combination Tax and Waterworks and Sewer System Surplus Revenue C/Os, Series 2012 ⁽³⁾	1,490,000	
Portion of Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2016 ⁽³⁾	2,497,500	
Portion of Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2019 ⁽³⁾	<u>2,032,800</u>	
Total Self Supporting Debt Outstanding:	\$ 6,160,300	
Total Gross General Obligation Debt Outstanding	\$ 8,914,462	
General Obligation Interest & Sinking Fund Balance - September 30, 2019 ⁽⁴⁾	<u>\$ (190,890)</u>	
Net General Obligation Debt Outstanding	\$ 8,723,572	
Ratio of Net General Obligation Debt to 2020/21 Net Assessed Valuation		2.96%
2021 Population Estimate -	5,550	
Per Capita 2020/21 Net Assessed Valuation -	\$53,122	
Per Capita Gross General Obligation Debt -	\$2,716	
Per Capita Net General Obligation Debt -	\$1,572	

(1) Excludes interest accreted on outstanding capital appreciation bonds.

(2) Certificates are anticipated to be paid with Hotel/Motel tax revenues.

(3) Certificates are anticipated to be paid with Waterworks and Sewer System revenues.

(4) Source: City of Center Audited Financial Report.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year 30-Sep	Outstanding Debt Service ⁽¹⁾	Less:	Plus:			Less:	Total Net Debt Service ^{(1) (2) (3)}
		Debt Service to be Refunded ^{(1) (2)}	Principal	The Bonds ⁽³⁾ Interest	Total	Self-Supporting Debt Service ⁽⁴⁾	
2021	\$ 1,405,775.00	\$ 19,475.00	\$ -	\$ 19,475.00	\$ 19,475.00	\$ 606,259.38	\$ 799,515.63
2022	1,433,520.00	126,000.00	15,000.00	58,275.00	73,275.00	613,429.38	767,365.63
2023	1,290,691.25	126,000.00	15,000.00	57,975.00	72,975.00	471,225.63	766,440.63
2024	1,286,935.00	518,000.00	415,000.00	53,675.00	468,675.00	467,744.38	769,865.63
2025	1,288,287.50	516,700.00	420,000.00	45,850.00	465,850.00	469,996.88	767,440.63
2026	1,288,065.00	514,800.00	425,000.00	38,987.50	463,987.50	467,849.38	769,403.13
2027	1,285,490.00	517,200.00	440,000.00	31,400.00	471,400.00	469,049.38	770,640.63
2028	1,286,166.25	513,900.00	440,000.00	22,600.00	462,600.00	466,822.50	768,043.75
2029	1,289,990.00	514,900.00	450,000.00	13,700.00	463,700.00	470,277.50	768,512.50
2030	1,286,040.00	515,100.00	460,000.00	4,600.00	464,600.00	467,252.50	768,287.50
2031	885,090.00					470,515.00	414,575.00
2032	885,782.50					468,232.50	417,550.00
2033	885,845.00					470,607.50	415,237.50
2034	883,268.75					466,906.25	416,362.50
2035	885,106.25					466,706.25	418,400.00
2036	758,100.00					343,037.50	415,062.50
2037	557,400.00					142,150.00	415,250.00
2038	557,100.00					143,250.00	413,850.00
2039	561,350.00					144,200.00	417,150.00
	<u>20,000,002.50</u>	<u>3,882,075.00</u>	<u>3,080,000.00</u>	<u>346,537.50</u>	<u>3,426,537.50</u>	<u>8,085,511.88</u>	<u>11,458,953.13</u>

(1) Includes interest accreted on outstanding capital appreciation bonds.

(2) Reflects the standard, budgeted interest on the existing bonds in the amount of \$43,525.00 that must be paid at the closing of the refunding bonds.

(3) Includes accrued interest in the amount of \$5,355.63.

(4) Includes self-supporting Series 2007, Series 2012 and portions of Series 2016 & Series 2019 certificates of obligation.

TAX ADEQUACY

TABLE 4

2020/21 Net Taxable Assessed Valuation	\$ 294,829,703
Maximum Annual Debt Service Requirements ⁽¹⁾	\$ 799,516
Indicated Maximum Interest and Sinking Fund Tax Rate	\$ 0.27957
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	\$ 799,516

(1) Excludes self-supporting Series 2007, Series 2012 and portions of the Series 2016 & Series 2019 certificates of obligation.

CALCULATION OF SELF-SUPPORTING DEBT

TABLE 5

2019/20 Net Revenues Available for Debt Service ⁽¹⁾	\$ 661,957
Maximum Annual Debt Service Requirements ⁽²⁾	\$ 613,429
Percent of General Obligation Debt Service Requirements Self-Supporting	107.91%

(1) Excludes depreciation. Includes revenues from the Water and Sewer Enterprise Fund and the Hotel/Motel Facilities Fund.

(2) Includes self-supporting Series 2007, Series 2012 and portions of Series 2016 & Series 2019 certificates of obligation.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

TABLE 6

Fiscal Year 30-Sep	Outstanding Principal ⁽¹⁾	Less: Bonds to be Refunded ⁽¹⁾	Plus: The Bonds ⁽²⁾	Less: Self Supporting Principal ⁽³⁾	Total ^{(1) (2)}	Debt Unpaid at End of Year	Percent of Principal Retired
2021	\$ 880,104.55	\$ -	\$ -	\$ 421,250.00	\$ 458,854.55	\$ 11,723,511.80	3.77%
2022	924,783.40	-	15,000.00	441,250.00	498,533.40	11,224,978.40	7.86%
2023	799,978.40	-	15,000.00	310,000.00	504,978.40	10,720,000.00	12.00%
2024	875,000.00	400,000.00	415,000.00	315,000.00	975,000.00	9,745,000.00	20.01%
2025	910,000.00	415,000.00	420,000.00	327,500.00	1,002,500.00	8,742,500.00	28.24%
2026	945,000.00	430,000.00	425,000.00	336,250.00	1,033,750.00	7,708,750.00	36.72%
2027	975,000.00	450,000.00	440,000.00	346,250.00	1,068,750.00	6,640,000.00	45.49%
2028	1,010,000.00	465,000.00	440,000.00	353,750.00	1,096,250.00	5,543,750.00	54.49%
2029	1,050,000.00	485,000.00	450,000.00	367,500.00	1,132,500.00	4,411,250.00	63.79%
2030	1,085,000.00	505,000.00	460,000.00	376,250.00	1,168,750.00	3,242,500.00	73.38%
2031	710,000.00			390,000.00	320,000.00	2,922,500.00	76.01%
2032	730,000.00			398,750.00	331,250.00	2,591,250.00	78.73%
2033	750,000.00			412,500.00	337,500.00	2,253,750.00	81.50%
2034	770,000.00			421,250.00	348,750.00	1,905,000.00	84.36%
2035	795,000.00			433,750.00	361,250.00	1,543,750.00	87.33%
2036	690,000.00			321,250.00	368,750.00	1,175,000.00	90.35%
2037	510,000.00			130,000.00	380,000.00	795,000.00	93.47%
2038	525,000.00			135,000.00	390,000.00	405,000.00	96.68%
2039	545,000.00			140,000.00	405,000.00	-	100.00%
	<u>15,479,866.35</u>	<u>3,150,000.00</u>	<u>3,080,000.00</u>	<u>6,377,500.00</u>	<u>12,182,366.35</u>		

(1) Excludes interest accreted on outstanding capital appreciation bonds.

(2) Includes accrued interest in the amount of \$5,355.63.

(3) Includes self-supporting Series 2007, Series 2012 and portions of Series 2016 & Series 2019 certificates of obligation.

OVERLAPPING DEBT DATA

TABLE 7

<u>Taxing Body</u>	<u>Gross Debt</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Center Independent School District	\$ 31,245,000	50.58%	\$ 15,803,721
Shelby County	-	20.02%	-
Total Overlapping Debt			\$ 15,803,721
City of Center, Texas			\$ 8,723,572
Total Direct Overlapping Debt			\$ 24,527,293
Ratio of Direct and Overlapping Debt to 2020/21 Assessed Valuation			8.32%
Ratio of Direct and Overlapping Debt to 2020/21 Actual Value ⁽¹⁾			7.41%
Per Capita Direct and Overlapping Debt			\$4,419

(1) The 2020/21 assessed valuation totaled \$294,829,703 according to Shelby County Appraisal District.

2020/21 Top Ten Taxpayers

Name of Taxpayer	Type of Business	2020/21 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 16,669,230	5.65%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	13,569,690	4.60%
Wal-Mart TRS LLC	Retail	7,486,590	2.54%
Hallmark Marketing LLC	Office Building	5,695,550	1.93%
AEP Southwestern Electric Power Co.	Electric Utility	5,206,630	1.77%
Charles Holston Inc.	Truck Rentals	4,658,380	1.58%
Wal-Mart Stores	Retail	4,434,680	1.50%
Tri-Lite Hospitality Ltd.	Hotel/Motel	3,382,930	1.15%
NACI Hospitality LLC	Hotel/Motel	3,148,320	1.07%
BNSF Railway Co	Railroad	2,867,670	0.97%
		<u>\$ 67,119,670</u>	<u>22.77%</u>

Based on Net Assessed Valuation of \$294,829,703

2019/20 Top Ten Taxpayers

Name of Taxpayer	Type of Business	2019/20 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 17,607,270	5.90%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	10,683,060	3.58%
Wal-Mart TRS LLC	Retail	7,497,840	2.51%
Hallmark Marketing LLC	Office Building	6,204,710	2.08%
AEP Southwestern Electric Power Co.	Electric Utility	4,940,830	1.66%
Wal-Mart Stores	Retail	4,927,280	1.65%
Charles Holston Inc.	Truck Rentals	4,086,090	1.37%
East Center Texas Hospitality LLC	Hotel/Motel	3,768,720	1.26%
Tri-Lite Hospitality Ltd.	Hotel/Motel	3,743,030	1.26%
BNSF Railway Co	Railroad	2,626,670	0.88%
		<u>\$ 66,085,500</u>	<u>22.16%</u>

Based on Net Assessed Valuation of \$298,211,530

2018/19 Top Ten Taxpayers

Name of Taxpayer	Type of Business	2018/19 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 19,543,970	6.84%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	10,624,130	3.72%
Wal-Mart TRS LLC	Retail	7,515,750	2.63%
Hallmark Marketing LLC	Office Building	6,183,260	2.16%
Wal-Mart Stores	Retail	4,838,740	1.69%
Charles Holston Inc.	Truck Rentals	4,378,810	1.53%
AEP Southwestern Electric Power Co.	Electric Utility	4,308,240	1.51%
Shelby Savings Bank	Financial/Banking	2,602,450	0.91%
BNSF Railway Co	Railroad	2,520,140	0.88%
Tri-Lite Hospitality Ltd.	Hotel/Motel	2,411,320	0.84%
		<u>\$ 64,926,810</u>	<u>22.72%</u>

Based on Net Assessed Valuation of \$285,804,463

(1) Source: Shelby County Appraisal District.

(2) As shown elsewhere in this Official Statement, in addition to being the single largest ad valorem taxpayer in the City, Tyson Foods is also the largest water and sewer customer of the City, and is by far the largest employer, with approximately 1,700 employees, who are drawn from a regional area of southeast Texas, and extending into Louisiana. The concentration of tax base that is represented by Tyson Foods, and which is shown above, is only one impact that the business has in the City. In addition, it has significant impacts on the utility system operations and general sales activity in the City, and thus City sales tax collections (through its employees).

CLASSIFICATION OF ASSESSED VALUATION ⁽¹⁾

TABLE 9

Category	Tax Year 2018/19	% of Total	Tax Year 2019/20	% of Total	Tax Year 2020/21	% of Total
Real, Residential, Single-Family	\$ 94,880,451	29.94%	\$ 101,270,781	30.56%	\$ 98,884,030	29.88%
Real, Residential, Multi-Family	1,700,020	0.54%	1,693,170	0.51%	2,345,180	0.71%
Real, Vacant Lots/Tracts	2,024,937	0.64%	2,104,461	0.64%	2,128,540	0.64%
Real, Acreage	8,079,359	2.55%	8,645,329	2.61%	11,503,600	3.48%
Real, Farm & Ranch Improvements	4,111,680	1.30%	4,532,720	1.37%	5,181,240	1.57%
Real, Commercial	97,564,930	30.79%	101,936,880	30.76%	97,970,770	29.60%
Real, Industrial	12,615,350	3.98%	12,747,360	3.85%	12,242,440	3.70%
Real & Tangible, Personal & Utilities	9,289,490	2.93%	10,260,400	3.10%	10,770,870	3.25%
Tangible Personal, Commercial	33,244,790	10.49%	34,411,010	10.38%	34,702,530	10.49%
Tangible Personal, Industrial	47,456,340	14.98%	47,493,510	14.33%	48,576,840	14.68%
Mobile Homes	1,539,700	0.49%	1,792,570	0.54%	1,856,230	0.56%
Special Inventory Tax	4,313,950	1.36%	4,459,380	1.35%	4,742,490	1.43%
Real Property, Inventory	30,410	0.01%	30,410	0.01%	30,710	0.01%
Total Appraised Value	\$ 316,851,407	100.00%	\$ 331,377,981	100.00%	\$ 330,935,470	100.00%
Less:						
Local Over-65/Disabled Exemption	\$ 1,739,933		\$ 1,907,886		\$1,867,884	
Local Optional 20% Exemption	14,211,238		14,968,235		14,700,541	
Disabled/Veterans Homestead Exemption	488,842		525,848		1,010,565	
Veterans Exemption Loss	244,500		232,300		210,350	
Productivity Value Loss	7,731,480		8,288,840		11,109,041	
Abatement Value Loss	6,217,870		6,101,890		6,830,822	
Homestead Cap Loss	413,081		1,141,452		376,564	
Total Exemptions/Deductions	<u>\$ 31,046,944</u>		<u>\$ 33,166,451</u>		<u>\$36,105,767</u>	
Net Taxable Assessed Valuation	\$ 285,804,463		\$ 298,211,530		\$ 294,829,703	

(1) Source: Shelby County Appraisal District.

ASSESSED VALUATIONS AND PROPERTY TAX RATES

TABLE 10

Tax Year	Net Taxable Assessed Valuation	M&O Tax Rate	I&S Tax Rate	Total Tax Rate
2006	\$199,760,832 ⁽¹⁾	\$0.3265	\$0.1968	\$0.5233
2007	210,953,048 ⁽¹⁾	\$0.2965	\$0.2122	\$0.5087
2008	227,529,570 ⁽²⁾	\$0.2766	\$0.1994	\$0.4760
2009	226,278,574 ⁽¹⁾	\$0.2934	\$0.1969	\$0.4903
2010	221,469,362 ⁽¹⁾	\$0.3378	\$0.1622	\$0.4903
2011	225,078,986 ⁽¹⁾	\$0.2510	\$0.2490	\$0.5000
2012	241,616,065 ⁽²⁾	\$0.2604	\$0.2496	\$0.5100
2013	254,995,844 ⁽²⁾	\$0.2910	\$0.2090	\$0.5000
2014	263,621,780 ⁽²⁾	\$0.3278	\$0.2022	\$0.5300
2015	283,667,730 ⁽²⁾	\$0.3284	\$0.2116	\$0.5400
2016	282,325,438 ⁽²⁾	\$0.3258	\$0.2342	\$0.5600
2017	278,580,007 ⁽²⁾	\$0.3335	\$0.2415	\$0.5750
2018	285,804,463 ⁽²⁾	\$0.3431	\$0.2569	\$0.6000
2019	298,211,530 ⁽²⁾	\$0.3532	\$0.2568	\$0.6100
2020	294,829,703 ⁽²⁾	\$0.3845	\$0.2347	\$0.6192

(1) Source: Comptroller of Public Accounts - Property Tax Division.

(2) Source: Shelby County Appraisal District.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 11

Fiscal Year	Sales Tax Collections ⁽¹⁾	Ad Valorem Tax Levy	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2006	\$1,500,180	\$1,035,748	144.84%	\$0.7510
2007	1,701,677	1,167,231	145.79%	0.8067
2008	1,722,773	1,230,862	139.96%	0.7572
2009	1,851,752	1,356,766	136.48%	0.8184
2010	1,864,890	1,100,137	169.51%	0.8421
2011	2,385,022 ⁽²⁾	1,197,760	199.12%	1.0596
2012	2,132,186	1,131,976	188.36%	0.8825
2013	1,888,866	1,205,388	156.70%	0.7407
2014	1,850,994	1,321,767	140.04%	0.7021
2015	1,869,671	1,404,453	133.12%	0.6591
2016	1,923,014	1,639,184	117.32%	0.6811
2017	1,915,501	1,775,718	107.87%	0.6876
2018	2,003,672	1,623,556	123.41%	0.7011
2019	2,096,705	1,673,134	125.32%	0.7031

(1) Includes 1% for regular city sales tax collections and 1/4% for ad valorem tax reduction. Does not include the 1/4% for 4A economic development and 1/2% for 4B economic development. (See "Sales Tax Collections - Optional Sales Tax.")

(2) The increase in 2011 sales tax is attributed by the City to expanded oil and gas drilling activity in the area, which resulted in increased sales to the industry from industrial suppliers located in the City, and from the secondary effect of sales tax activity from workers in the industry.

	Fiscal Year Ended				
	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019
Fund Balance - Beginning of Year	\$ 1,359,999	\$ 1,464,517	\$ 1,286,531	\$ 1,583,305	\$ 1,543,300
Revenues					
General Property Taxes	\$ 881,627	\$ 976,893	\$ 1,061,084	\$ 954,182	\$ 1,015,406
Sales Tax	1,869,671	1,923,014	1,915,501	2,003,672	2,096,705
Other Local Taxes and Permits	461,586	461,690	583,870	704,586	744,360
Fines and Fees	245,187	258,017	220,369	163,320	177,923
Charges for Current Service	1,674,615	306,267	228,948	239,143	249,296
Contributions and Grants	25,476	19,072	4,153	38,858	151,098
Miscellaneous	34,287	-	3,300	7,939	30,119
Total Revenues	\$ 5,192,449	\$ 3,944,953	\$ 4,017,225	\$ 4,111,700	\$ 4,464,907
Expenditures					
City Hall	\$ 708,899	\$ 743,704	\$ 784,633	\$ 758,747	\$ 800,473
Nondepartmental	231,058	291,265	274,268	286,633	403,765
Police Department	1,733,412	1,774,498	1,867,883	1,942,173	2,042,482
Municipal Court	-	93,805	112,663	98,660	105,166
Fire Department	457,524	447,086	448,023	480,388	474,645
Animal Control Department	21,460	26,070	24,024	22,879	23,925
Emergency Management Department	-	-	-	-	-
Airport Department	241,659	227,966	91,439	185,059	142,962
Cemetery Department	26,284	20,640	23,840	24,068	22,610
Park Department	117,453	140,344	127,421	180,070	232,724
Civic Center Department	152,969	182,273	170,491	189,964	207,007
Community Facilities Department	75,425	82,417	83,974	80,720	89,002
Street Department	376,728	455,063	368,753	320,515	339,477
Sanitation Department	1,157,226	-	-	-	-
Inspection Department	133,193	107,194	67,648	41,200	43,594
Total Expenditures	\$ 5,433,290	\$ 4,592,325	\$ 4,445,060	\$ 4,611,076	\$ 4,927,832
Excess (Deficit) of Revenues					
Over Expenditures	\$ (240,841)	\$ (647,372)	\$ (427,835)	\$ (499,376)	\$ (462,925)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 453,174	\$ 669,261	\$ 770,000	\$ 693,410	\$ 707,954
Operating Transfers (Out)	(107,815)	(207,050)	(56,034)	(257,383)	(235,141)
Interest Income	-	7,176	10,643	23,344	36,471
Total Other Financing Sources (Uses):	345,359	469,387	724,609	459,371	509,284
Excess (Deficit) of Revenues and Other Sources	104,518	(177,985)	296,774	(40,005)	46,359
Over Expenditures and Other Uses					
Prior Period Adjustment	-	-	-	-	184,692 ⁽³⁾
Fund Balance - End of Year	\$ 1,464,517	\$ 1,286,532	\$ 1,583,305	\$ 1,543,300	\$ 1,774,351

(1) In fiscal years 2014 through 2018, the City's General Fund balance represented between 26% and 36% of General Fund expenditures.

(2) The City has adopted a balanced budget for fiscal year 2019, which includes \$4,852,700 of revenues and expenditures.

(3) The prior period adjustment was recorded to correct a cash balance previously incorrectly reported due to a transfer in the wrong period.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT
TABLE 13

	Fiscal Year Ended				
	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>
Revenues	\$ 3,689,121	\$ 3,670,280	\$ 3,681,385	\$ 3,821,141	\$ 3,621,018
Expenses ⁽¹⁾	<u>3,108,055</u>	<u>3,605,183</u>	<u>3,302,977</u>	<u>3,410,541</u>	<u>3,271,588</u>
Net Revenue Available for Debt Service	<u>\$ 581,066</u>	<u>\$ 65,097</u>	<u>\$ 378,408</u>	<u>\$ 410,600</u>	<u>\$ 349,430</u>
Annual Debt Service Requirements	\$ 489,157	\$ 130,730	\$ 325,675	\$ 325,409	\$ 326,197

(1) Excludes depreciation, but includes pay-as-go capital items.

PRINCIPAL WATER CUSTOMERS
TABLE 14

<u>Name of Customer</u>	<u>Average Water Consumption (Gallons)</u>	<u>Average Monthly Bill</u>
Tyson Foods Processing ⁽¹⁾	28,153,100	\$ 95,298
City of Center-Pinkston Water Plant	7,473,300	-
Tyson 6 Inch ⁽¹⁾	6,264,800	1,462
Belrose, Bekkie	1,250,900	3,344
Tyson Foods Wash Tubs	658,000	16,100
Union Acres	645,300	3,905
Tyson Foods Service Center ⁽¹⁾	488,200	145
Hidden Creek Ranch	325,600	2,053
Pine Grove SNF LP	311,900	1,283
Flat Fork Water Supply	191,400	508

(1) Tyson Accounts consumption billed together.

SEWER RATES ⁽¹⁾
TABLE 15

	<u>Monthly Charge</u>
Residential:	\$15.00 plus 1/2 Water Bill minimum. \$45.00 maximum
Commercial:	\$16.50 plus 1/2 Water Bill minimum monthly charge. No maximum.
Fixed Rates:	\$285 per month (Tyson office acct.)

(1) The City reviews its water and sewer rates annually and has increased rates each of the last ten years, with a goal of maintaining water and sewer revenues at a level needed to cover annual operating costs.

PRINCIPAL SEWER CUSTOMERS
TABLE 16

<u>Name of Customer</u>	<u>Average Monthly Bill</u>
Union Acres	\$ 3,427
Hidden Creek Ranch	1,926
Pilgrim's Pride	1,389
Tyson Hatchery	716
Pine Grove Nursing Home	657
Shofner Washateria	389
Shelby County Jail	379
T&R Steak and More	222
York, Robert	30
Belrose, Bekkie	17

A. Monthly Minimum Charge

Meter Size	Residential	Commercial	Small Industrial/ Manufacturer 1st 200,000 Gallons Incl.	Wholesale 1st 50,000 Gallons Incl.	Large Industrial Manufacturer 1st 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges Same Facility
5/8	\$12.50	\$13.00				
3/4	\$12.50	\$13.00				
1	\$17.60	\$19.00				
1.5	\$26.00	\$28.00				
2	\$35.00	\$37.50	\$895	\$290	\$13,650	\$55.00
3	\$53.00	\$56.00	\$1,000	\$390	\$14,000	\$155
4	\$70.75	\$75.00	\$1,155	\$550	\$14,400	\$345
6	\$106.00	\$112.00	\$1,500	\$860	\$15,000	\$650
8			\$1,950	\$1,400	\$15,850	\$1,120
10			\$2,600	\$1,975	\$17,100	\$1,800
Sprinklers	\$20.00					

B. Unit Cost Per 1,000 Gallons

Residential, Sprinklers	\$4.00
Commercial	\$4.50
Small Industrial/Manufacturer	\$3.65
Wholesale	\$3.65
Large Industrial/Manufacturer	\$2.40
Over 1.75 M/day or 30M/month	\$2.85
Over 2M/day or 40M/month	\$3.70

C. Outside City Limits

Double A and B

D. Bulk Water Sales

Water purchased in bulk quantities shall be billed at a charge based on \$4.00 per thousand gallons metered.

(1) The City reviews its water and sewer rates annually and has increased rates in each of the last ten years, with a goal of maintaining water and sewer revenues at a level needed to cover annual operating costs.

OTHER OBLIGATIONS

TABLE 18

Fiscal Year 30-Sep	Payable/ Receivable
2020	\$ 26,209
2021	17,875
2022	10,426
	<u>\$ 54,510</u>

The City contracts with the Texas Department of Economic Development for various economic development programs. In accordance with terms of certain of the contracts, funds have been loaned to companies in the City at no interest. The City is liable to the State for repayment and the company is liable to the City for repayment. As of September 30, 2018 the City has two active loans. The following is a summary of transactions for the year ended September 30, 2018.

	Loans Receivable	Loans Payable
Balance at October 1, 2018	\$ 97,385	\$ 97,385
Loan payments received	-	(42,875)
Loans paid	(42,875)	-
Balance at September 30, 2019	<u>\$ 54,510</u>	<u>\$ 54,510</u>

Public Property Finance Act Contract No. 8005 - Schedule of Payments & Early Redemption Value

Pmt. No	Pmt Date	Total Payment	Interest	Principal	Early Redemption Value
1	11/20/2018	\$ 72,077	\$ 9,123	\$ 62,955	N/A
2	11/20/2019	72,077	6,956	65,121	N/A
3	11/20/2020	72,077	4,716	67,362	70,526
4	11/20/2021	72,077	2,398	69,680	-
		<u>\$ 288,309</u>	<u>\$ 23,192</u>	<u>\$ 265,117</u>	

AUTHORIZED BUT UNISSUED BONDS - FUTURE DEBT PLANS

TABLE 19

The City does not have authorized but unissued unlimited ad valorem tax bonds from any bond election, however, the City may incur other financial obligations payable from its collection of taxes and other sources of revenue, including certificates of obligation, public property finance contractual obligations. The City does not anticipate the issuance of additional tax-supported debt within the next 24 months.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF CENTER AND SHELBY COUNTY

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GENERAL INFORMATION REGARDING SHELBY COUNTY AND THE CITY OF CENTER

The City of Center is the county seat and principal commercial center of Shelby County and is located 32 miles northwest of the City of Nacogdoches, Texas at the intersection of U.S. Highway 96 and State Highways 7 and 87. The City's current estimated population is 5,550.

Shelby County was created in 1836 and is situated on the Texas-Louisiana border. The county is diversified by agriculture and lumber production.

City of Center Population Statistics

<u>Year</u>	<u>Population</u>
1990	5,850
2000	5,678
2010	5,193
2011	5,240
2012	5,292
2013	5,384
2014	5,400
2015	5,425
2016	5,400
2017	5,388
2018	5,500
2019	5,550
2020	5,550
Current*	5,550

Source: Bureau of the Census (1990 and 2000) and the City of Center (2010-Current).

Unemployment Rates

	<u>February</u> <u>2019</u>	<u>February</u> <u>2020</u>	<u>February</u> <u>2021</u>
Shelby County	4.1%	4.1%	7.5%
State of Texas	3.8%	3.5%	7.5%
United States of America	4.1%	3.8%	6.6%

Source: Texas Workforce Commission.

Major Area Employers

<u>Name</u>	<u>Type of Business</u>	<u># of Employees</u>
Tyson Foods	Poultry Production	1,600
Center ISD	Education	405
Wal-Mart	Retail Store	281
Portacool	Manufacturer	150
Shelby County	County Government	130
City of Center	City Government	80
General Shelters	Manufacturer	85
Hallmark Center Fixtures	Manufacturer	54
Spartan	Manufacturer	50

Source: City of Center, Texas.

Building Permits

	<u>Residential</u>		<u>Commercial / Industrial</u>	
	<u># Permits</u>	<u>\$ Value</u>	<u># Permits</u>	<u>\$ Value</u>
1994-95	3	\$167,620	2	\$150,000
1995-96	5	294,620	4	275,000
1996-97	2	70,665	6	287,900
1997-98	7	406,290	7	570,831
1998-99	1	18,000	1	20,000
1999-00	2	250,000	1	17,000
2000-01	1	5,000	3	224,000
2001-02	5	166,900	8	92,000
2002-03	5	48,000	7	101,970
2003-04	3	10,150	7	291,100
2004-05	33	2,811,090	6	8,660,000
2005-06	4	441,710	11	2,311,000
2006-07	3	21,500	7	3,745,754
2007-08	15	738,800	11	535,160
2008-09	11	686,513	23	13,104,921
2009-10	10	499,359	25	13,989,157
2010-11	10	2,005,614	16	2,233,795
2011-12	10	470,000	18	22,774,492
2012-13	19	1,269,866	12	4,205,68
2013-14	13	803,350	4	854,000
2014-15	9	376,445	9	4,741,266
2015-16	13	60,419	3	1,294,900
2016-17	20	227,051	11	2,810,851
2017-18	15	312,659	14	874,034
2018-19	12	70,135	6	2,188,800
2019-20	16	421,779	33	9,397,905
2020-21	12	367,785	5	232,500

Source: City of Center, Texas.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Norton Rose Fulbright US LLP
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Dallas, Texas 75201-7932
United States

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IN REGARD to the authorization and issuance of the "City of Center, Texas, General Obligation, Refunding Bonds, Series 2021", dated April 15, 2021 in the aggregate principal amount of \$3,080,000 (the "Bonds"), we have examined into their issuance by the City of Center (the "City") solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on February 15 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Bond Ordinance" and, jointly with the Pricing Certificate, the "Ordinance"), without right of prior redemption. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, an Escrow Agreement (the "Escrow Agreement") between the City and BOKF, N.A., Dallas, Texas (the "Escrow Agent"), a sufficiency certificate of the Financial Advisor (the "Sufficiency Certificate") and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certification.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

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Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Center, Texas, General Obligation Refunding Bonds, Series 2021",
dated April 15, 2021

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding, and enforceable obligations of the City, payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a trust fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the Sufficiency Certificate as to the sufficiency of cash deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, "S" corporations with subchapter "C" earnings and profits, owners of interests in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Page 3 of Legal Opinion of Norton Rose Fulbright US LLP
Re: "City of Center, Texas, General Obligation Refunding Bonds, Series 2021",
dated April 15, 2021

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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APPENDIX D

AUDITED FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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CITY OF CENTER
Center, Texas

ANNUAL FINANCIAL REPORT

September 30, 2019

C O N T E N T S

INTRODUCTORY SECTION

Principal City Officials	3
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FINANCIAL SECTION

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

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	15
Statement of Activities	16

Fund Financial Statements:

Balance Sheet - Governmental Funds.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	23
Statement of Cash Flows - Proprietary Funds.....	25
Notes to the Financial Statements.....	27

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	47
Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions	51
Schedule of Changes in OPEB Liability and Related Ratios and Schedule of Contributions	52

Supplementary Information:

List of Nonmajor Governmental Funds	54
Combining Balance Sheet - Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	57
Combining Balance Sheet - Nonmajor Special Revenue Funds	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	62
Schedule of Revenues - Proprietary Funds	65
Schedule of Expenses - Proprietary Funds	66
Combining Schedule of Component Units - Statement of Net Position	68
Combining Schedule of Component Units - Statement of Activities.....	69

STATISTICAL SECTION

Insurance Coverage	71
Water and Sewer Rates and System Connections	72

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77
Schedule of Findings and Questioned Costs.....	79
Summary Schedule of Prior Audit Findings.....	80
Corrective Action Plan.....	81

CITY OF CENTER, TEXAS
PRINCIPAL CITY OFFICIALS
September 30, 2019

GOVERNING BODY

Honorable David Chadwick, Mayor

CITY COUNCIL

Leigh Porterfield - Mayor Pro-Tem

Joyce Johnson - District 1

Jerry Lathan - District 2

Howell Howard - District 3

Randy Collard - District 4

Terry Scull - At Large

OTHER PRINCIPAL OFFICIALS

Chad Nehring City Manager
Jim Gibson Asst. City Manager
Barbara Boyd City Secretary
John Price City Attorney

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Center
Center, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lufkin, Texas
April 13, 2020


CERTIFIED PUBLIC ACCOUNTANTS



Management's Discussion and Analysis

As management of the City of Center, Texas, we offer readers of the City of Center's financial statements this narrative overview and analysis of the financial activities of the City of Center (City) for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year resulting in a total net position of \$28,837,303 which is an increase of \$697,919 (*net position*).
- Government activities change in net position increased \$967,110 to \$16,819,796 mostly from additional capital assets.
- The City's governmental funds reported combined ending fund balances of \$7,110,597 an increase of \$4,453,447 from the prior year of \$2,657,150.
- The fund balance for the general fund was \$1,774,351 or 36.0% of total general fund expenditures and increased \$46,359 during this fiscal year.
- The Water and Sewer Fund operating revenues exceeded expenses resulting in operating income of \$349,430 and the fund decreased net position by \$206,754 to \$11,631,798.
- Combined Business Activities decreased Net Position by \$269,191.
- The combined non-major governmental funds experienced an increase in fund balance of \$212,836 to \$1,116,790 primarily in Debt Service and Hotel/Motel Funds.
- The 4B Street Improvements for Economic Development is shown as a component unit of the City. The annual street program is recorded as an expense in the Governmental Funds so that the asset can be recorded.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Proprietary Funds. The City maintains two 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 and Sanitation services *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$28,837,303 at the close of fiscal year 2019. This represents an increase of \$697,919 from the 2018 net position of \$28,139,384 after the prior period adjustment.

By far the largest portion of the City's assets (\$19,500,338), 68%, reflects its net investment in capital assets (e.g., land, buildings, vehicles and equipment), less the outstanding balance of related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This year's net position values indicate increases because of acquisition and construction of assets through the Capital Projects Fund.

City of Center's Combined Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 8 576 098	\$ 4 069 839	\$ 4 662 292	\$ 2 694 248	\$ 13 238 390	\$ 6 764 087
Capital assets (net of depreciation)	21 748 038	21 938 893	14 806 696	15 147 133	36 554 734	37 086 026
Total Assets	<u>30 324 136</u>	<u>26 008 732</u>	<u>19 468 988</u>	<u>17 841 381</u>	<u>49 793 124</u>	<u>43 850 113</u>
Deferred outflow	1 090 354	603 144	392 897	176 339	1 483 251	779 483
Long-term liabilities outstanding	11 430 171	7 623 692	6 658 992	4 698 207	18 089 163	12 321 899
Other liabilities	1 367 044	1 234 598	752 016	540 481	2 119 060	1 775 079
Total Liabilities	<u>12 797 215</u>	<u>8 858 290</u>	<u>7 411 008</u>	<u>5 238 688</u>	<u>20 208 223</u>	<u>14 096 978</u>
Deferred inflow	1 797 479	2 085 592	433 370	492 334	2 230 849	2 577 926
Net Position:						
Net Investment in capital assets	11 076 376	14 463 076	8 423 962	10 635 379	19 500 338	25 098 455
Restricted	5 253 139	929 158	2 727 864	742 739	7 981 003	1 671 897
Unrestricted	490 281	275 760	865 681	908 580	1 355 962	1 184 340
Total Net Position	<u>\$ 16 819 796</u>	<u>\$ 15 667 994</u>	<u>\$ 12 017 507</u>	<u>\$ 12 286 698</u>	<u>\$ 28 837 303</u>	<u>\$ 27 954 692</u>

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

An additional portion of the City's net position, \$7,981,003 (28%), represents resources that are subject to external restrictions on how they may be used.

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

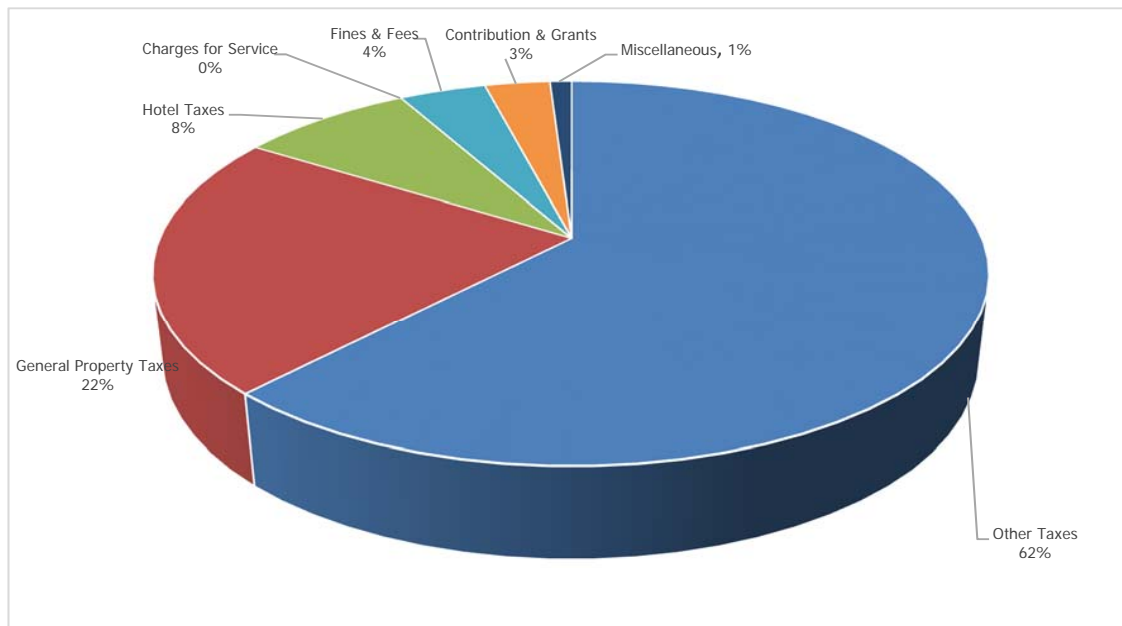
City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for services	\$ 357 001	\$ 362 943	\$ 5 211 319	\$ 5 411 989	\$ 5 568 320	\$ 5 774 932
Operating grants and contributions	135 300	204 195	-	-	135 300	204 195
Capital grants and contributions	34 688	475 320	-	186 429	34 688	661 749
General Revenues:						
Property taxes	1 673 134	1 623 556	-	-	1 673 134	1 623 556
Other taxes	3 215 333	3 056 271	-	-	3 215 333	3 056 271
Other	524 738	396 099	452 617	45 324	977 355	441 423
Total Revenues	<u>5 940 194</u>	<u>6 118 384</u>	<u>5 663 936</u>	<u>5 643 742</u>	<u>11 604 130</u>	<u>11 762 126</u>
Expenses:						
General government	1 366 025	1 146 049	-	-	1 366 025	1 146 049
Public safety	2 602 775	2 201 437	-	-	2 602 775	2 201 437
Community services	1 269 422	1 301 334	-	-	1 269 422	1 301 334
Streets and drainage	944 829	1 139 283	-	-	944 829	1 139 283
Sanitation	-	-	1 458 076	1 265 848	1 458 076	1 265 848
Inspections	38 868	42 285	-	-	38 868	42 285
Interest on long-term debt	307 699	335 466	-	-	307 699	335 466
Water and sewer	-	-	3 390 226	3 410 541	3 390 226	3 410 541
Total Expenses	<u>6 529 618</u>	<u>6 165 854</u>	<u>4 848 302</u>	<u>4 676 389</u>	<u>11 377 920</u>	<u>10 842 243</u>
Transfers	1 556 534	1 399 602	(1 084 825)	(861 600)	471 709	538 002
Increase (decrease) in net position	<u>967 110</u>	<u>1 352 132</u>	<u>(269 191)</u>	<u>105 753</u>	<u>697 919</u>	<u>1 457 885</u>
Net Position, Ending	<u>\$ 16 819 796</u>	<u>\$ 15 667 994</u>	<u>\$ 12 017 507</u>	<u>\$ 12 286 698</u>	<u>\$ 28 837 303</u>	<u>\$ 27 954 692</u>

Governmental Activities. Governmental activities increased the City of Center's net position by \$967,110. Key elements of this increase are as follows:

- Governmental Fund expenditures exceeded revenues by \$589,424. This is offset by governmental fund transfer of \$1,556,534. This is mostly from transfers from the Utility and Sanitation Funds and internal service funds;
- Governmental Expenses increased \$363,764 from prior year expenses;

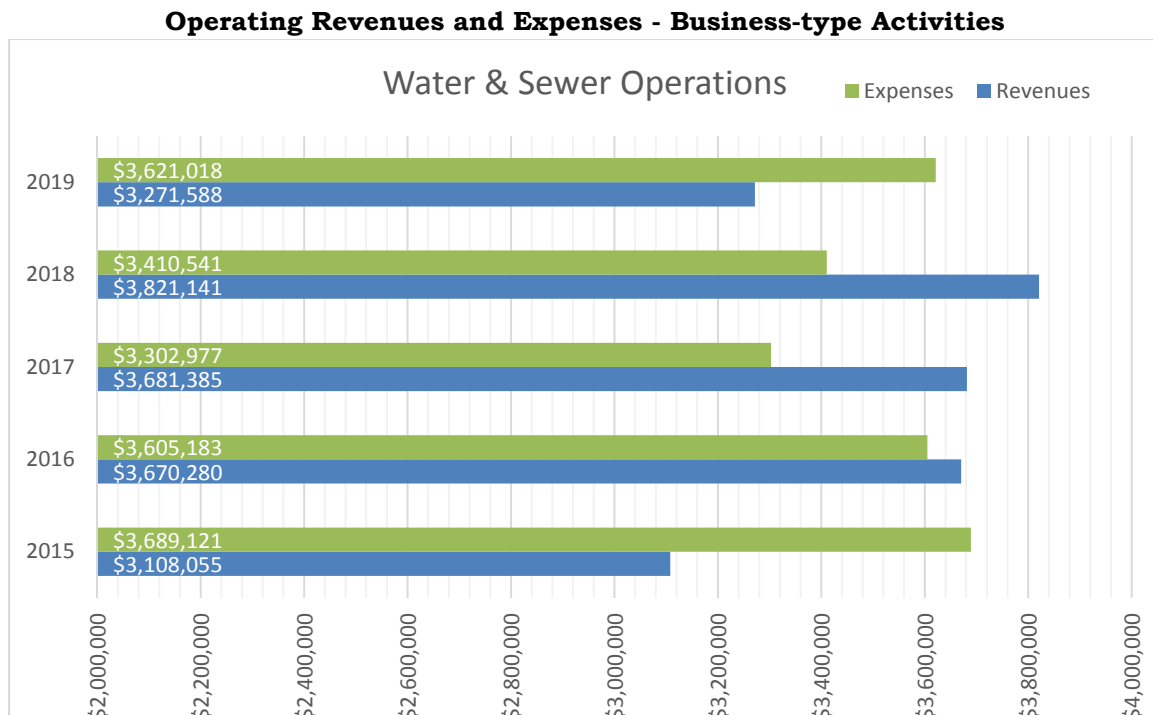
Revenues by Source - All Governmental Activities (reference page 19)



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

Business-Type Activities. Business-type activities decreased the total government's net position by \$269,191. Key elements of this change are as follows:

- Operating revenues increased \$20,194 to \$5,663,936 from \$5,643,742. This is a result of revenue increases in Sanitation of \$547 and revenue decrease in Water-Sewer of \$200,123.
- Operating expenses increased \$171,913 to \$4,848,302 from \$4,676,389. Water-Sewer expenses decreased \$138,953 while Sanitation expenses increased \$192,228.
- Operating expenses exceeded revenues resulting in Operating Loss of \$(269,191).
- Including non-operating expenses, primarily costs of debt and transfers, Change in Net Position is \$(269,191). Transfers includes transfers to the General Fund, Debt Fund, Technology Fund, and Capital Improvement Fund.



As a component of Total Net Position, the Unrestricted Net Position of the Proprietary Funds at the end of the current fiscal year is \$865,681. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

Internal Service Funds. The City operates two Internal Service Funds: the Technology Fund and Equipment Replacement Fund. The Technology Fund was fully capitalized in FY 2018 by transfers from the General and Utility Funds. The Equipment Replacement Fund was created in FY 2018 and will be fully capitalized in FY 2019. The net position for the Equipment Replacement Fund increased by \$90,651 from \$427,616 to \$518,267. However, the Fund had a reduction in cash of \$15,885, bringing its cash at the end of the year to \$138,764. This is a result of the Fund using cash to acquire equipment assets.

Financial Analysis of the Government's Funds

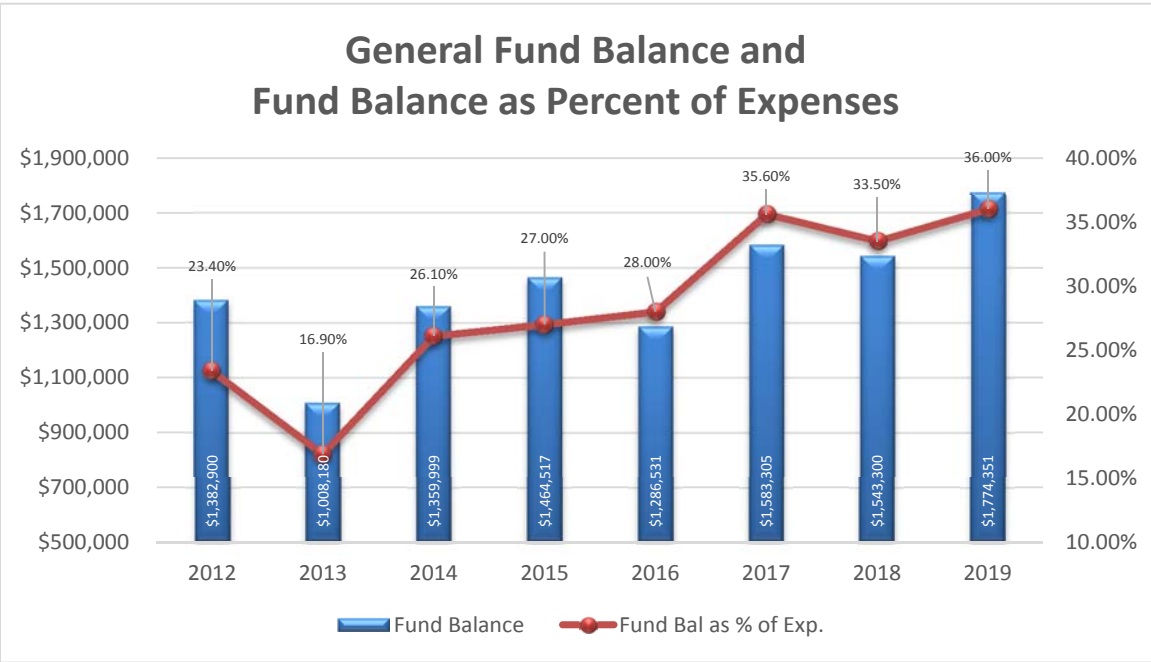
As noted earlier, the City of Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$7,110,597, an increase of \$4,453,447 from the prior year, excluding the prior period adjustment. Approximately 25% of this total amount, \$1,774,351, constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remaining 75% of fund balance is *restricted* to indicate that it is not available for spending because it has already been committed and dedicated to 1) pay debt service, 2) for perpetual trust 3) for capital projects or 4) grant projects. See page 18 in the report for more detail about the fund balance allocation.

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 \$1,774,351. The fund balance of the City's general fund increased by \$46,359 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 36.0% of total general fund operational expenditures. The City Council established a minimum fund balance policy of 25% of annual expenditures.

General Fund Budgetary Highlights



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

A review of the final amended budget compared to actual revenues/expenditures presents a number of variances. Total revenues increased from the budget by \$248,707. Total expenditures decreased from the budget by \$72,832. After transfers to and from other funds, the general fund experienced an increase in the fund balance of \$46,359.

Capital Asset and Debt Administration

Capital Assets. The City of Center's investment in capital assets for its governmental and business-type activities amounts to \$36,554,734 (net of accumulated depreciation) at the end of the current fiscal year increasing from last year's amount of \$37,227,104. This investment in capital assets includes land, buildings, improvements, vehicles and equipment. Due to the size of the City, past asset valuations for major infrastructure (streets, bridges, drainage, etc.) are not required to comply with reporting requirements, however beginning in fiscal year 2004, the City began prospectively accumulating values for these major capital assets.

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 73 072	\$ 73 072	\$ 665 250	\$ 665 250	\$ 738 322	\$ 738 322
Buildings	6 685 601	6 838 859	-	-	6 685 601	6 838 859
Improvements other than buildings	3 649 560	3 792 257	-	-	3 649 560	3 792 257
Machinery and equipment	959 722	980 461	645 502	731 119	1 605 224	1 711 580
Buildings and systems	-	-	13 270 789	13 725 662	13 270 789	13 725 662
Infrastructure	9 990 254	10 243 246	-	-	9 990 254	10 243 246
Construction in progress	389 829	152 076	225 155	25 102	614 984	177 178
Total	<u>\$ 21 748 038</u>	<u>\$ 22 079 971</u>	<u>\$ 14 806 696</u>	<u>\$ 15 147 133</u>	<u>\$ 36 554 734</u>	<u>\$ 37 127 104</u>

Long-Term Debt. At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$16,420,000, an increase from last year's total bonded debt of \$10,945,000. All is backed by the full faith and credit of the government.

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

City of Center's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 10 038 750	\$ 6 440 000	\$ 6 381 250	\$ 4 505 000	\$ 16 420 000	\$ 10 945 000
Compensated absences	112 713	119 116	35 870	36 335	148 583	155 451
Notes payable	632 912	886 256	-	-	632 912	886 256
Total	<u>\$ 10 784 375</u>	<u>\$ 7 445 372</u>	<u>\$ 6 417 120</u>	<u>\$ 4 541 335</u>	<u>\$ 17 201 495</u>	<u>\$ 11 986 707</u>

The City of Center's debt issuance rating by Moody's was upgraded in 2007 from a rating of "Baa2" to a rating of "A2". This pertains to the current debt issuances for general obligation and any other bonded debt. This rating was reaffirmed by Moody's in 2018.

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

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of August 2019 for Shelby County, according to Texas Workforce Commission statistics, is 4.3%. The unemployment rates for August 2019, according to the Texas Workforce Commission, are 3.6% for the State of Texas and 4.1% for the Deep East Texas Region.

- The City's total state sales tax receipts, including the 1¼% for governmental purposes and the two Economic Development Corporations, for the current fiscal year, totaled \$3,353,326 an increase of \$154,139 or 4.8% from the previous year (\$3,199,187). This primarily reflects a return of oil and gas industry activities in the region.
- Economic trends in the area are stabilizing relative to state and national indices and trends.

All of these factors were considered in preparing the City of Center's budget for the 2020 fiscal year.

Requests for Information

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

FINANCIAL STATEMENTS

CITY OF CENTER, TEXAS
STATEMENT OF NET POSITION
September 30, 2019

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	\$ 7 491 536	\$ 1 223 431	\$ 8 714 967	\$ 2 916 797
Receivables (net)	917 197	607 138	1 524 335	400 538
Due from other governments	160 077	-	160 077	96 046
Inventories	7 288	103 859	111 147	-
Restricted Assets:				
Cash and cash equivalents	-	2 727 864	2 727 864	-
Capital assets (net of accumulated depreciation)	21 748 038	14 806 696	36 554 734	289 530
TOTAL ASSETS	30 324 136	19 468 988	49 793 124	3 702 911
DEFERRED OUTFLOWS				
Deferred outflow - Pension	771 837	278 302	1 050 139	-
Deferred outflow - OPEB	-	-	-	-
Deferred outflow - Subsequent contribution - Pension	314 533	113 412	427 945	-
Deferred outflow - Subsequent contribution - OPEB	3 984	1 183	5 167	-
TOTAL DEFERRED OUTFLOWS	1 090 354	392 897	1 483 251	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	31 414 490	19 861 885	51 276 375	3 702 911
LIABILITIES				
Current Liabilities:				
Accounts payable	240 117	236 299	476 416	1 518
Accrued liabilities	144 335	35 868	180 203	-
Accrued interest payable	30 903	26 382	57 285	-
Premium on bond issue	144 317	-	144 317	-
Customer deposits payable	-	179 717	179 717	-
Due within one year	807 372	273 750	1 081 122	-
Noncurrent Liabilities:				
Due in more than one year	9 864 290	6 107 500	15 971 790	-
Accrued compensated absences	112 713	35 870	148 583	-
Pension liabilities	1 322 175	476 737	1 798 912	-
OPEB liabilities	130 993	38 885	169 878	-
TOTAL LIABILITIES	12 797 215	7 411 008	20 208 223	1 518
DEFERRED INFLOWS				
Deferred inflows - Pension	1 197 969	431 952	1 629 921	-
Deferred inflows - OPEB	4 775	1 418	6 193	-
Unavailable revenues	594 735	-	594 735	-
TOTAL DEFERRED INFLOWS	1 797 479	433 370	2 230 849	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	14 594 694	7 844 378	22 439 072	1 518
NET POSITION				
Net investment in capital assets	11 076 376	8 423 962	19 500 338	289 530
Restricted for:				
Debt service	190 890	-	190 890	-
Grants	674 440	-	674 440	-
Capital projects	4 219 456	2 727 864	6 947 320	-
Perpetual care	168 353	-	168 353	-
Unrestricted	490 281	865 681	1 355 962	3 411 863
TOTAL NET POSITION	\$ 16 819 796	\$ 12 017 507	\$ 28 837 303	\$ 3 701 393

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, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1 366 025	\$ 4 902	\$ -	\$ -
Public safety	2 602 775	6 836	134 035	-
Community services	1 269 422	312 458	1 265	34 688
Streets and drainage	944 829	-	-	-
Inspections	38 868	32 805	-	-
Interest on long-term debt	307 699	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>6 529 618</u>	<u>357 001</u>	<u>135 300</u>	<u>34 688</u>
Business-Type Activities:				
Water and sewer fund	3 390 226	3 621 018	-	-
Sanitation fund	1 458 076	1 590 301	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4 848 302</u>	<u>5 211 319</u>	<u>-</u>	<u>-</u>
 TOTAL PRIMARY GOVERNMENT	 \$ <u>11 377 920</u>	 \$ <u>5 568 320</u>	 \$ <u>135 300</u>	 \$ <u>34 688</u>
Component Units:				
Economic Development	\$ 119 920	\$ -	\$ -	\$ -
Economic Development Street Improvement	29 020	-	-	-
Local Government Housing Corp	562	-	-	-
TOTAL COMPONENT UNITS	<u>\$ 149 502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other taxes and permits				
Fines and fees				
Unrestricted investment earnings				
Other unrestricted revenue				
Transfers				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
Net position - Beginning				
Prior period adjustment				
NET POSITION - BEGINNING, RESTATED				
NET POSITION - ENDING				

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	ECONOMIC DEVELOPMENT CORPORATIONS
\$ (1 361 123)	\$ -	\$ (1 361 123)	\$ -
(2 461 904)	-	(2 461 904)	-
(921 011)	-	(921 011)	-
(944 829)	-	(944 829)	-
(6 063)	-	(6 063)	-
<u>(307 699)</u>	<u>-</u>	<u>(307 699)</u>	<u>-</u>
 (6 002 629)	 -	 (6 002 629)	 -
-	230 792	230 792	-
<u>-</u>	<u>132 225</u>	<u>132 225</u>	<u>-</u>
-	363 017	363 017	-
<u>(6 002 629)</u>	<u>363 017</u>	<u>(5 639 612)</u>	<u>-</u>
-	-	-	(119 920)
-	-	-	(29 020)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(562)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(149 502)</u>
1 673 134	-	1 673 134	-
2 096 705	-	2 096 705	1 272 910
1 118 628	-	1 118 628	-
184 759	-	184 759	-
97 880	61 076	158 956	69 466
242 099	391 541	633 640	-
1 556 534	(1 084 825)	471 709	(471 709)
<u>6 969 739</u>	<u>(632 208)</u>	<u>6 337 531</u>	<u>870 667</u>
<u>967 110</u>	<u>(269 191)</u>	<u>697 919</u>	<u>721 165</u>
15 667 994	12 286 698	27 954 692	2 980 228
184 692	-	184 692	-
<u>15 852 686</u>	<u>12 286 698</u>	<u>28 139 384</u>	<u>2 980 228</u>
\$ <u>16 819 796</u>	\$ <u>12 017 507</u>	\$ <u>28 837 303</u>	\$ <u>3 701 393</u>

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CITY OF CENTER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2019

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 1 795 418	\$ 4 219 556	\$ 1 211 260	\$ 7 226 234
Receivables (Net of Uncollectibles):				
Taxes	232 086	-	-	232 086
Accounts	-	-	407 347	407 347
Court fines receivable	190 389	-	-	190 389
Governmental agencies	160 077	-	-	160 077
Sundry	87 375	-	-	87 375
Due from other funds	81 455	-	500	81 955
Inventories	7 288	-	-	7 288
TOTAL ASSETS	\$ 2 554 088	\$ 4 219 556	\$ 1 619 107	\$ 8 392 751
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 217 389	\$ -	\$ 17 653	\$ 235 042
Accrued liabilities	138 920	-	3 162	142 082
Due to other funds	500	100	81 355	81 955
TOTAL LIABILITIES	356 809	100	102 170	459 079
Deferred Inflows:				
Unavailable revenue	422 928	-	400 147	823 075
TOTAL DEFERRED INFLOWS	422 928	-	400 147	823 075
Fund Balances:				
Restricted for:				
Debt service	-	-	190 890	190 890
Grants	-	-	757 547	757 547
Other purposes	-	4 219 456	168 353	4 387 809
Unassigned:				
General fund	1 774 351	-	-	1 774 351
TOTAL FUND BALANCES	1 774 351	4 219 556	1 116 790	7 110 597
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2 554 088	\$ 4 219 556	\$ 1 619 107	
Amounts Reported for Governmental Activities in the Statement of Net Activities are Different Because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				21 368 535
An internal service fund is used for equipment acquisition and replacement. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.				518 267
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				228 340
Long-term liabilities, including bonds, pensions, and other post-employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds				(12 405 943)
NET POSITION OF GOVERNMENTAL ACTIVITIES				\$ 16 819 796

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, 2019

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 1 015 406	\$ -	\$ 710 502	\$ 1 725 908
Other local taxes and permits	2 841 065	-	374 268	3 215 333
Fines and fees	177 923	-	6 836	184 759
Charges for services	249 296	-	145 684	394 980
Contributions and grants	151 098	-	20 536	171 634
Miscellaneous	30 119	-	42 875	72 994
TOTAL REVENUES	<u>4 464 907</u>	<u>-</u>	<u>1 300 701</u>	<u>5 765 608</u>
Expenditures:				
General government	1 309 404	-	-	1 309 404
Public safety	2 541 052	-	15 502	2 556 554
Community services	694 305	-	284 797	979 102
Streets and drainage	339 477	-	507 785	847 262
Inspections	43 594	-	-	43 594
Capital outlay	-	182 743	-	182 743
Debt Service:				
Principal	-	-	1 018 305	1 018 305
Interest and fiscal charges	-	-	312 703	312 703
TOTAL EXPENDITURES	<u>4 927 832</u>	<u>182 743</u>	<u>2 139 092</u>	<u>7 249 667</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(462 925)</u>	<u>(182 743)</u>	<u>(838 391)</u>	<u>(1 484 059)</u>
Other Financing Sources (Uses):				
Debt proceeds	-	-	4 368 715	4 368 715
Interest income	36 471	23 246	32 540	92 257
Transfers in	707 954	4 353 749	1 295 791	6 357 494
Transfers (out)	<u>(235 141)</u>	<u>-</u>	<u>(4 645 819)</u>	<u>(4 880 960)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>509 284</u>	<u>4 376 995</u>	<u>1 051 227</u>	<u>5 937 506</u>
NET CHANGE IN FUND BALANCES	<u>46 359</u>	<u>4 194 252</u>	<u>212 836</u>	<u>4 453 447</u>
Fund balances at beginning of year	1 543 300	25 204	903 954	2 472 458
Prior period adjustment	184 692	-	-	184 692
FUND BALANCES AT BEGINNING OF YEAR	<u>1 727 992</u>	<u>25 204</u>	<u>903 954</u>	<u>2 657 150</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1 774 351</u>	<u>\$ 4 219 456</u>	<u>\$ 1 116 790</u>	<u>\$ 7 110 597</u>

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

CITY OF CENTER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

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

Net change in fund balances - Total governmental funds	\$ 4 453 447
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital depreciation exceeded outlays in the current period.	(297 391)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(52 774)
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	129 486
The issuance of long-term debt (e.g., bonds, notes, and pension and other post employment benefits) financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debts and other related items.	<u>(3 265 658)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 967 110</u>

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

CITY OF CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 967 854	\$ 255 577	\$ 1 223 431
Receivables (Net):			
Accounts	334 933	256 578	591 511
Sundry	15 627	-	15 627
Inventories	103 859	-	103 859
TOTAL CURRENT ASSETS	<u>1 422 273</u>	<u>512 155</u>	<u>1 934 428</u>
Noncurrent Assets:			
Restricted cash	2 727 864	-	2 727 864
Capital Assets:			
Land	665 250	-	665 250
Utility systems	31 757 940	-	31 757 940
Equipment	3 467 841	39 687	3 507 528
Construction in progress	225 155	-	225 155
Less accumulated depreciation	<u>(21 310 974)</u>	<u>(38 203)</u>	<u>(21 349 177)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>14 805 212</u>	<u>1 484</u>	<u>14 806 696</u>
TOTAL NONCURRENT ASSETS	<u>17 533 076</u>	<u>1 484</u>	<u>17 534 560</u>
TOTAL ASSETS	<u>18 955 349</u>	<u>513 639</u>	<u>19 468 988</u>
DEFERRED OUTFLOWS			
Deferred outflow - Pension	278 302	-	278 302
Deferred outflow - Subsequent contributions pensions	113 412	-	113 412
Deferred outflow - OPEB	-	-	-
Deferred outflow - Subsequent contributions OPEB	<u>1 183</u>	<u>-</u>	<u>1 183</u>
TOTAL DEFERRED OUTFLOWS	<u>392 897</u>	<u>-</u>	<u>392 897</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>19 348 246</u>	<u>513 639</u>	<u>19 861 885</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	108 369	127 930	236 299
Accrued expense	35 868	-	35 868
Debt payable - Current	273 750	-	273 750
Accrued interest payable	26 382	-	26 382
Customer deposits payable	<u>179 717</u>	<u>-</u>	<u>179 717</u>
TOTAL CURRENT LIABILITIES	<u>624 086</u>	<u>127 930</u>	<u>752 016</u>
Noncurrent Liabilities:			
Compensated absences	35 870	-	35 870
Pension liability	476 737	-	476 737
OPEB liability	38 885	-	38 885
Long term debt payable	<u>6 107 500</u>	<u>-</u>	<u>6 107 500</u>
TOTAL NONCURRENT LIABILITIES	<u>6 658 992</u>	<u>-</u>	<u>6 658 992</u>
TOTAL LIABILITIES	<u>7 283 078</u>	<u>127 930</u>	<u>7 411 008</u>
DEFERRED INFLOWS			
Deferred inflow - Pension	431 952	-	431 952
Deferred inflow - OPEB	<u>1 418</u>	<u>-</u>	<u>1 418</u>
TOTAL DEFERRED INFLOWS	<u>433 370</u>	<u>-</u>	<u>433 370</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>7 716 448</u>	<u>127 930</u>	<u>7 844 378</u>
NET POSITION			
Net investment in capital assets	8 423 962	-	8 423 962
Restricted for capital projects	2 727 864	-	2 727 864
Unrestricted	<u>479 972</u>	<u>385 709</u>	<u>865 681</u>
TOTAL NET POSITION	<u>\$ 11 631 798</u>	<u>\$ 385 709</u>	<u>\$ 12 017 507</u>

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

INTERNAL SERVICE FUNDS			
EQUIPMENT REPLACEMENT FUND		TECHNOLOGY FUND	
\$	138 764	\$	126 538
	-		-
	-		-
	-		-
	138 764		126 538
	-		-
	-		-
	-		-
	596 320		-
	-		-
	(216 817)		-
	379 503		-
	379 503		-
	518 267		126 538
	-		-
	-		-
	-		-
	-		-
	518 267		126 538
	-		5 075
	-		2 253
	-		-
	-		-
	-		-
	-		7 328
	-		-
	-		-
	-		-
	-		-
	-		-
	-		7 328
	-		-
	-		-
	-		-
	-		-
	379 503		-
	-		-
	138 764		119 210
\$	518 267	\$	119 210

CITY OF CENTER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2019

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for service	\$ 3 516 135	\$ 1 589 050	\$ 5 105 185
Taps and connections	6 385	-	6 385
Miscellaneous	98 498	1 251	99 749
TOTAL OPERATING REVENUES	<u>3 621 018</u>	<u>1 590 301</u>	<u>5 211 319</u>
Operating Expenses:			
Nondepartmental	174 692	-	174 692
Public works	277 743	-	277 743
Water production	1 098 884	-	1 098 884
Water distribution	287 583	-	287 583
Sewer collection	208 613	-	208 613
Sewer treatment	571 360	-	571 360
Sanitation	-	1 452 806	1 452 806
Depreciation	652 713	5 270	657 983
TOTAL OPERATING EXPENSES	<u>3 271 588</u>	<u>1 458 076</u>	<u>4 729 664</u>
OPERATING INCOME	<u>349 430</u>	<u>132 225</u>	<u>481 655</u>
Nonoperating Revenues (Expenses):			
Income from investments	55 738	5 338	61 076
Other revenue	2 944	-	2 944
Bond issue premium	388 597	-	388 597
Interest expense	(118 638)	-	(118 638)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>328 641</u>	<u>5 338</u>	<u>333 979</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	<u>678 071</u>	<u>137 563</u>	<u>815 634</u>
Operating transfers in (out)	<u>(884 825)</u>	<u>(200 000)</u>	<u>(1 084 825)</u>
TOTAL NET OPERATING TRANSFERS	<u>(884 825)</u>	<u>(200 000)</u>	<u>(1 084 825)</u>
CHANGE IN NET POSITION	(206 754)	(62 437)	(269 191)
Beginning net position	<u>11 838 552</u>	<u>448 146</u>	<u>12 286 698</u>
NET POSITION, END OF YEAR	<u>\$ 11 631 798</u>	<u>\$ 385 709</u>	<u>\$ 12 017 507</u>

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

INTERNAL SERVICE FUNDS	
EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
\$ 99 285	\$ 195 800
-	-
-	-
99 285	195 800
-	159 424
-	-
-	-
-	-
-	-
-	-
110 043	-
110 043	159 424
(10 758)	36 376
3 164	2 459
18 245	-
-	-
-	-
21 409	2 459
10 651	38 835
80 000	-
80 000	-
90 651	38 835
427 616	80 375
\$ 518 267	\$ 119 210

CITY OF CENTER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2019

	BUSINESS-TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Cash Flows from Operating Activities:			
Received from customers	\$ 3 631 231	\$ 1 628 975	\$ 5 260 206
Payments to suppliers	(1 558 720)	(1 338 939)	(2 897 659)
Payments to employees	(1 184 208)	-	(1 184 208)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	888 303	290 036	1 178 339
Cash Flows from Noncapital Financing Activities:			
Operating transfers in (out)	(884 825)	(200 000)	(1 084 825)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(884 825)	(200 000)	(1 084 825)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(317 546)	-	(317 546)
Bond proceeds	2 478 597	-	2 478 597
Principal paid on debt	(213 750)	-	(213 750)
Insurance proceeds	-	-	-
Gain on disposal of assets	-	-	-
Interest paid on debt	(118 638)	-	(118 638)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	1 828 663	-	1 828 663
Cash Flows from Investing Activities:			
Interest on investments	55 738	5 338	61 076
Royalties	2 944	-	2 944
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	58 682	5 338	64 020
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1 890 823	95 374	1 986 197
Cash at beginning of year	1 804 895	160 203	1 965 098
CASH AT END OF YEAR	\$ 3 695 718	\$ 255 577	\$ 3 951 295

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating income (loss)	\$ 349 430	\$ 132 225	\$ 481 655
Adjustments:			
Depreciation	652 713	5 270	657 983
Changes in:			
Accounts receivable	2 973	38 674	41 647
Inventory	(23 494)	-	(23 494)
Deferred charges	(275 516)	-	(275 516)
Accounts payable	32 747	113 867	146 614
Accrued expense	(2 319)	-	(2 319)
Accrued compensated absences	(465)	-	(465)
Pension liability	146 063	-	146 063
Customer deposits	7 240	-	7 240
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 888 303	\$ 290 036	\$ 1 178 339

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

INTERNAL SERVICE FUNDS	
EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
\$ 99 285	\$ 195 800
-	(65 199)
-	(97 261)
99 285	33 340
80 000	-
80 000	-
(216 579)	-
-	-
-	-
11 565	-
6 680	-
-	-
(198 334)	-
3 164	2 459
-	-
3 164	2 459
(15 885)	35 799
154 649	90 739
\$ 138 764	\$ 126 538
\$ 16 672	\$ 36 376
82 613	-
-	-
-	-
-	-
-	(3 158)
-	122
-	-
-	-
-	-
\$ 99 285	\$ 33 340

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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.

The City of Center Local Government Corporation - Established in 2018 to hold and manage the assets of Parker Place Subdivision. The City acquired the remaining subdivision lots in 2018 after reaching a settlement with the owner, and repayment of the Housing Infrastructure Fund (HIF) grant. The City is working to sell the lots to builders.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

The government reports the following governmental funds:

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

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

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

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

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government reports the following proprietary funds:

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

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

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

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

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

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

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

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

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

1. Deposits and Investments:

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

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

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

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

2. Receivables and Payables:

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

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

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

3. Inventories and Prepaid Items:

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

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

4. Restricted Assets:

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

5. Capital Assets:

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

Depreciation is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Structures and water and sewer systems	10 to 50 years
Infrastructure	10 to 30 years
Transportation and other equipment	3 to 20 years

6. Compensated Absences:

The City accounts for expenditures related to sick pay when such payments are made to employees as amounts do not vest. The City accounts for all material liabilities and expenditures related to vacation pay during the fiscal year in which such benefits accrue. Employees are required to take vacation time if at all possible, and vacation time will not be allowed to be accrued more than 160 hours on an anniversary date. Sick leave can be accumulated up to 320 hours.

The City has determined that the current portion of the accrued expense for compensated absences cannot be reasonably estimated. Therefore, the total accrued expense for compensated absences is recorded as long-term debt in the financial statements.

7. Long-Term Obligations:

In the government-wide financial statements and proprietary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Fund Equity:

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

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

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

9. Deferred Outflows/Inflows of Resources:

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

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

10. Use of Estimates:

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

11. Subsequent Events:

Management has evaluated subsequent events through April 13, 2020, the date the financial statements were available to be issued.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting:

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

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

B. City Fund Balance Policy:

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

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

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

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

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

FUND BALANCE ANALYSIS

	2019
Beginning fund balance	\$ 1 727 992
Total general fund revenues and transfers	5 209 332
Total general fund expenditures and transfers	(5 162 973)
ENDING GENERAL FUND BALANCE	<u>\$ 1 774 351</u>
 Airport expense	 \$ (142 962)
General fund expenditures	4 927 832
ADJUSTED GENERAL FUND EXPENDITURES	<u>\$ 4 784 870</u>

	20%	25%
Required Fund Balance	\$ 956 974	\$ 1 221 218

Actual Fund Balance calculation represents 37.08% of adjusted General Fund Expenditures and 36.01% of non-adjusted General Fund Expenditures.

Tax Abatements

During the year ended September 30, the City abated property from local property taxes to create an economic development incentive. The results of the abated property was a reduction in property tax income of \$37,307 for the year.

YEAR	VALUE OF ABATED PROPERTY
2019	\$ 6 217 870
2020	4 559 680
2021	3 227 758
2022	1 895 836
2023	947 918

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Primary Government:	
Unrestricted cash and investments	\$ 8 714 967
Restricted cash and investments	2 727 864
Component Units:	
Cash and investments	2 916 797
TOTAL CASH AND INVESTMENTS	<u>\$ 14 359 628</u>
 Primary Government:	
Cash on hand	\$ (1 179)
Deposits with financial institutions	668 981
Investments in LOGIC	10 775 029
Component Units:	
Deposits with financial institutions	40 213
Investments in LOGIC	2 876 584
TOTAL CASH AND INVESTMENTS	<u>\$ 14 359 628</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

At September 30, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$711,690 and \$40,213, respectively. Deposits were with the contracted depository bank, Farmers State Bank, in a combination of interest and non-interest bearing accounts and interest bearing Certificates of Deposits. The deposits were fully secured at the balance sheet date by federal depository coverage and by pledged U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of deposits.

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

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

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Primary government - LOGIC	\$ 10 775 029	48
Component units - LOGIC	2 876 584	48
	<u>\$ 13 651 613</u>	

Although Local Government Investment Cooperative had a weighted average maturity of 48 days, the City considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Interest rate risk is the risk that changes in market interest rates and will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value. The City concentrates its investments on short-term investments in order to limit market risk caused by changes in interest rates. The maximum allowed maturity of any investment by the City is three years.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. The City's depository fully collateralizes the City's deposits as outlined above.

B. Receivables

The City contracts with the Texas Department of Agriculture for various economic development programs. In accordance with certain terms of the contracts, funds have been loaned to specific entities at no interest. The City is liable to the State for repayment and the entity is liable to the City for repayment. The repayment of loans is accounted for as miscellaneous revenue and expenditures. The contracts are managed in a special revenue fund. At September 30, the City has two active loans. The following is a summary of transactions for the year ended September 30.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2018	\$ 97 385	\$ 97 385
Loan payments received	-	(42 875)
Loans paid	(42 875)	-
Balance at September 30, 2019	<u>\$ 54 510</u>	<u>\$ 54 510</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The loans are comprised of the following individual issues:

1997 Texas Capital Fund, \$500,000, due in 240 monthly payments of \$2,083	\$ 8 334
1998 Texas Capital Fund, \$357,500, due in 240 monthly payments of \$1,490	46 176
TOTAL	\$ 54 510

Future requirements are as follows:

YEAR	PAYABLE/ RECEIVABLE
2020	\$ 26 209
2021	17 875
2022	10 426
	\$ 54 510

C. Capital Assets

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 152 076	\$ 322 979	\$ (85 226)	\$ 389 829
Land	73 072	-	-	73 072
TOTAL ASSETS NOT BEING DEPRECIATED	225 148	322 979	(85 226)	462 901
Capital Assets, Being Depreciated:				
Buildings	9 207 697	50 300	-	9 257 997
Improvements other than buildings	5 070 204	7 300	-	5 077 504
Vehicles and equipment	2 430 164	-	(167 888)	2 262 276
Infrastructure	15 965 794	507 785	-	16 473 579
TOTAL ASSETS BEING DEPRECIATED	32 673 859	565 385	(167 888)	33 071 356
Less Accumulated Depreciation For:				
Buildings	2 368 838	203 558	-	2 572 396
Improvements other than buildings	1 277 947	149 997	-	1 427 944
Vehicles and equipment	1 722 670	123 538	(164 151)	1 682 057
Infrastructure	5 722 548	760 777	-	6 483 325
TOTAL ACCUMULATED DEPRECIATION	11 092 003	1 237 870	(164 151)	12 165 722
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	21 581 856	(672 485)	(3 737)	20 905 634
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 21 807 004	\$ (349 506)	\$ (88 963)	\$ 21 368 535
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 665 250	\$ -	\$ -	\$ 665 250
Construction in progress	25 102	200 053	-	225 155
TOTAL ASSETS NOT BEING DEPRECIATED	690 352	200 053	-	890 405
Capital Assets, Being Depreciated:				
Buildings and systems	31 668 551	89 389	-	31 757 940
Vehicles and equipment	3 499 672	38 026	(30 170)	3 507 528
TOTAL ASSETS BEING DEPRECIATED	35 168 223	127 415	(30 170)	35 265 468
Less Accumulated Depreciation For:				
Buildings and systems	17 942 889	544 262	-	18 487 151
Vehicles and equipment	2 768 553	113 721	(20 248)	2 862 026
TOTAL ACCUMULATED DEPRECIATION	20 711 442	657 983	(20 248)	21 349 177
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	14 456 781	(530 568)	(9 922)	13 916 291
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 15 147 133	\$ (330 515)	\$ (9 922)	\$ 14 806 696
Internal Service Fund:				
Capital Assets, Being Depreciated:				
Vehicles and equipment	\$ 385 295	\$ 211 025	\$ -	\$ 596 320
TOTAL ASSETS NOT BEING DEPRECIATED	385 295	211 025	-	596 320
Less Accumulated Depreciation For:				
Vehicles and equipment	112 328	104 489	-	216 817
TOTAL ACCUMULATED DEPRECIATION	112 328	104 489	-	216 817
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	272 967	106 536	-	379 503
INTERNAL SERVICE FUND CAPITAL ASSETS, NET	\$ 272 967	\$ 106 536	\$ -	\$ 379 503

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Component Units:				
Capital Assets, Not Being Depreciated:				
Land	\$ 289 530	\$ -	\$ -	\$ 289 530
COMPONENT UNITS CAPITAL ASSETS, NET	<u>\$ 289 530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289 530</u>

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

Governmental Activities:

General government	\$ 18 984
Public safety	126 596
Community services	414 290
Street and drainage	<u>678 000</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1 237 870</u>

Business-Type Activities:

Water	\$ 424 088
Sewer	228 625
Sanitation	<u>5 270</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 657 983</u>

D. Changes in Long-Term Debt

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

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 6 440 000	\$ 4 130 000	\$ (531 250)	\$ 10 038 750	\$ 531 250
Note payable	886 256	-	(253 344)	632 912	276 122
Compensated absences	119 116	-	(6 403)	112 713	-
Pension liability	835 639	486 536	-	1 322 175	-
OPEB liability	<u>127 275</u>	<u>3 658</u>	<u>-</u>	<u>130 993</u>	<u>-</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 8 408 286</u>	<u>\$ 4 620 194</u>	<u>\$ (790 997)</u>	<u>\$ 12 237 543</u>	<u>\$ 807 372</u>
Business-Type Activities:					
General obligation bonds	\$ 4 505 000	\$ 2 090 000	\$ (213 750)	\$ 6 381 250	\$ 273 750
Compensated absences	36 335	-	(465)	35 870	-
Pension liability	321 634	155 103	-	476 737	-
OPEB liability	<u>48 988</u>	<u>-</u>	<u>(10 103)</u>	<u>38 885</u>	<u>-</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 4 911 957</u>	<u>\$ 2 245 103</u>	<u>\$ (224 318)</u>	<u>\$ 6 932 742</u>	<u>\$ 273 750</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

General Obligation Debt:

\$1,500,000, 2007 Combination Tax and Waterworks and Sewer System Revenue Certificate of Obligation Bonds due in annual installments of \$80,000 to \$140,000 through February 2022; interest at 4.0 to 5.5 percent (Liability recorded in governmental activities)	\$ 395 000
\$3,941,314, 2011 Combination Tax and Revenue Certificate of Obligation, due in annual installments of \$95,000 to \$505,000 through August 15, 2030, interest at 2.0 to 4.0 percent (Liability recorded in governmental activities)	3 596 314
\$168 686, 2011 Combination Tax and Revenue Capital Appreciation Bonds, due in annual installments of \$116,448 to \$104,978 through August 15, 2023, interest at 3.10 to 3.50 percent (Liability recorded in governmental activities)	168 686
\$2,070,000, 2014 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$10,000 to \$125,000 through August 15, 2035, interest at 0.0 to 3.05 percent (Liability recorded in business-type activities)	1 670 000
\$1,760,000, 2014 General Obligation Refunding Bond, due in annual installments of \$65,000 to \$225,000 through August 15, 2023, with interest of 2.0% to 2.5% (Liability recorded in governmental activities)	875 000
\$3,960,000, 2016 Combination Tax and Water and Sewer Revenue Certificate of Obligation, due in annual installments of \$130,000 to \$265,000 through August 15, 2036, interest at 2.49 percent (Liability recorded in governmental activities and business-type activities)	3 495 000
\$4,130,000, 2019 Tax & WW & SS Revenue Certificate of Obligation, due in annual installments of \$85,000 to \$405,000 through August 15, 2039, with interest of 2.0% to 2.5% (Liability recorded in governmental activities)	4 130 000
\$2,090,000, 2019 Tax & WW & SS Revenue Certificate of Obligation, due in annual installments of \$60,000 to \$140,000 through August 15, 2039, with interest of 2.0% to 2.5% (Liability recorded in governmental activities)	2 090 000
	<u>\$ 16 420 000</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
2020	\$ 531 250	\$ 341 991	\$ 273 750	\$ 195 736
2021	628 750	308 966	291 250	176 810
2022	668 750	294 141	301 250	169 380
2023	540 000	279 466	310 000	161 226
2024	560 000	259 191	315 000	154 745
Thereafter	7 110 000	1 546 228	4 890 000	1 036 854
TOTAL	<u>\$ 10 038 750</u>	<u>\$ 3 029 981</u>	<u>\$ 6 381 250</u>	<u>\$ 1 894 751</u>

Notes Payable:

\$450,000 loan from the City of Center Economic Development Corporation to be paid in annual installments through 2029, with an interest rate of 3%	\$ 240 750
\$875,000 tax anticipation note to be paid in annual installments of \$170,000 to \$190,000 through August 2020, with interest of 2.75%	190 000
\$265,117 note to be paid in annual installments of \$62,955 to \$69,679 through November 2021, with interest of 3.45%	202 162
	<u>\$ 632 912</u>

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

YEAR ENDING SEPTEMBER	GOVERNMENTAL ACTIVITIES	
	PRINCIPAL	INTEREST
2020	\$ 276 122	\$ 17 351
2021	88 993	11 308
2022	91 959	8 341
2023	22 948	5 275
2024	23 636	4 587
Thereafter	129 254	11 860
TOTAL	\$ 632 912	\$ 58 722

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. Pension Plan

Plan Description

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

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

Benefits Provided

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

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Employees Covered by Benefit Terms:

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	18
Active employees	69
	<u>131</u>

Contributions

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

Employees for the City of Center were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Center were 15.88% and 13.32% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$405,655, and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

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

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

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Changes in the Net Pension Liability

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at December 31, 2017	\$ 12 965 278	\$ 11 808 005	\$ 1 157 273
Changes for the Year:			
Service cost	523 585	-	523 585
Interest	873 880	-	873 880
Change of benefit terms	-	-	-
Difference between expected and actual experience	(428 137)	-	(428 137)
Changes of assumptions	-	-	-
Contributions - Employer	-	471 010	(471 010)
Contributions - Employee	-	217 772	(217 772)
Net investment income	-	(353 900)	353 900
Benefit payments, including refunds of employee	(561 408)	(561 408)	-
Administrative expense	-	(6 836)	6 836
Other changes	-	(357)	357
NET CHANGES	407 920	(233 719)	641 639
Balance at December 31, 2018	\$ 13 373 198	\$ 11 574 286	\$ 1 798 912

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

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

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$ 3 876 884	\$ 1 798 912	\$ 116 318

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$205,258.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 925	\$ 1 183 113
Changes in actuarial assumptions	-	8 904
Difference between projected and actual investment earnings	1 049 214	437 904
Contributions subsequent to the measurement date	427 945	-
TOTAL	\$ 1 478 084	\$ 1 629 921

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

\$427,945 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED DECEMBER 31,	PENSION EXPENSE AMOUNT
2020	\$ (210 108)
2021	(301 260)
2022	(180 899)
2023	125 761
2024	(13 276)
Thereafter	-
TOTAL	\$ <u>(579 782)</u>

B. Other Postemployment Benefit (OPEB)

Plan Description

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

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

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

Benefits Provided

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

Employees Covered by Benefit Terms

Membership:

Number of:	
Inactive employees currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>69</u>
TOTAL	<u>105</u>

Covered Payroll \$ 3 097 987

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Contributions

PLAN/ CALENDAR YEAR	TOTAL SDBF CONTRIBUTION (RATE)	RETIREE PORTION OF SDBF CONTRIBUTION (RATE)
2017	0.19%	0.07%
2018	0.18%	0.05%
2019	0.19%	0.07%

The City's contributions to the SDBF for the year ended September 30, 2019 were \$4,902, and were equal to the required contribution.

Summary of Actuarial Assumptions

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - Service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - Disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

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

Changes in OPEB Liability

Total OPEB liability - Beginning of year	\$ 176 263
Changes for the Year:	
Service cost	8 089
Interest on total OPEB liability	5 942
Changes of benefit terms	-
Differences	(6 260)
Changes in assumptions or other inputs	(12 649)
Benefit payments	(1 556)
NET CHANGES	(6 434)
TOTAL OPEB LIABILITY - END OF YEAR	\$ 169 829

Total OPEB Liability as a Percentage of Covered Payroll 5.48%

Sensitivity of OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) or 1-percentage point higher (4.71%) than the current rate.

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB Liability	\$ 204 188	\$ 169 829	\$ 143 152

CITY OF CENTER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$13,285.

As of September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ 5 258
Changes in actuarial assumptions	-	933
Difference between projected and actual earnings	-	-
Subsequent contributions	5 167	-
TOTAL	\$ 5 167	\$ 6 191

\$1,113 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

YEAR ENDED AUGUST 31,	AMORTIZATION
2020	\$ (746)
2021	(746)
2022	(746)
2023	(746)
2024	(2 455)
Thereafter	(752)
TOTAL	\$ (6 191)

C. Risk Management

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

D. Prior Period Adjustment

For the year ended September 30, 2019, a prior period adjustment was recorded to correct a cash balance previously incorrectly reported due to a transfer in the wrong period. This resulted in a change in fund balance/net position of \$184,692.

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, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
General Property Taxes:				
Current taxes	\$ 930 000	\$ 935 000	\$ 950 556	\$ 15 556
Delinquent taxes	30 000	34 000	37 235	3 235
Penalties, interest and cost	30 000	28 000	27 615	(385)
TOTAL GENERAL PROPERTY TAXES	990 000	997 000	1 015 406	18 406
Other Local Taxes and Permits:				
City sales taxes	2 002 700	2 070 000	2 096 705	26 705
Franchise taxes	669 800	685 600	705 404	19 804
Mixed drink taxes	3 000	4 000	3 924	(76)
License and permit fees	15 000	30 000	35 032	5 032
TOTAL OTHER LOCAL TAXES AND PERMITS	2 690 500	2 789 600	2 841 065	51 465
Fines and Fees:				
Municipal court fines	160 000	123 000	152 193	29 193
Court cost fees	39 600	34 000	25 417	(8 583)
Fines and fees	-	-	313	313
TOTAL FINES AND FEES	199 600	157 000	177 923	20 923
Charges For Service:				
Administration	80 000	80 000	80 000	-
Airport fuel	55 000	59 000	70 254	11 254
Airport hangar lease	28 000	27 000	27 788	788
Civic Center	62 200	51 000	56 982	5 982
Solid waste	-	-	137	137
Land lease	3 600	3 600	2 700	(900)
Building rental	12 000	12 000	11 435	(565)
TOTAL CHARGES FOR SERVICES	240 800	232 600	249 296	16 696
Contributions and Grants:				
Grant and donations	3 600	13 400	151 098	137 698
TOTAL CONTRIBUTIONS AND GRANTS	3 600	13 400	151 098	137 698
Miscellaneous Revenue:				
Miscellaneous receipts	4 200	26 600	30 119	3 519
TOTAL MISCELLANEOUS REVENUE	4 200	26 600	30 119	3 519
TOTAL REVENUES	4 128 700	4 216 200	4 464 907	248 707

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Expenditures:				
General Government:				
City Hall:				
Payroll	689 600	685 000	676 946	8 054
Supplies	16 600	17 900	19 425	(1 525)
Contractual services	47 050	50 550	44 130	6 420
Utilities	15 000	17 800	21 636	(3 836)
Sundry charges	17 500	18 300	21 762	(3 462)
Maintenance	4 800	16 400	16 574	(174)
TOTAL CITY HALL	790 550	805 950	800 473	5 477
Nondepartmental:				
Payroll	2 700	3 500	5 530	(2 030)
Supplies	2 800	1 900	645	1 255
Contractual services	202 250	203 200	193 702	9 498
Sundry charges	92 900	87 000	88 908	(1 908)
Capital outlay	-	113 400	114 980	(1 580)
TOTAL NONDEPARTMENTAL	300 650	409 000	403 765	5 235
Municipal Court:				
Payroll	47 900	46 200	45 311	889
Supplies	1 500	1 300	1 044	256
Contractual services	55 300	55 300	56 467	(1 167)
Utilities	1 000	1 000	-	1 000
Sundry charges	1 400	1 600	2 344	(744)
Maintenance	300	200	-	200
TOTAL MUNICIPAL COURT	107 400	105 600	105 166	434
TOTAL GENERAL GOVERNMENT	1 198 600	1 320 550	1 309 404	11 146
Public Safety:				
Police Department:				
Payroll	1 696 200	1 691 300	1 652 650	38 650
Supplies	42 800	39 200	35 349	3 851
Contractual services	131 600	128 400	124 359	4 041
Utilities	42 700	44 700	56 622	(11 922)
Sundry charges	16 600	14 800	8 578	6 222
Maintenance	121 600	118 800	142 875	(24 075)
Capital outlay	-	-	22 049	(22 049)
TOTAL POLICE DEPARTMENT	2 051 500	2 037 200	2 042 482	(5 282)
Fire Department:				
Payroll	407 100	424 700	405 564	19 136
Supplies	10 400	10 200	7 490	2 710
Contractual services	19 000	18 300	20 947	(2 647)
Utilities	9 500	8 900	8 867	33
Sundry charges	8 400	5 800	5 257	543
Maintenance	36 000	35 500	26 520	8 980
Capital outlay	6 000	6 000	-	6 000
TOTAL FIRE DEPARTMENT	496 400	509 400	474 645	34 755

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Animal Control Department:				
Supplies	5 000	5 000	6 200	(1 200)
Contractual services	16 000	16 000	14 332	1 668
Utilities	700	700	859	(159)
Sundry charges	1 000	1 000	2 534	(1 534)
Maintenance	1 500	1 500	-	1 500
TOTAL ANIMAL CONTROL DEPARTMENT	24 200	24 200	23 925	275
TOTAL PUBLIC SAFETY	2 572 100	2 570 800	2 541 052	29 748
Community Services:				
Airport Department:				
Payroll	23 500	20 300	21 162	(862)
Supplies	1 600	1 000	651	349
Contractual services	8 700	11 700	10 182	1 518
Utilities	13 500	13 800	15 539	(1 739)
Sundry charges	31 800	31 500	59 061	(27 561)
Maintenance	8 000	6 300	3 702	2 598
Capital outlay	5 000	23 700	32 665	(8 965)
TOTAL AIRPORT DEPARTMENT	92 100	108 300	142 962	(34 662)
Cemetery Department:				
Contractual services	22 000	22 000	22 610	(610)
Maintenance	500	500	-	500
TOTAL CEMETERY DEPARTMENT	22 500	22 500	22 610	(110)
Parks Department:				
Payroll	100 500	85 800	92 633	(6 833)
Supplies	6 300	7 200	10 229	(3 029)
Contractual services	40 600	40 600	38 982	1 618
Utilities	10 700	10 700	8 054	2 646
Sundry charges	1 000	800	81	719
Maintenance	22 400	21 600	17 545	4 055
Capital outlay	-	-	65 200	(65 200)
TOTAL PARKS DEPARTMENT	181 500	166 700	232 724	(66 024)
Civic Center Department:				
Payroll	130 600	119 400	118 020	1 380
Supplies	7 800	7 300	6 645	655
Contractual services	23 100	23 400	21 477	1 923
Utilities	26 300	28 300	32 300	(4 000)
Sundry charges	7 400	6 100	2 510	3 590
Maintenance	23 500	23 500	18 160	5 340
Capital outlay	6 000	-	7 895	(7 895)
TOTAL CIVIC CENTER DEPARTMENT	224 700	208 000	207 007	993
Community Facilities Department:				
Supplies	600	600	-	600
Contractual services	62 900	62 900	61 349	1 551
Utilities	14 400	14 400	17 142	(2 742)
Sundry charges	1 200	1 200	-	1 200
Maintenance	6 600	10 600	10 511	89
TOTAL COMMUNITY FACILITIES DEPARTMENT	85 700	89 700	89 002	698
TOTAL COMMUNITY SERVICES	606 500	595 200	694 305	(99 105)

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
Year Ended September 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Streets and Drainage:				
Streets Department:				
Payroll	158 100	144 500	136 619	7 881
Supplies	11 700	12 000	7 193	4 807
Contractual services	18 850	18 850	13 014	5 836
Utilities	83 700	82 600	82 792	(192)
Sundry charges	1 500	500	8 024	(7 524)
Maintenance	74 200	64 000	87 335	(23 335)
Capital outlay	5 000	4 500	4 500	-
TOTAL STREETS DEPARTMENT	353 050	326 950	339 477	(12 527)
TOTAL STREETS AND DRAINAGE	353 050	326 950	339 477	(12 527)
Inspection Services:				
Inspection Department:				
Payroll	30 250	16 200	16 033	167
Supplies	500	500	673	(173)
Contractual services	15 600	18 400	19 810	(1 410)
Utilities	1 800	1 800	2 430	(630)
Sundry charges	2 300	3 300	3 053	247
Maintenance	2 000	1 300	1 595	(295)
TOTAL INSPECTION DEPARTMENT	52 450	41 500	43 594	(2 094)
TOTAL INSPECTION SERVICES	52 450	41 500	43 594	(2 094)
TOTAL EXPENDITURES	4 782 700	4 855 000	4 927 832	(72 832)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(654 000)	(638 800)	(462 925)	175 875
Other Financing Sources (Uses):				
Interest income	24 000	30 100	36 471	6 371
Operating transfers in	700 000	700 000	707 954	7 954
Operating transfers (out)	(70 000)	-	(235 141)	(235 141)
TOTAL OTHER FINANCING SOURCES (USES)	654 000	730 100	509 284	(220 816)
CHANGE IN FUND BALANCE	-	91 300	46 359	(44 941)
Fund balance at beginning of year	1 543 300	1 543 300	1 543 300	-
Prior period adjustment	184 692	184 692	184 692	-
FUND BALANCE AT BEGINNING OF YEAR (RESTATED)	1 727 992	1 727 992	1 727 992	-
FUND BALANCE AT END OF YEAR	\$ 1 727 992	\$ 1 819 292	\$ 1 774 351	\$ (44 941)

See independent auditors' report.

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

	2018	2017	2016	2015	2014
Total Pension Liability:					
Service cost	\$ 523 585	\$ 522 065	\$ 516 676	\$ 463 237	\$ 443 966
Interest (on the total pension liability)	873 880	879 442	867 048	860 379	804 999
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(428 137)	(915 461)	(587 907)	(191 770)	21 180
Change of assumptions	(561 408)	(577 012)	(652 767)	(39 880)	-
Benefit payments, including refunds of employee contributions	407 920	(90 966)	143 050	615 416	(500 735)
NET CHANGE IN TOTAL PENSION LIABILITY	12 965 278	13 056 244	12 913 194	12 297 778	11 528 368
Total pension liability - Beginning	13 373 198	12 965 278	13 056 244	12 913 194	12 297 778
TOTAL PENSION LIABILITY - ENDING					
Plan Fiduciary Net Position:					
Contributions - Employer	471 010	514 644	503 737	439 335	424 581
Contributions - Employee	217 772	216 496	212 499	199 181	197 742
Net investment income	(353 900)	1 420 322	645 178	13 834	500 976
Benefit payments, including refunds of employee contributions	(561 408)	(577 012)	(652 767)	(476 550)	(500 735)
Administrative	(6 836)	(7 356)	(7 282)	(8 424)	(5 230)
Other	(357)	(373)	(392)	(416)	(430)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(233 735)	1 566 721	700 973	166 960	616 904
Plan fiduciary net position - Beginning	11 808 005	10 241 284	9 540 311	9 373 351	8 756 447
PLAN FIDUCIARY NET POSITION - ENDING	11 574 286	11 808 005	10 241 284	9 540 311	9 373 351
NET PENSION LIABILITY - ENDING	\$ 1 798 928	\$ 1 157 273	\$ 2 814 960	\$ 3 372 883	\$ 2 924 427

Plan fiduciary net position as a percentage of total pension liability 86.55%

Covered employee payroll 91.07%

Net pension liability as a percentage of covered employee payroll 37.42%

\$ 3 111 024 \$ 3 092 802 \$ 3 035 696 \$ 2 845 439 76.22%

57.82% 37.42% 92.73% 118.54% 103.52%

SCHEDULE OF CONTRIBUTIONS

	2019	2018	2017	2016	2015
Actuarially determine contribution					
Contributions in relation to the actuarially determined contribution	\$ 405 655	\$ 495 007	\$ 462 058	\$ 446 765	\$ 390 666
CONTRIBUTION DEFICIENCY (EXCESS)	(405 655)	(495 007)	(462 058)	(446 765)	(390 666)
	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2 971 526	\$ 3 111 024	\$ 3 092 802	\$ 3 035 696	2 845 439
Contributions as a percentage of covered employee payroll	13.65%	15.91%	14.94%	14.72%	13.73%

Other Information

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

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

See independent auditors' report.

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2018	2017
Total OPEB Liability:		
Service cost	\$ 8 089	\$ 6 804
Interest on total OPEB liability	5 942	5 816
Changes of benefit terms	-	-
Difference between expected and actual experience	(6 260)	-
Change of assumptions	(12 649)	14 252
Benefit payments, including refunds of employee contributions	(1 556)	(2 165)
NET CHANGE IN TOTAL OPEB LIABILITY	(6 434)	24 707
Total OPEB liability, beginning	176 263	151 556
TOTAL PENSION LIABILITY, ENDING (a)	169 829	176 263
Plan Fiduciary Net Position:		
Contributions - Employer	-	-
Contributions - Employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	-	-
Administrative expense	-	-
Other	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-	-
Plan fiduciary net position, beginning	-	-
FIDUCIARY NET POSITION, ENDING (b)	-	-
NET OPEB LIABILITY ENDING (a) - (b)	\$ 169 829	\$ 176 263
Plan fiduciary net position as a % of total OPEB liability	00.00%	00.00%
Covered employee payroll	\$ 3 097 987	\$ 3 092 802
Net OPEB liability as a % of covered employee payroll	5.48%	5.70%

SCHEDULE OF CONTRIBUTIONS

	2019	2018
Actuarially determined contribution	\$ 4 902	\$ 1 723
Contributions in relation to the actuarially determined contribution	(4 902)	(1 723)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -
Covered employee payroll	\$ 2 971 527	\$ 3 097 987
Contributions as a percentage of covered employee payroll	0.18%	0.06%

Other Information:

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

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

See independent auditors' report.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Service Fund

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

Permanent Funds

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

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

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2019

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
ASSETS		
Cash and cash equivalents	\$ 190 890	\$ 852 017
Receivables	-	407 347
Due from other funds	-	500
TOTAL ASSETS	<u>\$ 190 890</u>	<u>\$ 1 259 864</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 17 653
Due to other funds	-	81 355
Accrued expenses	-	3 162
TOTAL LIABILITIES	<u>-</u>	<u>102 170</u>
Deferred Inflows:		
Unavailable revenue	-	400 147
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>400 147</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>502 317</u>
Fund Balances:		
Restricted for grants	-	757 547
Restricted for debt service	190 890	-
Other restrictions	-	-
TOTAL FUND BALANCES	<u>190 890</u>	<u>757 547</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 190 890</u>	<u>\$ 1 259 864</u>

See independent auditors' report.

PERMANENT FUND			
CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
\$ 126 340	\$ 42 013	\$	1 211 260
-	-		407 347
-	-		500
<u>\$ 126 340</u>	<u>\$ 42 013</u>	<u>\$</u>	<u>1 619 107</u>
\$ -	\$ -	\$	17 653
-	-		81 355
-	-		3 162
<u>-</u>	<u>-</u>	<u></u>	<u>102 170</u>
-	-		400 147
-	-		400 147
-	-		502 317
-	-		757 547
-	-		190 890
126 340	42 013		168 353
<u>126 340</u>	<u>42 013</u>		<u>1 116 790</u>
<u>\$ 126 340</u>	<u>\$ 42 013</u>	<u>\$</u>	<u>1 619 107</u>

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2019

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS
Revenues:		
Taxes	\$ 710 502	\$ 374 268
Grants and contributions	-	20 524
Fines and fees	-	6 836
Charges for services	-	145 684
Other	-	42 875
TOTAL REVENUES	<u>710 502</u>	<u>590 187</u>
Expenditures:		
Public safety	-	15 502
Community services	-	284 797
Street and drainage	-	507 785
Debt Service:		
Principal	997 916	20 389
Interest and fiscal charges	<u>304 869</u>	<u>7 834</u>
TOTAL EXPENDITURES	<u>1 302 785</u>	<u>836 307</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(592 283)</u>	<u>(246 120)</u>
Other Financing Sources (Uses):		
Debt proceeds	4 368 715	-
Interest	10 282	18 734
Operating transfers in	666 197	629 594
Operating transfers (out)	<u>(4 358 675)</u>	<u>(287 144)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>686 519</u>	<u>361 184</u>
NET CHANGE IN FUND BALANCE	94 236	115 064
Fund balance at beginning of year	<u>96 654</u>	<u>642 483</u>
FUND BALANCES AT END OF YEAR	<u>\$ 190 890</u>	<u>\$ 757 547</u>

See independent auditors' report.

PERMANENT FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS	
CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND		
\$ -	\$ -	\$ 1 084 770	
12	-	20 536	
-	-	6 836	
-	-	145 684	
-	-	42 875	
12	-	1 300 701	
-	-	15 502	
-	-	284 797	
-	-	507 785	
-	-	1 018 305	
-	-	312 703	
-	-	2 139 092	
12	-	(838 391)	
-	-	4 368 715	
3 075	449	32 540	
-	-	1 295 791	
-	-	(4 645 819)	
3 075	449	1 051 227	
3 087	449	212 836	
123 253	41 564	903 954	
\$ 126 340	\$ 42 013	\$ 1 116 790	

CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2019

	TEXAS CAPITAL FUND	GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
ASSETS						
Cash and cash equivalents	\$ 1 010	\$ 79 307	\$ 317 731	\$ 9 509	\$ 10 626	
Receivables	-	-	7 200	-	-	
Due from other funds	-	-	-	-	-	
TOTAL ASSETS	<u>\$ 1 010</u>	<u>\$ 79 307</u>	<u>\$ 324 931</u>	<u>\$ 9 509</u>	<u>\$ 10 626</u>	
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 2 990	\$ -	\$ -	
Due to other funds	1 010	79 307	-	-	-	
Accrued expenses	-	-	-	-	-	
TOTAL LIABILITIES	<u>1 010</u>	<u>79 307</u>	<u>2 990</u>	<u>-</u>	<u>-</u>	
Deferred Inflows:						
Unavailable revenue	-	-	-	-	-	
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1 010</u>	<u>79 307</u>	<u>2 990</u>	<u>-</u>	<u>-</u>	
Fund Balance:						
Restricted	-	-	321 941	9 509	10 626	
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>321 941</u>	<u>9 509</u>	<u>10 626</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 1 010</u>	<u>\$ 79 307</u>	<u>\$ 324 931</u>	<u>\$ 9 509</u>	<u>\$ 10 626</u>	

See independent auditors' report.

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND
\$ 11 087	\$ 10 984	\$ 1 343	\$ 48 688	\$ 7 966	\$ 349 488
-	-	-	-	-	400 147
-	500	-	-	-	-
<u>\$ 11 087</u>	<u>\$ 11 484</u>	<u>\$ 1 343</u>	<u>\$ 48 688</u>	<u>\$ 7 966</u>	<u>\$ 749 635</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13 547
-	-	1 038	-	-	-
-	-	-	-	-	-
-	-	1 038	-	-	13 547
-	-	-	-	-	400 147
-	-	-	-	-	400 147
-	-	1 038	-	-	413 694
11 087	11 484	305	48 688	7 966	335 941
11 087	11 484	305	48 688	7 966	335 941
<u>\$ 11 087</u>	<u>\$ 11 484</u>	<u>\$ 1 343</u>	<u>\$ 48 688</u>	<u>\$ 7 966</u>	<u>\$ 749 635</u>

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CITY OF CENTER, TEXAS
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2019

	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS			
Cash and cash equivalents	\$ 4 278	\$ -	\$ 852 017
Receivables	-	-	407 347
Due from other funds	-	-	500
TOTAL ASSETS	<u>\$ 4 278</u>	<u>\$ -</u>	<u>\$ 1 259 864</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 1 116	\$ -	\$ 17 653
Due to other funds	-	-	81 355
Accrued expenses	3 162	-	3 162
TOTAL LIABILITIES	<u>4 278</u>	<u>-</u>	<u>102 170</u>
Deferred Inflows:			
Unavailable revenue	-	-	400 147
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>400 147</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>4 278</u>	<u>-</u>	<u>502 317</u>
Fund Balance:			
Restricted	-	-	757 547
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>757 547</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 4 278</u>	<u>\$ -</u>	<u>\$ 1 259 864</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2019

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
Revenues:					
Taxes	\$ -	\$ 3 683	\$ 344 899	\$ -	\$ -
Grants and contributions	-	-	-	-	-
Fines and fees	-	-	-	3 906	2 930
Charges for services	-	-	-	-	-
Other	42 875	-	-	-	-
TOTAL REVENUES	42 875	3 683	344 899	3 906	2 930
Expenditures:					
Public safety	-	-	-	5 990	-
Community services	42 909	-	32 372	-	-
Streets	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	42 909	-	32 372	5 990	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34)	3 683	312 527	(2 084)	2 930
Other Financing Sources (Uses):					
Interest	-	-	7 343	190	228
Operating transfers in	34	79 307	-	9 251	1 239
Operating transfers (out)	-	-	(223 700)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	34	79 307	(216 357)	9 441	1 467
NET CHANGE IN FUND BALANCE	-	82 990	96 170	7 357	4 397
Fund balance, beginning of year	-	(82 990)	225 771	2 152	6 229
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 321 941	\$ 9 509	\$ 10 626

See independent auditors' report.

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND
\$ -	\$ -	\$ -	\$ 25 686	\$ -	\$ -
-	-	-	-	-	18 406
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	25 686	-	18 406
9 512	-	-	-	-	-
-	-	-	-	-	58 787
-	-	-	-	-	-
-	-	-	28 223	-	-
9 512	-	-	28 223	-	58 787
(9 512)	-	-	(2 537)	-	(40 381)
519	-	-	941	195	9 318
-	-	-	20 258	-	-
(18 444)	-	-	-	-	(45 000)
(17 925)	-	-	21 199	195	(35 682)
(27 437)	-	-	18 662	195	(76 063)
38 524	11 484	305	30 026	7 771	412 004
\$ 11 087	\$ 11 484	\$ 305	\$ 48 688	\$ 7 966	\$ 335 941

CITY OF CENTER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2019

	RECREATION FUND	STREET IMPROVEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues:			
Taxes	\$ -	\$ -	\$ 374 268
Grants and contributions	2 118	-	20 524
Fines and fees	-	-	6 836
Charges for services	145 684	-	145 684
Other	-	-	42 875
TOTAL REVENUES	<u>147 802</u>	<u>-</u>	<u>590 187</u>
Expenditures:			
Public safety	-	-	15 502
Community services	150 729	-	284 797
Streets and drainage	-	507 785	507 785
Debt service	-	-	28 223
TOTAL EXPENDITURES	<u>150 729</u>	<u>507 785</u>	<u>836 307</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2 927)</u>	<u>(507 785)</u>	<u>(246 120)</u>
Other Financing Sources (Uses):			
Interest	-	-	18 734
Operating transfers in	11 720	507 785	629 594
Operating transfers (out)	-	-	(287 144)
TOTAL OTHER FINANCING SOURCES (USES)	<u>11 720</u>	<u>507 785</u>	<u>361 184</u>
NET CHANGE IN FUND BALANCE	8 793	-	115 064
Fund balance, beginning of year	<u>(8 793)</u>	<u>-</u>	<u>642 483</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757 547</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF REVENUES - PROPRIETARY FUNDS
Year Ended September 30, 2019

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for Service:			
Water charges	\$ 2 639 399	\$ -	\$ 2 639 399
Sewer charges	876 736	-	876 736
Sanitation charges	-	1 589 050	1 589 050
TOTAL	<u>3 516 135</u>	<u>1 589 050</u>	<u>5 105 185</u>
Taps and Connections:			
Water taps and connections	5 185	-	5 185
Sewer taps and connections	1 200	-	1 200
TOTAL	<u>6 385</u>	<u>-</u>	<u>6 385</u>
Miscellaneous Revenue:			
Administrative fees	6 200	-	6 200
Penalties	47 212	-	47 212
Reconnection fees	21 945	-	21 945
Miscellaneous receipts	23 141	1 251	24 392
TOTAL	<u>98 498</u>	<u>1 251</u>	<u>99 749</u>
TOTAL OPERATING REVENUES	<u>\$ 3 621 018</u>	<u>\$ 1 590 301</u>	<u>\$ 5 211 319</u>
Nonoperating Revenues:			
Bond issue premium	\$ 388 597	\$ -	\$ 388 597
Other revenue	2 944	-	2 944
Income from investments	55 738	5 338	61 076
TOTAL NONOPERATING REVENUES	<u>\$ 447 279</u>	<u>\$ 5 338</u>	<u>\$ 452 617</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS
Year Ended September 30, 2019

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Expenses:			
Nondepartmental:			
Payroll	\$ 1 706	\$ -	\$ 1 706
Supplies	13 990	-	13 990
Contractual services	29 349	-	29 349
Sundry charges	14 299	-	14 299
Utilities	105 292	-	105 292
Capital outlay	10 056	-	10 056
TOTAL	174 692	-	174 692
Public Works:			
Payroll	202 420	-	202 420
Supplies	11 661	-	11 661
Contractual services	33 324	-	33 324
Utilities	12 333	-	12 333
Sundry charges	11 204	-	11 204
Maintenance	6 801	-	6 801
TOTAL	277 743	-	277 743
Water Production:			
Payroll	386 769	-	386 769
Supplies	258 434	-	258 434
Contractual services	116 311	-	116 311
Utilities	213 054	-	213 054
Sundry charges	12 477	-	12 477
Maintenance	80 239	-	80 239
Capital outlay	31 600	-	31 600
TOTAL	1 098 884	-	1 098 884
Water Distribution:			
Payroll	169 686	-	169 686
Supplies	9 065	-	9 065
Contractual services	26 801	-	26 801
Utilities	1 716	-	1 716
Sundry charges	1 554	-	1 554
Maintenance	76 332	-	76 332
Capital outlay	2 429	-	2 429
TOTAL	287 583	-	287 583
Sewer Collection:			
Payroll	90 222	-	90 222
Supplies	5 628	-	5 628
Contractual services	14 594	-	14 594
Utilities	34 898	-	34 898
Sundry charges	175	-	175
Maintenance	43 004	-	43 004
Capital outlay	20 092	-	20 092
TOTAL	208 613	-	208 613

CITY OF CENTER, TEXAS
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS - CONTINUED
Year Ended September 30, 2019

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Sewer Treatment:			
Payroll	201 805	-	201 805
Supplies	111 507	-	111 507
Contractual services	107 379	-	107 379
Utilities	97 064	-	97 064
Sundry charges	17 905	-	17 905
Maintenance	35 700	-	35 700
TOTAL	<u>571 360</u>	<u>-</u>	<u>571 360</u>
Sanitation:			
Supplies	-	1 998	1 998
Contractual services	-	1 447 906	1 447 906
Maintenance	-	2 125	2 125
Sundry charges	-	777	777
TOTAL	<u>-</u>	<u>1 452 806</u>	<u>1 452 806</u>
Depreciation:			
Depreciation	652 713	5 270	657 983
TOTAL OPERATING EXPENSES	<u>\$ 3 271 588</u>	<u>\$ 1 458 076</u>	<u>\$ 4 729 664</u>
Nonoperating Expense:			
Interest expense	<u>\$ 118 638</u>	<u>\$ -</u>	<u>\$ 118 638</u>
TOTAL NONOPERATING EXPENSE	<u>\$ 118 638</u>	<u>\$ -</u>	<u>\$ 118 638</u>

See independent auditors' report.

CITY OF CENTER, TEXAS
COMBINED COMPONENT UNITS
STATEMENT OF NET POSITION
Year Ended September 30, 2019

	ECONOMIC DEVELOPMENT CORPORATION	STREET IMPROVEMENT ECONOMIC DEVELOPMENT CORPORATION	LOCAL GOVERNMENT HOUSING CORPORATION	TOTAL COMPONENT UNITS
ASSETS				
Cash	\$ 1 596 797	\$ 1 284 460	\$ 35 540	\$ 2 916 797
Due from state	32 015	64 031	-	96 046
Notes receivable	395 750	-	-	395 750
Accrued interest receivable	4 788	-	-	4 788
Land	289 530	-	-	289 530
TOTAL ASSETS	2 318 880	1 348 491	35 540	3 702 911
LIABILITIES				
Accounts payable	1 518	-	-	1 518
TOTAL LIABILITIES	1 518	-	-	1 518
NET POSITION				
Investment in capital assets, net	289 530	-	-	289 530
Unrestricted	2 027 832	1 348 491	35 540	3 411 863
TOTAL NET POSITION	\$ 2 317 362	\$ 1 348 491	\$ 35 540	\$ 3 701 393

See independent auditors' report.

CITY OF CENTER, TEXAS
COMBINED COMPONENT UNITS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

	ECONOMIC DEVELOPMENT CORPORATION	STREET IMPROVEMENT ECONOMIC DEVELOPMENT CORPORATION	LOCAL GOVERNMENT HOUSING CORPORATION	TOTAL COMPONENT UNITS
Revenues:				
Sales tax	\$ 434 229	\$ 838 681	\$ -	\$ 1 272 910
Interest income	42 256	27 184	26	69 466
TOTAL REVENUES	<u>476 485</u>	<u>865 865</u>	<u>26</u>	<u>1 342 376</u>
Expenditures:				
Administration	55 000	25 000	-	80 000
Contractual	49 357	3 910	562	53 829
Sundry	13 621	-	-	13 621
Supplies	1 942	110	-	2 052
TOTAL EXPENDITURES	<u>119 920</u>	<u>29 020</u>	<u>562</u>	<u>149 502</u>
NET OPERATING INCOME (LOSS)	<u>356 565</u>	<u>836 845</u>	<u>(536)</u>	<u>1 192 874</u>
Other Financing Sources (Uses):				
Transfer (to) from City	-	(507 785)	36 076	(471 709)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(507 785)</u>	<u>36 076</u>	<u>(471 709)</u>
CHANGE IN NET POSITION	356 565	329 060	35 540	721 165
Fund Balance/Net Position:				
Beginning of year	<u>1 960 797</u>	<u>1 019 431</u>	<u>-</u>	<u>2 980 228</u>
END OF YEAR	<u>\$ 2 317 362</u>	<u>\$ 1 348 491</u>	<u>\$ 35 540</u>	<u>\$ 3 701 393</u>

See independent auditors' report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS
INSURANCE COVERAGE
September 30, 2019
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/18 to 10/01/19	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/18 to 10/01/19	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/18 to 10/01/19	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/18 to 10/01/19	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/18 to 10/01/19	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/18 to 10/01/19	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/18 to 10/01/19	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/18 to 10/01/19	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/18 to 10/01/19	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/18 to 10/01/19	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/18 to 10/01/19	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/18 to 10/01/19	\$ 1 000 000

* Renewed at 10/01/2019

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS
September 30, 2019
"UNAUDITED"

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

Water Rates:

A. Monthly Minimum Charge:

Meter Size	Residential/Commercial	Small Industrial/Manufacturer 1 st 200,000 Gallons Incl.	Wholesale 1 st 50,000 Gallons Incl.	Large Industrial Manufacturer 1 st 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges Same Facility
5/8	\$11.95				
3/4	\$11.95				
1	\$16.80				
1.5	\$24.90				
2	\$33.00	\$ 825	\$ 265	\$12 500	\$ 48.50
3	\$50.50	\$ 900	\$ 360	\$12 750	\$ 138.00
4	\$67.50	\$1 050	\$ 510	\$13 150	\$ 315.00
6	\$101.00	\$1 375	\$ 790	\$13 675	\$ 590.00
8		\$1 785	\$1 275	\$14 500	\$1 020.00
10		\$2 400	\$1 810	\$15 600	\$1 650.00
Sprinklers	\$19.50				

B. Unit Cost Per 1,000 Gallons:

Residential, commercial and sprinklers	\$ 3.88
Small industrial/manufacturer	\$ 3.32
Wholesale	\$ 3.32
Large industrial/manufacturer	\$ 2.05
Over 1.75M/day or 30M/month	\$ 2.50
Over 2M/day or 40M/month	\$ 3.35
Bulk water	\$ 3.88

C. Outside City Limits:

Rates are double the rates expressed in A and B above.

Sewer Rates:

Residential:

Inside City Limits:

Minimum

\$14.00 plus ½ of Water
\$42.00

Maximum

Commercial:

Minimum

\$15.00 plus ½ of Water
None

Maximum

Fixed Rates (Tyson office account)

\$270 per month

Outside City Limits:

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

Sewer Disposal

\$0.60 per gallon

Garbage Rates:

Residential	\$21.75
Commercial Small	\$25.75
Commercial Large	\$34.85

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2019
"UNAUDITED"

Commercial Dumpster Rates:

p/u per week Size	1X	2X	3X	4X	5X	6X	Extra Collections
2 Yard	89	155	212	277	353		37
3 Yard	100	175	249	326	404		39
4 Yard	112	189	263	359	440		41
6 Yard	138	203	294	375	461		43
8 Yard	169	302	427	618	681	790	45

Industrial, Compactor or Special Services:

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

Utility Tap Fees:

1. Water

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

2. Sewer

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

Utility Deposits:

Type Service			Deposit
Water	-	\$	115.00
Water, Sewer and Garbage Collection	-	\$	115.00
Garbage Collection Only	-	\$	40.00
Risk Account Additional Deposit	-	\$	100.00
Commercial/Industrial Water, Sewer and Garbage Collection	-	\$	200.00

Utility Account Fees:

Administrative Fee	-	\$	20.00
Broken Lock Fee	-	\$	30.00
Curb Stop Replacement Fee	-	\$	75.00
Payment Agreement Fee	-	\$	25.00
Utility Reconnect Fee	-	\$	55.00
Meter Removal/Reconnect Fee	-	\$	100.00
Cut-Off Valve Installation Fee	-	\$	30.00
Return Check Fee	-	\$	35.00
Meter Set Fee - 2 inch meter and below	-	\$	350.00
Meter Tampering Fee	-	\$	55.00
Dumpster Lock Fee	-	\$	6.00

See independent auditors' report.

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2019
"UNAUDITED"

Permits:

PERMIT TYPE		
Garage Sale Permit		\$2
House Moving Permit		\$100
Itinerant Salesperson Business Annual Fee		\$500
Additional Fee Per Sales Person		\$15
Wrecker Permit - Annual Fee		\$10
Taxi Permit - Annual Fee		\$50
Construction Permits and Fees		
Electrical Permit/One Inspection		\$35
Each Additional Inspection (foundation, rough-in, final)		\$35
Plumbing Permit/One Inspection		\$35
Emergency Plumbing Inspection		\$200
Each Additional Inspection (foundation, rough-in, final)		\$35
Gas Inspection Fee		\$35
Building Permit and Inspections		\$5 per \$1,000 for first \$100K
		\$3 per \$1,000 for \$100K - \$250K
		\$2 per \$1,000 for \$250K and above
Minimum Permit Fee		\$35
Demolition (Any Structure/Building)		\$50
Piers, Etc. at Lake Pinkston		\$50
Zoning Fees		
Rezoning Request		\$150
Zoning Variance		\$300
Specific Use Request		\$150
Copy of Ordinance and Map		\$15

Airport Fees:

TYPE FEE		
Hangar/Building Leases		
Private T-Hangers		\$160
City-Owned Hangers		\$2 400
Additional Fees May Apply for Services in Hangers		
Ground Leases		\$0.12/SF
Fuel Flowage Fee		\$0.15/Gallon

Police and Municipal Court:

Police/Accident Reports		\$6/report
Fingerprinting		\$5
Brady Bill Handgun License		\$10

Recreation Program Fees:

(Park/5K Permit/Set Up Fee - \$25) (Race Equipment Rental - \$200 per race, plus supply cost)

Recreation Program Registration		
Baseball		
4 Year Old		\$60
5-12 Year Old		\$80
13-14 Year Old		\$105
Softball		\$80
Football		
Flag Football		\$80
Tackle Football		\$105
Soccer		\$70
Basketball		\$55

CITY OF CENTER, TEXAS
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED
September 30, 2019
"UNAUDITED"

Miscellaneous:

Animal Control		
Reclaimed Animal Charge		\$10/Day
Carnival/Festival Permit		\$100
Downtown Electric Use Fee		\$25/Day
Record Request Charges		
Copies		\$0.10/page
Computer Printouts		\$0.25/page
Other Charges		Per Texas State Library Fee Schedule

At September 30, 2019, the records of the City indicated the following system connections:

Water System	2 410
Sewer System	2 050
Garbage System	2 065

See independent auditors' report.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Center, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Center, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Center, Texas' basic financial statements, and have issued our report thereon dated April 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Center, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Center, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Center, Texas' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Center, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lufkin, Texas
April 13, 2020


CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CENTER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

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

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

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, 2019

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

CITY OF CENTER, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2019

None required for the current year.

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Financial Advisory Services
Provided By:

