

**NEW ISSUE: BOOK-ENTRY-ONLY**

Enhanced Rating: S&P: "AA"  
Unenhanced Rating: Moody's: "A1"  
(See: "BOND INSURANCE", "BOND INSURANCE RISK FACTORS" and  
"OTHER PERTINENT INFORMATION-Ratings", herein)

**OFFICIAL STATEMENT**  
**Dated: September 23, 2024**

*In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates 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 Certificates and (2) will not be included in computing the federal alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)*

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

**\$5,795,000**  
**CITY OF CENTER, TEXAS**  
**(A political subdivision of the State of Texas located in Shelby County, Texas)**  
**Combination Tax and Waterworks and Sewer System Surplus Revenue**  
**Certificates of Obligation, Series 2024**

**Dated Date: October 1, 2024**

**Due: August 15, as shown on the inside cover page**

The City of Center, Texas (the "City") Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2024 (the "Certificates") are being issued pursuant to the provisions of Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council on September 23, 2024. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates 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 and a surplus pledge of the net revenues of the City's combined waterworks and sewer system, as provided in the Ordinance. (See "The CERTIFICATES – Security for Payment" herein.)

Interest on the Certificates will accrue from October 1, 2024 (the "Dated Date") as shown above and will be payable on February 15 and August 15 of each year, commencing February 15, 2025 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates 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 Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of Certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates 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 Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used primarily for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities and the acquisition of land and rights-of-way therefor, (ii) and to pay the costs of issuing the Certificates. (See "THE CERTIFICATES – Use of Proceeds" herein.)

The City reserves the right to redeem the Certificates maturing on and after August 15, 2035 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES – Redemption Provisions" herein.)

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The bond insurance policy was purchased at the sole discretion of the Purchaser (defined herein). (See "BOND INSURANCE" herein.)



**MATURITY SCHEDULE**  
(On Inside Cover)

*The Certificates 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 Certificates. It is expected that the Certificates will be available for delivery through DTC on or about October 22, 2024.*

**\$5,795,000**  
**CITY OF CENTER, TEXAS**  
**(A POLITICAL SUBDIVISION OF THE STATE OF TEXAS LOCATED IN SHELBY COUNTY, TEXAS)**  
**COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE**  
**CERTIFICATES OF OBLIGATION**  
**SERIES 2024**

**MATURITY SCHEDULE**  
Base CUSIP No.: 151717<sup>(1)</sup>

<u>Maturity (8/15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No. Suffix <sup>(1)</sup></u>
2025	\$210,000	5.00%	2.85%	QZ1
2026	190,000	5.00	2.65	RA5
2027	195,000	5.00	2.65	RB3
2028	210,000	5.00	2.70	RC1
2029	215,000	5.00	2.70	RD9
2030	230,000	5.00	2.80	RE7
2031	240,000	5.00	2.90	RF4
2032	255,000	5.00	2.95	RG2
2033	265,000	5.00	3.00	RH0
2034	280,000	5.00	3.05	RJ6
2035	295,000	4.00	3.15 <sup>(2)</sup>	RK3
2036	305,000	4.00	3.20 <sup>(2)</sup>	RL1
2037	315,000	4.00	3.25 <sup>(2)</sup>	RM9
2038	325,000	4.00	3.30 <sup>(2)</sup>	RN7
2039	340,000	4.00	3.40 <sup>(2)</sup>	RP2
2040	355,000	4.00	3.50 <sup>(2)</sup>	RQ0
2041	370,000	4.00	3.65 <sup>(2)</sup>	RR8
2042	385,000	4.00	3.70 <sup>(2)</sup>	RS6
2043	400,000	4.00	3.75 <sup>(2)</sup>	RT4
2044	415,000	4.00	3.80 <sup>(2)</sup>	RU1

(Interest to accrue from the Dated Date)

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<sup>(2)</sup> Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on August 15, 2034, the first optional call date for such Certificates, at a redemption price of par, plus accrued interest to the redemption date.

# 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	2025	Banker
Leigh Porterfield, Mayor Pro-Tem	2011	2024	Service Director
Dr. Randy Collard, Member	2018	2024	Optometrist
Howell Howard, Member	2012	2025	Poultry Farm Supply Owner
Joyce Johnson, Member	2011	2025	Retired
Marlene Hernandez, Member	2022	2024	Family Advocate – Bilingual Forensic Interviewer
Terry Scull, Member	2017	2024	Business Owner

## APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service with the City</u>
Chad Nehring	City Manager	23 Years
Esther Elizondo	City Secretary	5 Years
Amanda Willey	Director of Finance	5 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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(936) 598-4693

Douglas Whitt / Brian Grubbs  
SAMCO Capital Markets, Inc.  
5800 Granite Parkway, Suite 210  
Plano, Texas 75024  
(214) 765-1469  
(214) 279-8683 (Fax)

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page 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 CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES 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 or with respect to the bond insurer or its municipal bond insurance guaranty policy, as described herein under the caption "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" as such information is provided by DTC and the potential bond insurer, respectively. THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "FORWARD-LOOKING STATEMENTS" HEREIN.

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.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy".

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 Specimen Municipal Bond Insurance Policy

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 Appendix B  
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## 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 Certificates 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.*

<b>The City</b>	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 Council-Manager form of government with a City Council comprised of seven members including the Mayor. (See "APPENDIX B - General Information Regarding City of Center, Texas and Shelby County" herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council on September 23, 2024. (See "THE CERTIFICATES – Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
<b>Security</b>	The Certificates 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 and a surplus pledge of the net revenues of the City's combined waterworks and sewer system, as provided in the Ordinance. (See "The CERTIFICATES – Security for Payment" herein.)
<b>Redemption Provisions</b>	The City reserves the right to redeem the Certificates maturing on and after August 15, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES – Redemption Provisions" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Certificates 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.)
<b>Qualified Tax-Exempt Obligations</b>	The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
<b>Use of Certificate Proceeds</b>	Proceeds from the sale of the Certificates will be used primarily for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities and the acquisition of land and rights-of-way therefor, (ii) and to pay the costs of issuing the Certificates. (See "THE CERTIFICATES – Use of Proceeds" herein.)
<b>Book-Entry-Only System</b>	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 Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
<b>Rating and Bond Insurance</b>	S&P Global Ratings ("S&P") assigned its municipal bond rating of "AA" to this issue of Certificates with the understanding that upon delivery of the Certificates, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Certificates will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The City's current underlying, unenhanced rating on its outstanding tax supported debt is "A1" by Moody's Investors Service ("Moody's"). (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
<b>Payment Record</b>	The City has never defaulted in the payment of its bonded indebtedness.
<b>Delivery</b>	When issued, anticipated on or about October 22, 2024.
<b>Legality</b>	Delivery of the Certificates 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.

## INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Center, Texas (the "City") of its \$5,795,000 Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2024 (the "Certificates") 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 Certificates (the "Ordinance"). Included in this Official Statement are descriptions of the Certificates 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 Certificates 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.

## THE CERTIFICATES

### General

The Certificates are dated October 1, 2024 (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 Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof within a stated maturity. The Certificates will bear interest from the Dated Date and will be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2025, until stated maturity or prior redemption. Principal of and interest on the Certificates 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 Certificates 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 Certificates will be payable at stated maturity or prior redemption 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 Certificates 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 Certificates are being issued pursuant to the provisions of Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance adopted on September 23, 2024.

### Security for Payment

The Certificates are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law and a surplus pledge of the net revenues of the City's combined waterworks and sewer system and is subject to the prior lien on and pledge of the Net Revenues of the System to the payment and security of Prior Lien Obligations, as defined in the Ordinance. 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 to provide for the operations of the City, including the payment of principal of and interest on all ad valorem tax 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 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 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 general obligation debt service, as calculated at the time of issuance and based upon a 90% collection factor.

### Redemption Provisions

The City reserves the right to redeem the Certificates maturing on and after August 15, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034 or any date thereafter, at the redemption price of par plus accrued interest. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar (or DTC, while the Certificates are in the book-entry-only system of DTC).

At least forty-five (45) days prior to a redemption date for the Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Certificates, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the City to exercise the right to redeem Certificates shall be entered in the minutes of the governing body of the City.

At least 30 days prior to the date fixed for any such redemption, the City shall cause a written notice of such redemption to be deposited in the United States mail, postage prepaid, addressed to each registered owner of a Certificate to be redeemed at the address shown on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificate or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificate or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

**Notices Sent to Securities Depository**

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption for the Certificates, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action with respect to the Certificates premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

**Use of Proceeds**

Proceeds from the sale of the Certificates will be used primarily for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities; downtown improvements, and the purchase of fire-fighting equipment, (ii) and to pay the costs of issuing the Certificates.

**Sources and Uses of Funds**

The proceeds from the sale of the Certificates will be applied approximately as follows:

<b>Sources</b>	
Par Amount of the Certificates	\$ 5,795,000.00
Reoffering Premium	390,650.15
Accrued interest on the Certificates	14,857.50
<b>Total Sources of Funds</b>	<b>\$ <u>6,200,507.65</u></b>
 <b>Uses</b>	
Deposit to Project Fund	\$ 6,000,000.00
Costs of Issuance	115,237.40
Deposit to interest and sinking fund	14,857.50
Purchaser's Discount	70,412.75
<b>Total Uses of Funds</b>	<b>\$ <u>6,200,507.65</u></b>

**Payment Record**

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

**Legality**

The Certificates 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 Certificates to be deposited with DTC or will be printed on the Certificates 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 Certificates when payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, 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 an independent public accounting firm of national reputation 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 Certificates at maturity or to a redemption date.

The Ordinance provides that "Government Securities" means (A) direct, noncallable Certificates 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 Certificates.

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 Certificates. 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 Certificates will be maintained at any particular rating category.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, such Certificates shall no longer be deemed outstanding obligations payable from ad valorem taxes levied by or the revenues pledged by the City, 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. Furthermore, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

## **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 Certificates 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 Certificates 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 the redemption price thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Certificates, or interest thereon is payable, or in any other way modify the terms of its payment, or (2) give any preference to any Certificates over any other applicable Certificates, or (3) reduce the aggregate principal amount of Certificates 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, interest, or redemption price on the Certificates 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 Certificates, if there is no other available remedy at law to compel performance of the Certificates 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 Certificates 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 Certificates may not be able to bring such a suit against the City for breach of the covenants set forth in the Certificates 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 Certificates. 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 Certificates 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 Certificates. 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 Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of Certificates then outstanding by United States mail, first-class, postage prepaid.

The Certificates 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 Certificates 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 of or interest on the Certificates 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 Certificate 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 Certificate 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 Certificates 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 Certificates, printed Certificates will be issued to the registered owners of the respective Certificates and thereafter such Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates 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 Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates.) Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

### **Replacement Certificates**

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates, as the case may be, upon surrender of the mutilated Certificates 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 Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates 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 Certificates, or redemption 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 Certificates), or redemption 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 Certificates. The Certificates 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 certificate will be issued for each stated maturity of the Certificates in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instruments 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 certificates. 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 is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of 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](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such a maturity to be redeemed. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates 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 dates 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 redemption proceeds and 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.

DTC may discontinue providing its services as securities depository with respect to the Certificates, 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 certificates for the Certificates are required to be furnished and delivered. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Certificates 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 Certificates, 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 Ordinance 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 Certificates will be issued to the holders and the Certificates 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 Certificates, 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.

### **BOND INSURANCE**

*The following information has been supplied by Build America Mutual Assurance Company ("BAM" or the "Insurer") for inclusion in this Official Statement. No representation is made by the City, the Purchaser or the Financial Advisor as to the accuracy or completeness of the information.*

*The following information is not complete and reference is made to Appendix E for a specimen of the municipal bond insurance policy (the "Policy") of BAM.*

#### **Bond Insurance Policy**

Concurrently with the issuance of the Certificates, "BAM" will issue its Policy for the Certificates. The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$232.7 million and \$253.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the Issuer or the Purchaser for the Certificates, and the Issuer and Purchaser assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Certificates, whether at the initial offering or otherwise.

## **BOND INSURANCE RISK FACTORS**

### **General**

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the certificate owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Certificates and the Insurer's consent may be required in connection with amendments to the Ordinance.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the Ordinance. In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Certificates insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "BOND INSURANCE" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the City nor the Purchasers have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay the principal of and interest on the Certificates and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

## Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, S&P (defined herein) and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Certificates and the claims paying ability of the Insurer, particularly over the life of the investment.

## 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 June 30, 2024, the City had approximately \$7,864,690 (unaudited) in LOGIC (a government investment pool that generally has the characteristics of a money-market mutual fund), \$45,316 (unaudited) in certificates of deposit and \$99,965 (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 Shelby Central Appraisal District (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. The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. 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.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap took effect on January 1, 2024.

### **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.

## **Temporary Exemption for Qualified Property Damaged by a Disaster**

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

## **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.

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 was set at \$59,562,331 for the 2024 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 City 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 (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 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.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"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).

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

"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 greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2021 foregone revenue amount, the 2022 foregone revenue amount, and 2023 foregone revenue amount divided by the current total value.

"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 posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office. 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 Certificates.

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.

### **2023 Texas Legislative Sessions**

The 88th Texas Legislative Session convened in regular session on January 10, 2023 and concluded on May 29, 2023. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded four special sessions during the 88th Texas legislature.

During the second special session, the Legislature passed Senate Bill 2 ("SB 2") which included provisions that, among other things, increased the school district mandatory homestead exemption from \$40,000 to \$100,000, prohibited cities, school districts and counties that adopted a local option homestead exemption for the 2022 tax year from reducing the amount of or repealing such exemption through December 31, 2027, and placed further limitations on increases in appraised values on certain classes of properties. See "City Application of Tax Code" above. Certain provisions of SB 2, including those increasing the school district mandatory residential homestead exemption to \$100,000, prohibiting the reduction or repeal of the local option homestead exemption, and placing limitations on increasing the appraised values on certain classes of properties, was passed by voters in an election on November 7, 2023.

As described above, the Governor called four special sessions and may call additional special sessions. During any additional called special session, the Legislature may enact laws that materially change current law as it relates to the ad valorem taxation procedures affecting cities. The City can make no representations or predictions regarding any actions the Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Legislature

### **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 ¼ 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.

## **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.

## **SALES TAX COLLECTIONS**

### **Municipal Sales Tax Collections**

The City has adopted the provisions of the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose, except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness. Net collections are shown in Table 11 of Appendix A.

### **Optional Sales Tax**

The Tax Code provides certain cities and counties the option of assessing a maximum one-quarter percent (1/4%) 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 tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the state law provides certain cities the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for various governmental and economic development purposes under each of Sections 4A and 4B of the Development Corporation Act, Article 5190.6, V.A.T.C.S., if approved by a majority of the voters in a local option election. All optional sales taxes combined may not exceed 1%.

At a special election held in January 1994 voters of the City approved the imposition of a 1/4 percent additional sales tax to be used for ad valorem tax reduction and a 1/4 percent additional sales tax to be used for economic development purposes (type 4A economic development). Levy of the ad valorem tax reduction sales tax and the type 4A economic development sales tax began in October 1994. At a special election held in August 1996, voters of the City approved the imposition of a 1/2 percent additional sales and use tax to be used for economic development purposes (type 4B economic development). Levy of the type 4B economic development sales tax began in January 1997. The State of Texas levies a 6 1/4 percent sales and use tax. The State tax, in addition to the local sales and use taxes, result in a total sales and use tax within the City of 8 1/4%, which under current law is the maximum rate that may be collected within a governmental entity.

## **EMPLOYEES RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

### **Pension Fund**

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 annual comprehensive financial report that can be obtained at [www.tmrs.com](http://www.tmrs.com). All eligible employees of the city are required to participate in TMRS. 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. (For more detailed information concerning the Pension Plan, see Appendix D - Note 4 to the Financial Statements for the Fiscal Year Ended September 30, 2023.)

### **Other Post-Employment Benefits**

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. (For more detailed information concerning Other Post-Employment Benefits, see Appendix D - Note 4 to the Financial Statements for the Fiscal Year Ended September 30, 2023.)

## TAX MATTERS

### Tax Exemption

The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP ("Bond Counsel") to the effect that interest on the Certificates 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 who are individuals. 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 Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates 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 Certificates to be includable in the gross income of the owners thereof from the date of the issuance of such Certificates.

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 Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates 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 Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates 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 Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates 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, corporations subject to the alternative minimum tax on adjusted financial statement income, 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.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to Certificate holders of the exclusion of interest on the Certificates 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 Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### Tax Accounting Treatment of Premium Certificates

The purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificate over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate 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 Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

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

### 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 Certificates) 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 Certificates 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 Certificates will not be subject to the one-hundred percent (100%) disallowance of interest expense allocable to interest on the Certificates 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 Certificates 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 Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. 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](http://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 2024. 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 2024. 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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, 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 Certificates 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, (a) any event described in (12) 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 and (b) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

## **Availability of Information**

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates 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 through EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

## **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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates. 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 Certificates in the primary offering of the Certificates. 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 Certificates, respectively, in the primary offering of the Certificates.

## **Compliance with Prior Undertakings**

During the past five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12, except on March 31, 2020, the unaudited financial statements of the City were not available to file by the March 31, 2020 deadline. On April 21, 2020, the City filed the final 2019 audit.

## **OTHER PERTINENT INFORMATION**

### **Registration and Qualification of Certificates for Sale**

The offering of the Certificates 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates, or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Certificates.

### **Cybersecurity**

The City, like other cities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City, including material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

### **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 Certificates 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 Certificates 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 Certificates 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 Certificates, 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 Certificates. The Certificates 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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates 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 Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates 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 Certificates 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 Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates 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 Certificates 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 Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

### **Ratings**

S&P has assigned its municipal bond rating of "AA" to this issue of Certificates with the understanding that upon delivery of the Certificates, the Policy insuring the timely payment of the principal of and interest on the Certificates will be issued by BAM (see "BOND INSURANCE"). The City's current underlying, unenhanced rating on its outstanding tax supported debt is "A1" by Moody's Investors Service ("Moody's"). (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISK FACTORS" herein.).

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 Certificates.

### **Financial Advisor**

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the City to assist in the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates 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 Certificates is contingent upon the issuance and sale of the Certificates. 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 Certificate 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 Certificates, the City accepted the bid of BOK Financial Securities, Inc. (the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of \$390,650.15 less a purchaser's discount of \$70,412.75 plus accrued interest. The City can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates 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 Certificates, 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 Certificates, on the date of such Official Statement, on the date of sale of said Certificates 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 Certificates 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 Certificates by the Purchaser.

This Official Statement has been approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.



**APPENDIX A**  
**FINANCIAL INFORMATION OF THE CITY**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION <sup>(1)</sup>**

**TABLE 1**

2024/25 Market Value of Taxable Property		\$ 422,028,424
Less Exemptions:		
Local Over-65/Disabled Exemption	\$ 1,912,446	
Local Optional Homestead Exemption	22,395,478	
Disabled/Veterans Homestead Exemption	1,081,212	
Veterans Exemption Loss	199,660	
Productivity Value Loss	13,494,600	
Homestead Cap Loss	13,527,708	
Non-Homestead (23.231) Cap Loss	1,742,935	
	<u>\$ 54,354,039</u>	
 2024/25 Net Taxable Assessed Valuation		 \$ 367,674,385

(1) Source: Shelby County Appraisal District.

**GENERAL OBLIGATION BONDED DEBT**

**TABLE 2**

<b>General Obligation Debt Outstanding:</b>		
Combination Tax and Waterworks and Sewer System Surplus Revenue C/Os, Series 2012		1,210,000
Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2016		2,620,000
Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2019		5,420,000
General Obligation Refunding Bonds, Series 2021		<u>2,635,000</u>
Total General Obligation Debt Outstanding:		\$ 11,885,000
<b>Plus: Series 2024 Obligations</b>		
Combination Tax & Waterworks & Sewer System Surplus Pledge Revenue C/Os, Series 2024		\$ 5,795,000
Total General Obligation Debt Outstanding:		\$ 17,680,000
<b>Less: Self-Supporting Debt</b>		
Combination Tax and Waterworks and Sewer System Surplus Revenue C/Os, Series 2012 <sup>(1)</sup>		1,210,000
Portion of Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2016 <sup>(1)</sup>		1,965,000
Portion of Combination Tax & Waterworks & Sewer System Limited Pledge Revenue C/Os, Series 2019 <sup>(1)</sup>		1,715,000
Combination Tax & Waterworks & Sewer System Surplus Pledge Revenue C/Os, Series 2024 <sup>(1)</sup>		<u>5,795,000</u>
Total Self Supporting Debt Outstanding:		\$ 10,685,000
Total Gross General Obligation Debt Outstanding		\$ 6,995,000
General Obligation Interest & Sinking Fund Balance - September 30, 2023 <sup>(2)</sup>		<u>\$ (138,508)</u>
Net General Obligation Debt Outstanding		\$ 6,856,492
Ratio of Net General Obligation Debt to 2024/25 Net Assessed Valuation		1.86%
2024 Population Estimate -	5,163	
Per Capita 2024/25 Net Assessed Valuation -	\$71,213	
Per Capita Gross General Obligation Debt -	\$3,424	
Per Capita Net General Obligation Debt -	\$1,328	

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

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

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 3**

Fiscal Year 30-Sep	Outstanding Debt Service	Plus: The Bonds <sup>(1)</sup>			Less: Self-Supporting Debt Service <sup>(2)</sup>	Total Net Debt Service
		Principal	Interest	Total		
2025	\$ 1,237,437.50	\$ 210,000.00	\$ 222,155.00	\$ 432,155.00	\$ 902,151.88	\$ 767,440.63
2026	1,237,252.50	190,000.00	244,200.00	434,200.00	902,049.38	769,403.13
2027	1,239,690.00	195,000.00	234,700.00	429,700.00	898,749.38	770,640.63
2028	1,234,866.25	210,000.00	224,950.00	434,950.00	901,772.50	768,043.75
2029	1,238,790.00	215,000.00	214,450.00	429,450.00	899,727.50	768,512.50
2030	1,235,540.00	230,000.00	203,700.00	433,700.00	900,952.50	768,287.50
2031	885,090.00	240,000.00	192,200.00	432,200.00	902,715.00	414,575.00
2032	885,782.50	255,000.00	180,200.00	435,200.00	903,432.50	417,550.00
2033	885,845.00	265,000.00	167,450.00	432,450.00	903,057.50	415,237.50
2034	883,268.75	280,000.00	154,200.00	434,200.00	901,106.25	416,362.50
2035	885,106.25	295,000.00	140,200.00	435,200.00	901,906.25	418,400.00
2036	758,100.00	305,000.00	128,400.00	433,400.00	776,437.50	415,062.50
2037	557,400.00	315,000.00	116,200.00	431,200.00	573,350.00	415,250.00
2038	557,100.00	325,000.00	103,600.00	428,600.00	571,850.00	413,850.00
2039	561,350.00	340,000.00	90,600.00	430,600.00	574,800.00	417,150.00
2040	-	355,000.00	77,000.00	432,000.00	432,000.00	-
2041	-	370,000.00	62,800.00	432,800.00	432,800.00	-
2042	-	385,000.00	48,000.00	433,000.00	433,000.00	-
2043	-	400,000.00	32,600.00	432,600.00	432,600.00	-
2044	-	415,000.00	16,600.00	431,600.00	431,600.00	-
	<u>14,282,618.75</u>	<u>5,795,000.00</u>	<u>2,854,205.00</u>	<u>8,649,205.00</u>	<u>14,576,058.13</u>	<u>8,355,765.63</u>

(1) Includes accrued interest in the amount of \$14,857.50.

(2) Includes self-supporting Series 2012, Series 2024 and portions of Series 2016 & Series 2019 certificates of obligation.

**TAX ADEQUACY**

**TABLE 4**

2024/25 Net Taxable Assessed Valuation	\$ 367,674,385
Maximum Annual Debt Service Requirements <sup>(1)</sup>	\$ 770,641
Indicated Maximum Interest and Sinking Fund Tax Rate	\$ 0.21608
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	\$ 770,641

(1) Excludes self-supporting Series 2012, Series 2024 and portions of the Series 2016 & Series 2019 certificates of obligation.

**CALCULATION OF SELF-SUPPORTING DEBT**

**TABLE 5**

2023/24 Net Revenues Available for Debt Service <sup>(1)</sup>	\$ 906,022
Maximum Annual Debt Service Requirements <sup>(2)</sup>	\$ 903,433
Percent of General Obligation Debt Service Requirements Self-Supporting	100.29%

(1) Excludes depreciation. Includes revenues from the Water and Sewer Enterprise Fund.

(2) Includes self-supporting Series 2012, Series 2024 and portions of Series 2016 & Series 2019 certificates of obligation.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

**TABLE 6**

<b>Fiscal Year</b> <b>30-Sep</b>	<b>Outstanding</b> <b>Principal</b>	<b>Plus:</b> <b>The</b> <b>Bonds</b>	<b>Less:</b> <b>Self Supporting</b> <b>Principal <sup>(1)</sup></b>	<b>Total</b>	<b>Debt</b> <b>Unpaid at</b> <b>End of Year</b>	<b>Percent of</b> <b>Principal</b> <b>Retired</b>
2025	\$ 915,000.00	\$ 210,000.00	\$ 537,500.00	\$ 587,500.00	\$ 6,407,500.00	8.40%
2026	940,000.00	190,000.00	526,250.00	603,750.00	5,803,750.00	17.03%
2027	965,000.00	195,000.00	541,250.00	618,750.00	5,185,000.00	25.88%
2028	985,000.00	210,000.00	563,750.00	631,250.00	4,553,750.00	34.90%
2029	1,015,000.00	215,000.00	582,500.00	647,500.00	3,906,250.00	44.16%
2030	1,040,000.00	230,000.00	606,250.00	663,750.00	3,242,500.00	53.65%
2031	710,000.00	240,000.00	630,000.00	320,000.00	2,922,500.00	58.22%
2032	730,000.00	255,000.00	653,750.00	331,250.00	2,591,250.00	62.96%
2033	750,000.00	265,000.00	677,500.00	337,500.00	2,253,750.00	67.78%
2034	770,000.00	280,000.00	701,250.00	348,750.00	1,905,000.00	72.77%
2035	795,000.00	295,000.00	728,750.00	361,250.00	1,543,750.00	77.93%
2036	690,000.00	305,000.00	626,250.00	368,750.00	1,175,000.00	83.20%
2037	510,000.00	315,000.00	445,000.00	380,000.00	795,000.00	88.63%
2038	525,000.00	325,000.00	460,000.00	390,000.00	405,000.00	94.21%
2039	545,000.00	340,000.00	480,000.00	405,000.00	-	100.00%
2040	-	355,000.00	355,000.00	-	-	100.00%
2041	-	370,000.00	370,000.00	-	-	100.00%
2042	-	385,000.00	385,000.00	-	-	100.00%
2043	-	400,000.00	400,000.00	-	-	100.00%
2044	-	415,000.00	415,000.00	-	-	100.00%
	<u>11,885,000.00</u>	<u>5,795,000.00</u>	<u>10,685,000.00</u>	<u>6,995,000.00</u>		

(1) Includes self-supporting Series 2012, Series 2024 and portions of Series 2016 & Series 2019 certificates of obligation.

**OVERLAPPING DEBT DATA**

**TABLE 7**

<b><u>Taxing Body</u></b>	<b><u>Gross Debt</u></b>	<b><u>%</u></b> <b><u>Overlapping</u></b>	<b><u>Amount</u></b> <b><u>Overlapping</u></b>
Center Independent School District	\$ 40,495,000	52.99%	\$ 21,458,301
Shelby County	-	17.61%	-
Total Overlapping Debt			\$ 21,458,301
City of Center, Texas			\$ 6,856,492
Total Direct Overlapping Debt			\$ 28,314,793
Ratio of Direct and Overlapping Debt to 2024/25 Assessed Valuation			7.70%
Ratio of Direct and Overlapping Debt to 2024/25 Actual Value <sup>(1)</sup>			6.71%
Per Capita Direct and Overlapping Debt			\$5,484

(1) The 2024/25 assessed valuation totaled \$367,674,385 according to Shelby County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**2024/25 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	2024/25 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 30,084,500	8.18%
Wal-Mart TRS LLC	Retail	7,700,000	2.09%
AEP Southwestern Electric Power Co.	Electric Utility	6,285,630	1.71%
Wal-Mart Stores	Retail	4,273,560	1.16%
Hallmark Marketing LLC	Office Building	4,264,430	1.16%
NACI Hospitality LLC	Hotel/Motel	4,255,259	1.16%
Charles Holston Inc.	Truck Rentals	3,971,910	1.08%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	3,725,260	1.01%
Summer Creek Hospitality Inc.	Hotel/Motel	3,645,490	0.99%
BNSF Railway Co.	Railroad	<u>3,450,450</u>	<u>0.94%</u>
		\$ 71,656,489	19.49%

Based on Net Assessed Valuation of \$367,674,385

**2023/24 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	2023/24 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 34,620,980	9.38%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	16,427,400	4.45%
Wal-Mart TRS LLC	Retail	7,608,980	2.06%
AEP Southwestern Electric Power Co.	Electric Utility	6,527,880	1.77%
Hallmark Marketing LLC	Office Building	6,288,110	1.70%
Wal-Mart Stores	Retail	5,286,220	1.43%
NACI Hospitality LLC	Hotel/Motel	4,391,780	1.19%
Charles Holston Inc.	Truck Rentals	4,199,100	1.14%
Summer Creek Hospitality Inc.	Hotel/Motel	3,645,490	0.99%
BNSF Railway Co.	Railroad	<u>3,597,450</u>	<u>0.98%</u>
		\$ 92,593,390	25.10%

Based on Net Assessed Valuation of \$368,939,266

**2022/23 Top Ten Taxpayers**

Name of Taxpayer	Type of Business	2022/23 Taxable Value	% of Net Valuation
Tyson Foods, Inc	Poultry Production	\$ 27,996,510	8.30%
Port-A-Cool LLC	Portable Cooling Unit Mfg.	16,075,020	4.77%
Wal-Mart TRS LLC	Retail	7,542,190	2.24%
AEP Southwestern Electric Power Co.	Electric Utility	6,558,670	1.94%
Hallmark Marketing LLC	Office Building	5,686,160	1.69%
Wal-Mart Stores	Retail	4,654,980	1.38%
Charles Holston Inc.	Truck Rentals	4,100,050	1.22%
NACI Hospitality LLC	Hotel/Motel	3,907,560	1.16%
Summer Creek Hospitality Inc.	Hotel/Motel	3,647,380	1.08%
BNSF Railway Co.	Railroad	<u>3,229,090</u>	<u>0.96%</u>
		\$ 83,397,610	24.72%

Based on Net Assessed Valuation of \$337,315,868

(1) Source: Shelby County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(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 1,600 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 <sup>(1)</sup>

TABLE 9

Category	Tax Year 2022/23	% of Total	Tax Year 2023/24	% of Total	Tax Year 2024/25	% of Total
Real, Residential, Single-Family	\$ 118,031,306	31.18%	\$ 139,220,895	33.36%	\$ 155,240,578	36.78%
Real, Residential, Multi-Family	3,573,760	0.94%	3,604,090	0.86%	3,543,615	0.84%
Real, Vacant Lots/Tracts	2,193,880	0.58%	2,350,410	0.56%	2,363,739	0.56%
Real, Qualified Land & Improvements	11,479,770	3.03%	13,505,340	3.24%	14,032,720	3.33%
Real, Non-Qualified Land & Improvements	7,099,840	1.88%	7,825,550	1.87%	9,462,853	2.24%
Real, Commercial	106,248,511	28.07%	115,782,741	27.74%	119,283,515	28.26%
Real, Industrial	21,806,190	5.76%	25,277,920	6.06%	19,380,120	4.59%
Oil & Gas	635,660	0.17%	556,800	0.13%	408,450	0.10%
Utilities	12,838,320	3.39%	13,634,660	3.27%	13,482,100	3.19%
Tangible Personal, Commercial	35,279,640	9.32%	35,526,530	8.51%	38,853,414	9.21%
Tangible Personal, Industrial	51,848,190	13.70%	53,417,050	12.80%	38,790,130	9.19%
Real & Tangible, Personal & Mobile Homes	2,445,560	0.65%	1,665,920	0.40%	2,318,880	0.55%
Real Property, Inventory	23,740	0.01%	23,740	0.01%	19,980	0.00%
Special Inventory Tax	5,052,970	1.33%	4,992,700	1.20%	4,848,330	1.15%
<b>Total Appraised Value</b>	<b>\$ 378,557,337</b>	<b>100.00%</b>	<b>\$ 417,384,346</b>	<b>100.00%</b>	<b>\$ 422,028,424</b>	<b>100.00%</b>
<b>Less:</b>						
Local Over-65/Disabled Exemption	\$ 1,894,674		\$ 1,908,163		\$1,912,446	
Local Optional 20% Exemption	17,679,610		20,343,985		22,395,478	
Disabled/Veterans Homestead Exemption	1,089,905		867,762		1,081,212	
Veterans Exemption Loss	191,470		201,870		199,660	
Abatement Value Loss	3,261,324		-		-	
Productivity Value Loss	11,068,640		13,004,860		13,494,600	
Homestead Cap Loss	6,055,846		12,118,440		13,527,708	
Non-Homestead (23.231) Cap Loss	-		-		1,742,935	
Total Exemptions/Deductions	\$ 41,241,469		\$ 48,445,080		\$54,354,039	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 337,315,868</b>		<b>\$ 368,939,266</b>		<b>\$ 367,674,385</b>	

(1) Source: Shelby County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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 <sup>(1)</sup>	\$0.3265	\$0.1968	\$0.5233
2007	210,953,048 <sup>(1)</sup>	\$0.2965	\$0.2122	\$0.5087
2008	227,529,570 <sup>(2)</sup>	\$0.2766	\$0.1994	\$0.4760
2009	226,278,574 <sup>(1)</sup>	\$0.2934	\$0.1969	\$0.4903
2010	221,469,362 <sup>(1)</sup>	\$0.3378	\$0.1622	\$0.4903
2011	225,078,986 <sup>(1)</sup>	\$0.2510	\$0.2490	\$0.5000
2012	241,616,065 <sup>(2)</sup>	\$0.2604	\$0.2496	\$0.5100
2013	254,995,844 <sup>(2)</sup>	\$0.2910	\$0.2090	\$0.5000
2014	263,621,780 <sup>(2)</sup>	\$0.3278	\$0.2022	\$0.5300
2015	283,667,730 <sup>(2)</sup>	\$0.3284	\$0.2116	\$0.5400
2016	282,325,438 <sup>(2)</sup>	\$0.3258	\$0.2342	\$0.5600
2017	278,580,007 <sup>(2)</sup>	\$0.3335	\$0.2415	\$0.5750
2018	285,804,463 <sup>(2)</sup>	\$0.3431	\$0.2569	\$0.6000
2019	298,211,530 <sup>(2)</sup>	\$0.3532	\$0.2568	\$0.6100
2020	294,829,703 <sup>(2)</sup>	\$0.3845	\$0.2347	\$0.6192
2021	310,540,559 <sup>(2)</sup>	\$0.4082	\$0.2111	\$0.6192
2022	337,315,868 <sup>(2)</sup>	\$0.4001	\$0.2026	\$0.6026
2023	368,939,266 <sup>(2)</sup>	\$0.3754	\$0.2137	\$0.5891
2024	367,674,385 <sup>(2)</sup>			

(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 <sup>(1)</sup>	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 <sup>(2)</sup>	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
2020	2,200,966	1,908,351	115.33%	0.7465
2021	2,365,811	1,839,751	128.59%	0.7618
2022	2,506,312	1,985,002	126.26%	0.7430
2023	2,708,313	2,157,051	125.56%	0.7341

(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				
	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023
Fund Balance - Beginning of Year	\$ 1,543,300	\$ 1,774,351	\$ 2,118,612	\$ 2,522,079	\$ 3,101,811
Revenues					
General Property Taxes	\$ 1,015,406	\$ 1,100,776	\$ 1,160,607	\$ 1,333,375	\$ 1,471,728
Sales Tax	2,096,705	2,200,966	2,365,811	2,506,312	2,708,313
Other Local Taxes and Permits	744,360	693,523	725,140	751,144	804,033
Fines and Fees	177,923	191,902	281,209	216,525	176,580
Charges for Current Service	249,296	196,679	242,350	330,205	370,314
Contributions and Grants	151,098	124,854	359,840	128,341	54,322
Miscellaneous	<u>30,119</u>	<u>43,270</u>	<u>91,636</u>	<u>11,897</u>	<u>16,334</u>
Total Revenues	<u>\$ 4,464,907</u>	<u>\$ 4,551,970</u>	<u>\$ 5,226,593</u>	<u>\$ 5,277,799</u>	<u>\$ 5,601,624</u>
Expenditures					
City Hall	\$ 800,473	\$ 806,573	\$ 900,638	\$ 855,637	\$ 1,014,709
Nondepartmental	403,765	319,480	325,224	408,340	1,448,444
Police Department	2,042,482	2,004,813	2,158,945	2,065,769	2,301,203
Municipal Court	105,166	111,388	112,223	113,669	99,825
Fire Department	474,645	484,651	523,615	508,521	574,732
Animal Control Department	23,925	23,052	20,514	25,359	24,555
Emergency Management Department	-	-	-	-	-
Airport Department	142,962	144,832	142,564	180,565	204,462
Cemetery Department	22,610	23,356	28,102	19,270	21,890
Park Department	232,724	223,071	332,881	285,818	312,212
Civic Center Department	207,007	179,889	169,972	164,269	183,011
Community Facilities Department	89,002	82,370	87,994	93,184	106,614
Street Department	339,477	386,701	412,487	453,555	542,165
Sanitation Department	-	-	-	-	-
Inspection Department	<u>43,594</u>	<u>54,163</u>	<u>58,111</u>	<u>88,153</u>	<u>88,497</u>
Total Expenditures	<u>\$ 4,927,832</u>	<u>\$ 4,844,339</u>	<u>\$ 5,273,270</u>	<u>\$ 5,262,109</u>	<u>\$ 6,922,319</u>
Excess (Deficit) of Revenues					
Over Expenditures	\$ (462,925)	\$ (292,369)	\$ (46,677)	\$ 15,690	\$ (1,320,695)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 707,954	\$ 700,000	\$ 700,000	\$ 715,104	\$ 846,114
Operating Transfers (Out)	(235,141)	(83,787)	(257,872)	(174,899)	(70,822)
Interest Income	<u>36,471</u>	<u>20,417</u>	<u>8,016</u>	<u>23,837</u>	<u>146,112</u>
Total Other Financing Sources (Uses):	509,284	636,630	450,144	564,042	921,404
Excess (Deficit) of Revenues and Other Sources	46,359	344,261	403,467	579,732	(399,291)
Over Expenditures and Other Uses					
Prior Period Adjustment	<u>184,692</u> <sup>(2)</sup>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,774,351</u>	<u>\$ 2,118,612</u>	<u>\$ 2,522,079</u>	<u>\$ 3,101,811</u>	<u>\$ 2,702,520</u>

(1) The City has adopted a balanced budget for fiscal year 2024, which includes \$6,381,200 of revenues and expenditures.

(2) 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**

	<b>Fiscal Year Ended</b>				
	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2021</u>	<u>9/30/2022</u>	<u>9/30/2023</u>
Revenues	\$ 3,621,018	\$ 3,768,299	\$ 3,870,608	\$ 4,517,688	\$ 4,442,124
Expenses <sup>(1)</sup>	<u>2,618,875</u>	<u>2,659,000</u>	<u>2,673,730</u>	<u>2,866,529</u>	<u>3,536,102</u>
Net Revenue Available for Debt Service	<u>\$ 1,002,143</u>	<u>\$ 1,109,299</u>	<u>\$ 1,196,878</u>	<u>\$ 1,651,159</u>	<u>\$ 906,022</u>
Annual Debt Service Requirements	\$ 326,197	\$ 469,485	\$ 468,059	\$ 470,629	\$ 471,226

*(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 <sup>(1)</sup>	41,342,300	\$ 147,905
Tyson New Office Complex <sup>(1)</sup>	7,031,700	652
City of Center-Mill Creek	1,921,900	-
City of Center-Mini Park	1,895,000	-
City of Center-Pinkston Water Plant	1,654,600	-
Tyson Foods Wash Tubs <sup>(1)</sup>	1,283,100	898
Tyson Foods Service Center <sup>(1)</sup>	872,300	332
Tyson Farms LLC-Feed Mill <sup>(1)</sup>	319,100	2,331
Hidden Creek Ranch	289,000	4,606
Summer Creek Hospitality	277,200	3,898

*(1) Tyson Accounts consumption billed together.*

**SEWER RATES <sup>(1)</sup>**

**TABLE 15**

	<u>Monthly Charge</u>
Residential:	\$15.50 plus 1/2 Water Bill minimum. \$45.00 maximum
Commercial:	\$18.00 plus 1/2 Water Bill minimum monthly charge. No maximum.
Industrial:	\$21.00 plus 1/2 Water Bill minimum. No maximum.
Fixed Rates:	\$310 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. The rate for services furnished outside the City limits shall be double (2x) the rate for the same service supplied inside the City limits.*

**PRINCIPAL SEWER CUSTOMERS**

**TABLE 16**

<u>Name of Customer</u>	<u>Average Monthly Bill</u>
Tyson Food	\$ 151,966
Union Acres	8,372
Pilgrim's Pride	5,833
Hidden Creek Ranch	5,491
Port-a-Cool	5,438
Wal-Mart	5,194
FPACP Timpson LLC	2,860
Tyson Farms LLC - Feed Mill	2,738
Center - FL Moffett	2,649
Center High School	2,601

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	\$12.90	\$13.75				
3/4	\$12.90	\$13.75				
1	\$18.00	\$20.10				
1.5	\$26.75	\$29.60				
2	\$37.50	\$39.50	\$925	\$300	\$14,200	\$57.50
3	\$55.00	\$59.00	\$1,030	\$400	\$14,500	\$160
4	\$73.00	\$79.00	\$1,200	\$575	\$14,800	\$355
6	\$110.00	\$120.00	\$1,550	\$890	\$15,500	\$670
8			\$2,010	\$1,450	\$16,500	\$1,155
10			\$2,675	\$2,050	\$17,750	\$1,855
Sprinklers	\$20.00	\$20.00				

B. Unit Cost Per 1,000 Gallons

Residential, Sprinklers	\$4.10
Commercial	\$4.75
Small Industrial/Manufacturer	\$3.85
Wholesale	\$3.85
Large Industrial/Manufacturer	\$2.50
Over 1.75 M/day or 30M/month	\$3.00
Over 2M/day or 40M/month	\$4.00

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 \$4.50 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.

Fiscal Year	Payable/ Receivable
30-Sep	
2024	\$ 28,223
2025	28,232
2026	28,223
2027	28,223
2028	28,223
2029	28,213
	<u>\$ 169,337</u>

(1) The City has a loan from the City of Center Economic Development Corporation to be paid in annual installments through 2029, as outlined above. Additionally, the City has a note for the Equipment and Replacement Fund to be paid in annual installments of \$41,595, with a final payment of \$126,845 in January 2026. Please see the City of Center Audited Financial Statements Fiscal Year Ended September 30, 2023 for additional information regarding the loans.

**Government Obligation Contract dated as of November 1, 2021 - Schedule of Payments**

Pmt. No	Pmt Date	Total Payment	Service Payment	Interest	Principal
3	1/5/2024	\$ 53,596	\$ 12,000	\$ 8,469	\$ 33,127
4	1/5/2025	53,596	12,000	7,473	34,122
5	1/5/2026	53,596	12,000	6,447	35,148
6	1/5/2027	53,596	12,000	5,391	36,205
7	7/1/2027	145,248	-	2,115	143,133
		<u>\$ 359,630</u>	<u>\$ 48,000</u>	<u>\$ 29,896</u>	<u>\$ 281,734</u>

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 5,163.

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	5,221
2021	5,197
2022	5,220
2023	5,163
Current*	5,163

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

**Unemployment Rates**

	<u>July</u> <u>2022</u>	<u>July</u> <u>2023</u>	<u>July</u> <u>2024</u>
Shelby County	4.5%	5.9%	4.5%
State of Texas	4.1%	4.2%	4.4%
United States of America	3.8%	3.8%	4.5%

*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	85
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	23	601,566	18	11,178,359
2021-22	16	893,520	33	6,698,479
2022-23	31	648,139	26	11,682,992

Source: City of Center, Texas.

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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October 22, 2024

Norton Rose Fulbright US LLP  
2200 Ross Avenue, Suite 3600  
Dallas, Texas 75201-7932  
United States

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IN REGARD to the authorization and issuance of the “City of Center, Texas, Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2024,” dated October 1, 2024, in the principal amount of \$5,795,000 (the “Certificates”), we have examined into their issuance by the City of Center, Texas (the “City”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates 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 Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, 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 Certificates, including the Ordinance and an examination of the initial Certificate 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 Certificates 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 Certificates, 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 certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates 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 an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a surplus pledge of the Net Revenues (as defined in the Ordinance) of the City’s combined Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, 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 the general principles of equity.

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

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at [nortonrosefulbright.com](http://nortonrosefulbright.com).

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Center, Texas, Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2024"

2. 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 Certificates 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 who are individuals.

WE EXPRESS NO 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 Certificates. Ownership of tax-exempt obligations such as the Certificates 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, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest 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.

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.

**APPENDIX D**

**AUDITED FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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CITY OF CENTER  
Center, Texas

ANNUAL FINANCIAL REPORT

September 30, 2023

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CITY OF CENTER, TEXAS  
PRINCIPAL CITY OFFICIALS  
September 30, 2023

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  
Esther Elizondo..... City Secretary  
Seth Elmore ..... City Attorney

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Center  
Center, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center, as of and for the year ended September 30, 2023, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 unit, each major fund, and the aggregate remaining fund information of the City of Center, as of September 30, 2023, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The component unit financial statements, combining nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purpose of additional analysis as required by the audit requirements of *Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The component unit financial statements, combining nonmajor fund financial statements, and other schedules 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, component unit financial statements, combining nonmajor fund financial statements, other schedules and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lufkin, Texas  
April 22, 2024

  
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, 2023.

### 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 \$34,904,903 which is a decrease of \$461,690 (*net position*).
- Governmental activities change in net position decreased \$1,109,160 to \$21,658,445 mostly from increased expenses from ARPA related project expenditures.
- The City's governmental funds reported combined ending fund balances of \$4,343,939 a decrease of \$772,482 from the prior year of \$5,116,421, mostly as a result of increased expenditures of ARPA funds and reduced revenues from grant and contributions.
- The fund balance for the general fund was \$2,702,520 or 39% of total general fund expenditures and decreased \$399,291 during this fiscal year.
- The Water and Sewer Fund operating revenues exceeded expenses resulting in operating income of \$268,955 and the fund increased net position by \$565,431 to \$12,683,034.
- Combined Business Activities increased Net Position by \$647,470 to \$13,246,458.
- The combined non-major governmental funds experienced a decrease in fund balance of \$772,482 to \$4,343,939 primarily due to increased expenditures of ARPA funds and reduced revenues from grants and contributions.
- 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 \$698,366 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 \$21,658,445 at the close of fiscal year 2023 for governmental activity. This represents a decrease of \$1,109,160 from the 2022 net position of \$22,767,605.

By far the largest portion of the City's assets in governmental activity (\$16,931,607), 78%, 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 6 196 262	\$ 6 702 694	\$ 3 072 835	\$ 3 113 724	\$ 9 269 097	\$ 9 816 418
Capital assets (net of depreciation)	25 336 846	26 119 579	15 969 439	15 608 547	41 306 285	41 728 126
Total Assets	<u>31 533 108</u>	<u>32 822 273</u>	<u>19 042 274</u>	<u>18 722 271</u>	<u>50 775 382</u>	<u>51 544 544</u>
Deferred outflow	<u>1 763 262</u>	<u>527 661</u>	<u>606 476</u>	<u>186 786</u>	<u>2 369 738</u>	<u>714 447</u>
Long-term liabilities outstanding	9 133 649	8 288 942	5 367 052	5 320 011	14 500 701	13 608 953
Other liabilities	1 204 152	1 286 080	954 079	958 566	2 158 231	2 244 646
Total Liabilities	<u>10 337 801</u>	<u>9 575 022</u>	<u>6 321 131</u>	<u>6 278 577</u>	<u>16 658 932</u>	<u>15 853 599</u>
Deferred inflow	<u>1 300 124</u>	<u>1 702 386</u>	<u>281 161</u>	<u>447 066</u>	<u>1 581 285</u>	<u>2 149 452</u>
Net Position:						
Net Investment in capital assets	16 931 607	17 560 251	10 764 439	10 093 547	27 696 046	27 653 798
Restricted	1 641 419	2 014 610	527 190	709 427	2 168 609	2 724 037
Unrestricted	3 085 419	3 192 744	1 954 829	1 796 014	5 040 248	4 988 758
Total Net Position	<u>\$ 21 658 445</u>	<u>\$ 22 767 605</u>	<u>\$ 13 246 458</u>	<u>\$ 12 598 988</u>	<u>\$ 34 904 903</u>	<u>\$ 34 255 940</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, \$1,641,419 (7%), 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.

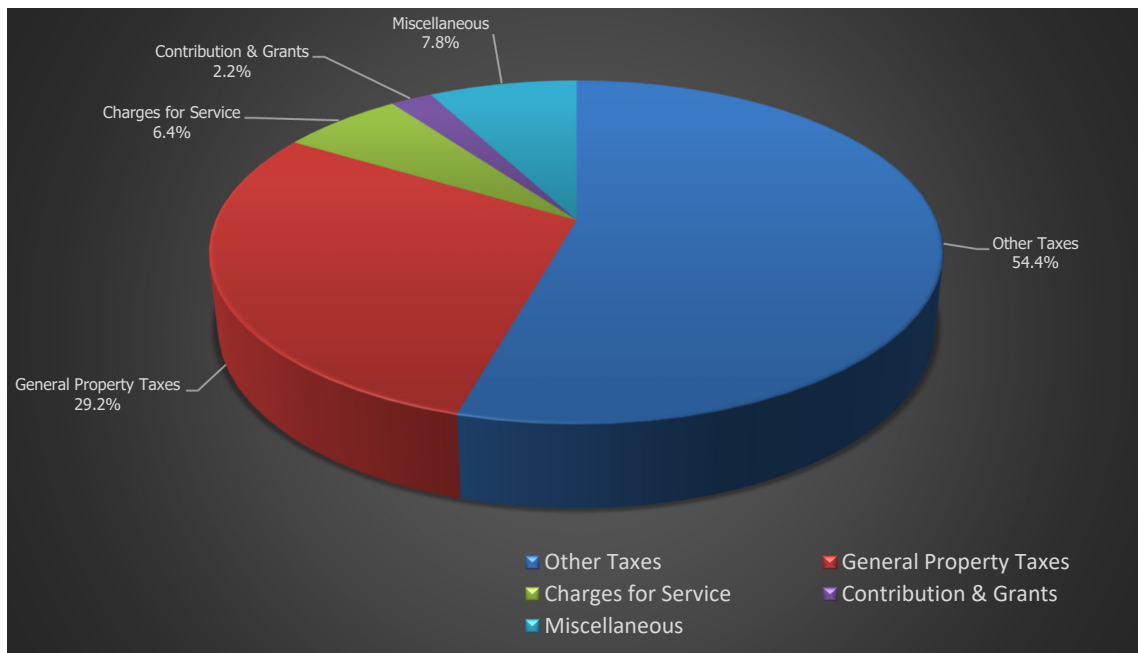
### City of Center's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Program Revenues:</b>						
Charges for services	\$ 471 958	\$ 640 319	\$ 6 372 449	\$ 6 215 266	\$ 6 844 407	\$ 6 855 585
Operating grants and contributions	85 559	865 759	41 727	593 828	127 286	1 459 587
Capital grants and contributions	77 456	-	-	-	77 456	-
<b>General Revenues:</b>						
Property taxes	2 157 051	1 985 002	-	-	2 157 051	1 985 002
Other taxes	4 022 790	3 682 986	-	-	4 022 790	3 682 986
Other	575 071	330 055	125 689	23 870	700 760	353 925
<b>Total Revenues</b>	<b>7 389 885</b>	<b>7 504 121</b>	<b>6 539 865</b>	<b>6 832 964</b>	<b>13 929 750</b>	<b>14 337 085</b>
<b>Expenses:</b>						
General government	2 266 959	1 275 439	-	-	2 266 959	1 275 439
Public safety	3 111 493	2 482 501	-	-	3 111 493	2 482 501
Community services	1 323 665	1 227 532	-	-	1 323 665	1 227 532
Streets and drainage	2 188 963	879 607	-	-	2 188 963	879 607
Sanitation	-	-	1 669 206	1 520 969	1 669 206	1 520 969
Inspections	87 852	83 010	-	-	87 852	83 010
Interest on long-term debt	327 745	214 060	-	-	327 745	214 060
Water and sewer	-	-	4 214 227	3 683 922	4 214 227	3 683 922
<b>Total Expenses</b>	<b>9 306 677</b>	<b>6 162 149</b>	<b>5 883 433</b>	<b>5 204 894</b>	<b>15 190 110</b>	<b>11 367 040</b>
Transfers	807 632	1 299 584	(8 962)	(716 594)	798 670	582 990
<b>Change in net position</b>	<b>\$ (1 109 160)</b>	<b>\$ 2 641 554</b>	<b>\$ 647 470</b>	<b>\$ 911 479</b>	<b>\$ (461 690)</b>	<b>\$ 3 553 035</b>

**Governmental Activities.** Governmental activities decreased the City of Center's net position by \$1,109,160. Key elements of this increase are as follows:

- Governmental Fund expenditures exceeded revenues by \$1,109,160. This is mostly from increased expenditures of ARPA funds for projects.
- Governmental Expenses increased \$3,144,528 from prior year expenses due the expenditures for personnel and broadband incentive.

### Revenues by Source - All Governmental Activities



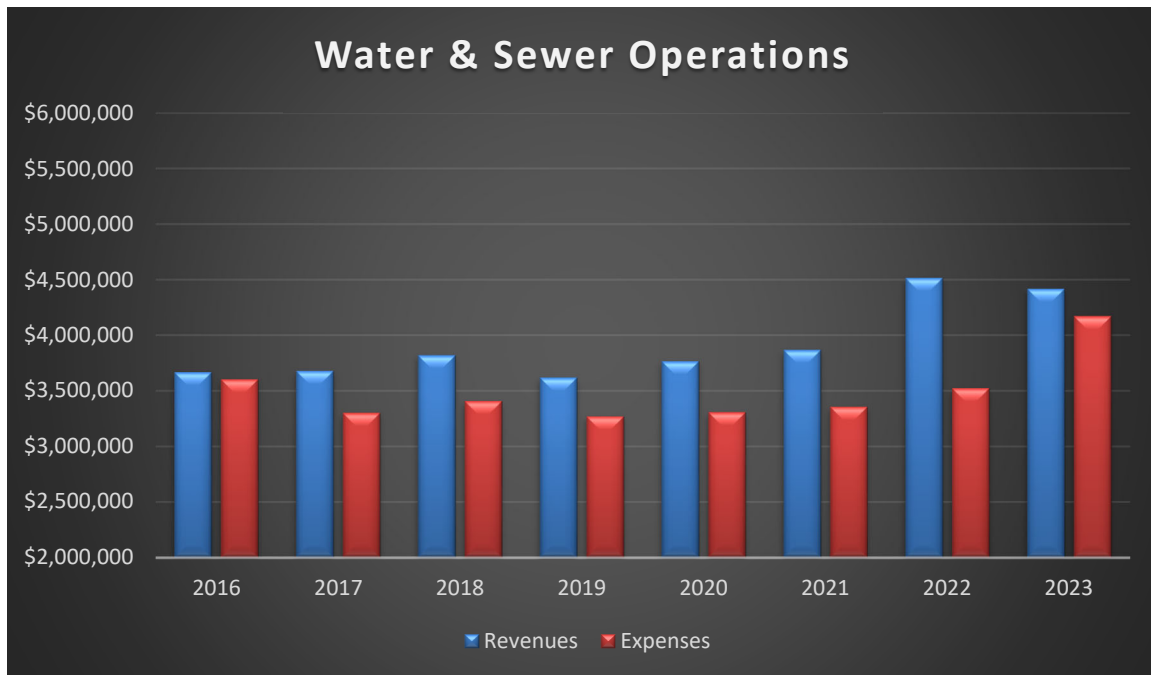
**Proprietary Funds.** The City of Center's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities (Utilities and Sanitation Departments) but in more detail.

**Business-Type Activities.** Business-type activities increased the total government's net position by \$647,470. Key elements of this change are as follows:

- Operating revenues decreased \$293,099 to \$6,539,865 from \$6,832,964.
- Operating expenses increased \$678,539 to \$5,883,433 from \$5,204,894.
- Operating revenues exceeded expenses resulting in Net Operating Income of \$647,470.

- Including non-operating expenses, primarily costs of debt and transfers, Change in Net Position is \$647,470. Transfers includes transfers to the General Fund, Debt Fund, Technology Fund, and Capital Improvement Fund.

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



As a component of Total Net Position, the Unrestricted Net Position of the Proprietary Funds at the end of the current fiscal year is \$1,954,458. 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 was fully capitalized in FY 2019. The net position for the Equipment Replacement Fund increased by \$182,119 from \$778,828 to \$960,947. The Technology Fund net position increased by \$48,067 from \$328,922 to \$376,989.

### Financial Analysis of the Government's Funds

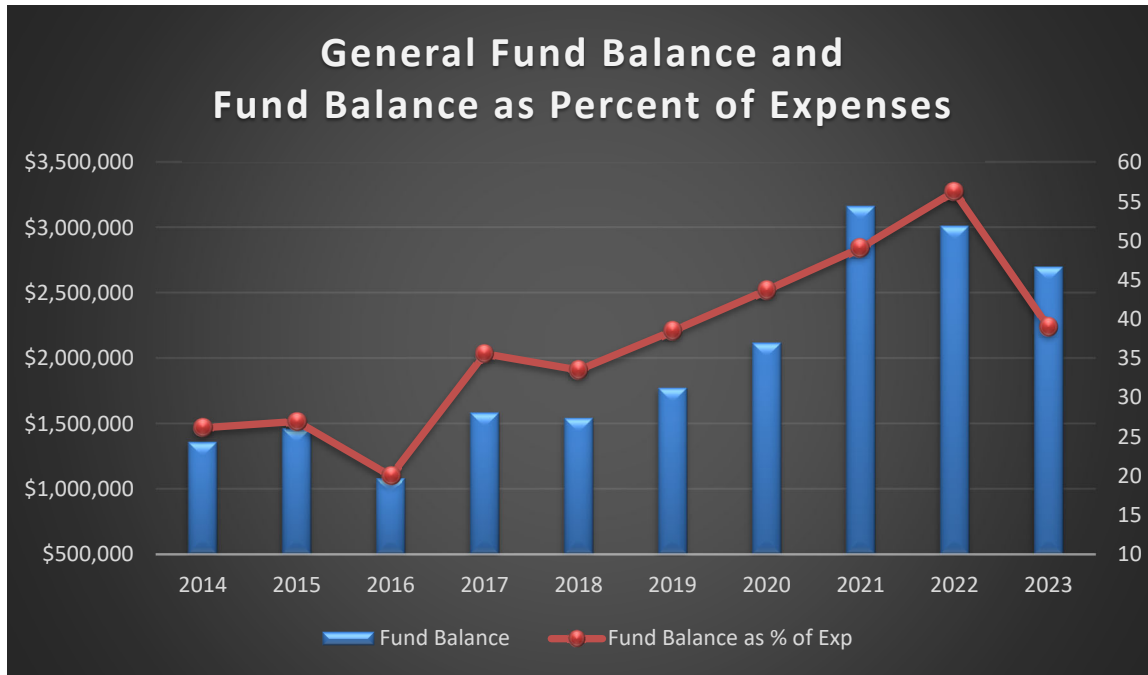
As noted earlier, the City of Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Center's governmental funds reported combined ending fund balances of \$4,343,939, a decrease of \$772,482 from the prior year. Approximately 62% of this total amount, \$2,702,530, constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remaining 38% of fund balance is *restricted* to indicate that it is not available for spending because it has already been committed and dedicated to 1) pay debt service, 2) for perpetual trust 3) for capital projects or 4) grant projects.

The general fund is the chief operating fund of the City of Center. At the end of the current fiscal year, total general fund balance was \$2,702,520. The fund balance of the City's general fund decreased by \$399,291 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 39% 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 \$258,099. Total expenditures decreased from the budget by \$162,634.

**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 \$41,306,285 (net of accumulated depreciation) at the end of the current fiscal year decreasing from last year's amount of \$41,728,126. 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	
	2023	2022	2023	2022	2023	2022
Land	\$ 73 072	\$ 73 072	\$ 665 250	\$ 665 250	\$ 738 322	\$ 738 322
Buildings	5 912 890	6 134 104	-	-	5 912 890	6 134 104
Improvements other than buildings	4 292 795	4 095 054	-	-	4 292 795	4 095 054
Machinery and equipment	1 712 462	1 321 739	628 652	702 664	2 341 114	2 024 403
Buildings and systems	-	-	14 536 861	13 377 686	14 536 861	13 377 686
Infrastructure	13 345 627	12 968 127	-	-	13 345 627	12 968 127
Construction in progress	-	1 527 483	138 676	862 947	138 676	2 390 430
<b>TOTAL</b>	<b>\$ 25 336 846</b>	<b>\$ 26 119 579</b>	<b>\$ 15 969 439</b>	<b>\$ 15 608 547</b>	<b>\$ 41 306 285</b>	<b>\$ 41 728 126</b>

**Long-Term Debt.** At the end of the current fiscal year, the City of Center had total bonded debt outstanding of \$12,775,000, a decrease from last year's total bonded debt of \$13,640,000. 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	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 7 570 000	\$ 8 125 000	\$ 5 205 000	\$ 5 515 000	\$ 12 775 000	\$ 13 640 000
Compensated absences	148 438	139 375	55 955	55 545	204 393	194 920
Notes payable	374 625	434 328	-	-	374 625	-
Leases payable	378 225	-	-	-	378 225	-
SBITA payable	82 389	-	-	-	82 389	434 328
<b>TOTAL</b>	<b>\$ 8 388 899</b>	<b>\$ 8 698 703</b>	<b>\$ 5 260 955</b>	<b>\$ 5 570 545</b>	<b>\$ 13 649 854</b>	<b>\$ 14 269 248</b>

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 and 2022.

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 2023 for Shelby County, according to Texas Workforce Commission statistics, is 6.4%. The unemployment rates for August 2023, according to the Texas Workforce Commission, are 3.9% for the State of Texas and 4.3% for the Deep East Texas Region.
- The City's total state sales tax receipts, including the 62.5% for governmental purposes and the two Economic Development Corporations, for the current fiscal year, totaled \$4,310,512 an increase of \$300,413 or 7.5% from the previous year \$4,010,099. 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 2024 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, 2023

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 258 315	\$ 228 095	\$ 486 410	\$ 41 896
Investments	4 413 131	1 797 503	6 210 634	4 122 938
Receivables	1 273 739	586 166	1 859 905	345 672
Prepaid expenses	88 931	-	88 931	-
Inventories	162 121	133 881	296 002	-
Due from other funds	25	-	25	-
Restricted Assets:				
Cash and cash equivalents	-	319 551	319 551	-
Investments	-	207 639	207 639	-
Capital assets (net of accumulated depreciation)	25 336 846	15 969 439	41 306 285	289 530
<b>TOTAL ASSETS</b>	<b>31 533 108</b>	<b>19 242 274</b>	<b>50 775 382</b>	<b>4 800 036</b>
<b>DEFERRED OUTFLOWS</b>				
Deferred outflow - Pension	1 433 868	493 239	1 927 107	-
Deferred outflow - OPEB	27	7	34	-
Deferred outflow - Subsequent contribution - Pension	322 914	111 080	433 994	-
Deferred outflow - Subsequent contribution - OPEB	6 453	2 150	8 603	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>1 763 262</b>	<b>606 476</b>	<b>2 369 738</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>33 296 370</b>	<b>19 848 750</b>	<b>53 145 120</b>	<b>4 800 036</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	96 132	385 464	481 596	-
Accrued liabilities	101 102	16 847	117 949	-
Due to other funds	-	25	25	-
Accrued interest payable	39 999	19 062	59 061	-
Premium on bond issue	318 331	-	318 331	-
Customer deposits payable	-	217 681	217 681	-
Due within one year	672 224	315 000	987 224	-
<b>Noncurrent Liabilities:</b>				
Due in more than one year	7 733 015	4 890 000	12 623 015	-
Accrued compensated absences	148 438	55 955	204 393	-
Pension liabilities	1 087 434	374 069	1 461 503	-
OPEB liabilities	141 126	47 028	188 154	-
<b>TOTAL LIABILITIES</b>	<b>10 337 801</b>	<b>6 321 131</b>	<b>16 658 932</b>	<b>-</b>
<b>DEFERRED INFLOWS</b>				
Deferred inflows - Pension	774 066	266 273	1 040 339	-
Deferred inflows - OPEB	42 671	14 888	57 559	-
Unavailable revenues	483 387	-	483 387	-
<b>TOTAL DEFERRED INFLOWS</b>	<b>1 300 124</b>	<b>281 161</b>	<b>1 581 285</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>11 637 925</b>	<b>6 602 292</b>	<b>18 240 217</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	16 931 607	10 764 439	27 696 046	289 530
Restricted for:				
Debt service	138 508	-	138 508	-
Grants	1 249 208	-	1 249 208	-
Capital projects	85 744	527 190	612 934	-
Perpetual care	167 959	-	167 959	-
Unrestricted	3 085 419	1 954 458	5 040 248	4 510 506
<b>TOTAL NET POSITION</b>	<b>\$ 21 658 445</b>	<b>\$ 13 246 458</b>	<b>\$ 34 904 903</b>	<b>\$ 4 800 036</b>

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, 2023

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 2 266 959	\$ 6 133	\$ 37 024	\$ -
Public safety	3 111 493	19 215	48 535	-
Community services	1 323 665	410 466	-	77 456
Streets and drainage	2 188 963	-	-	-
Inspections	87 852	36 144	-	-
Interest on long-term debt	327 745	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>9 306 677</b>	<b>471 958</b>	<b>85 559</b>	<b>77 456</b>
<b>Business-Type Activities:</b>				
Water and sewer fund	4 214 227	4 442 124	41 727	-
Sanitation fund	1 669 206	1 930 325	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5 883 433</b>	<b>6 372 449</b>	<b>41 727</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 15 190 110</b>	<b>\$ 6 844 407</b>	<b>\$ 127 286</b>	<b>\$ 77 456</b>
<b>Component Units:</b>				
Economic Development	\$ 1 118 544	\$ -	\$ -	\$ -
Economic Development Street Improvement	34 354	-	-	-
Local Government Housing Corp	2 560	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 1 155 458</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Hotel 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

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
\$ (2 223 802)	\$ -	\$ (2 223 802)	\$ -
(3 043 743)	-	(3 043 743)	-
(835 743)	-	(835 743)	-
(2 188 963)	-	(2 188 963)	-
(51 708)	-	(51 708)	-
(327 745)	-	(327 745)	-
<u>(8 671 704)</u>	<u>-</u>	<u>(8 671 704)</u>	<u>-</u>
-	269 624	269 624	-
<u>-</u>	<u>261 119</u>	<u>261 119</u>	<u>-</u>
<u>-</u>	<u>530 743</u>	<u>530 743</u>	<u>-</u>
<u>(8 671 704)</u>	<u>530 743</u>	<u>(8 140 961)</u>	<u>-</u>
-	-	-	(1 118 544)
-	-	-	(34 354)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2 560)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 155 458)</u>
2 157 051	-	2 157 051	-
2 708 313	-	2 708 313	1 625 562
758 045	-	758 045	-
472 437	-	472 437	-
83 995	-	83 995	-
188 357	-	188 357	-
271 765	123 354	395 119	182 834
114 949	2 335	117 284	18 500
807 632	(8 962)	798 670	(798 366)
<u>7 562 544</u>	<u>116 727</u>	<u>7 679 271</u>	<u>1 028 530</u>
<u>(1 109 160)</u>	<u>647 470</u>	<u>(461 690)</u>	<u>(126 928)</u>
<u>22 767 605</u>	<u>12 598 988</u>	<u>35 366 593</u>	<u>4 926 964</u>
\$ <u>21 658 445</u>	\$ <u>13 246 458</u>	\$ <u>34 904 903</u>	\$ <u>4 800 036</u>

CITY OF CENTER, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2023

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 95 732	\$ (1 803)	\$ 165 917	\$ 259 846
Investments	2 168 787	87 647	1 296 873	3 553 307
Receivables (Net of Uncollectibles):				
Taxes	342 321	-	-	342 321
Accounts	-	-	332 040	332 040
Court fines receivable	240 065	-	-	240 065
Governmental agencies	215 475	-	-	215 475
Sundry	83 515	-	-	83 515
Leases	60 323	-	-	60 323
Due from other funds	70 453	-	500	70 953
Prepaid expenses	88 931	-	-	88 931
Inventories	162 121	-	-	162 121
<b>TOTAL ASSETS</b>	<b>\$ 3 527 723</b>	<b>\$ 85 844</b>	<b>\$ 1 795 330</b>	<b>\$ 5 408 897</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 65 926	\$ -	\$ 1 584	\$ 67 510
Accrued liabilities	100 069	-	743	100 812
Due to other funds	500	100	70 328	70 928
<b>TOTAL LIABILITIES</b>	<b>166 495</b>	<b>100</b>	<b>72 655</b>	<b>239 250</b>
<b>Deferred Inflows:</b>				
Unavailable revenue	658 708	-	167 000	825 708
<b>TOTAL DEFERRED INFLOWS</b>	<b>658 708</b>	<b>-</b>	<b>167 000</b>	<b>825 708</b>
<b>Fund Balances:</b>				
Nonspendable	251 052	-	-	251 052
Restricted for:				
Debt service	-	-	138 508	138 508
Grants	-	-	1 249 208	1 249 208
Other purposes	-	85 744	167 959	253 703
Unassigned:				
General fund	2 457 468	-	-	2 457 467
<b>TOTAL FUND BALANCES</b>	<b>2 702 520</b>	<b>85 744</b>	<b>1 555 675</b>	<b>4 343 939</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND     FUND BALANCES</b>	<b>\$ 3 527 723</b>	<b>\$ 85 844</b>	<b>\$ 1 795 330</b>	
<b>Amounts Reported for Governmental Activities in the Statement of Net Activities are Different Because:</b>				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				25 336 846
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				1 326 353
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds				342 321
Long-term liabilities, including bonds, pensions, and other post-employment benefits, are not due and in the current period and, therefore, are not reported in the funds				(9 691 014)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>				<b>\$ 21 658 445</b>

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

CITY OF CENTER, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2023

	GENERAL	CAPITAL PROJECT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
General property taxes	\$ 1 471 728	\$ -	\$ 659 419	\$ 2 131 147
Other local taxes and permits	3 512 346	-	510 444	4 022 790
Fines and fees	176 580	-	11 777	188 357
Charges for services	370 314	-	101 644	471 958
Contributions and grants	54 322	-	108 693	163 015
Miscellaneous	16 334	-	25 565	41 899
TOTAL REVENUES	5 601 624	-	1 417 542	7 019 166
Expenditures:				
General government	2 562 978	-	-	2 562 978
Public safety	2 900 490	-	533	2 901 023
Community services	828 189	-	251 084	1 079 273
Streets and drainage	542 165	-	698 366	1 240 531
Inspections	88 497	-	-	88 497
Capital outlay	-	37 533	-	37 533
Debt Service:				
Principal	-	-	620 979	620 979
Interest and fiscal charges	-	-	306 064	306 064
TOTAL EXPENDITURES	6 922 319	37 533	1 877 026	8 836 878
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1 320 695)	(37 533)	(459 484)	(1 817 712)
Other Financing Sources (Uses):				
Interest income	146 112	3 315	88 171	237 598
Transfers in	846 114	42 308	966 239	1 854 661
Transfers (out)	(70 822)	-	(976 207)	(1 047 029)
TOTAL OTHER FINANCING SOURCES (USES)	921 404	45 623	78 203	1 045 230
NET CHANGE IN FUND BALANCES	(399 291)	8 090	(381 281)	(772 482)
Fund balances at beginning of year	3 101 811	77 654	1 936 956	5 116 421
FUND BALANCES AT END OF YEAR	\$ 2 702 520	\$ 85 744	\$ 1 555 675	\$ 4 343 939

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 THE FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended September 30, 2023

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

Net change in fund balances - Total governmental funds	\$ (772 482)
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.	(1 221 827)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	25 904
Internal service net revenues are reported with governmental activities and the expenses not recovered through user charges are allocated to the participating funds.	230 186
The issuance of long-term debt (e.g., bonds, notes, and pension and other post provides current 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>629 059</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(1 109 160)</u></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, 2023

	BUSINESS-TYPE ACTIVITIES			INTERNAL SERVICE FUNDS	
	WATER AND SEWER FUND	SANITATION FUND	TOTAL	EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 236 595	\$ (8 500)	\$ 228 095	\$ (6 542)	\$ 5 011
Investments	1 256 587	540 916	1 797 503	479 862	379 962
Receivables (Net):					
Accounts	368 178	190 428	558 606	-	-
Sundry	27 560	-	27 560	-	-
Inventories	133 881	-	133 881	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>2 022 801</b>	<b>722 844</b>	<b>2 745 645</b>	<b>473 320</b>	<b>384 973</b>
<b>Noncurrent Assets:</b>					
Restricted cash	319 551	-	319 551	-	-
Restricted investments	207 639	-	207 639	-	-
Capital Assets:					
Land	665 250	-	665 250	-	-
Utility systems	35 279 429	-	35 279 429	-	-
Equipment	3 838 808	17 422	3 856 230	2 095 467	-
Right of use asset	-	-	-	-	125 834
Construction in progress	138 676	-	138 676	-	-
Less accumulated depreciation	(23 952 724)	(17 422)	(23 970 146)	(1 004 491)	(22 517)
<b>TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</b>	<b>15 969 439</b>	<b>-</b>	<b>15 969 439</b>	<b>1 090 976</b>	<b>103 317</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>16 496 629</b>	<b>-</b>	<b>16 496 629</b>	<b>1 090 976</b>	<b>103 317</b>
<b>TOTAL ASSETS</b>	<b>18 519 430</b>	<b>722 844</b>	<b>19 242 274</b>	<b>1 564 296</b>	<b>488 290</b>
<b>DEFERRED OUTFLOWS</b>					
Deferred outflow - Pension	493 239	-	493 239	-	-
Deferred outflow - Subsequent contributions pensions	111 080	-	111 080	-	-
Deferred outflow - OPEB	7	-	7	-	-
Deferred outflow - Subsequent contributions OPEB	2 150	-	2 150	-	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>606 476</b>	<b>-</b>	<b>606 476</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>19 125 906</b>	<b>722 844</b>	<b>19 848 750</b>	<b>1 564 296</b>	<b>488 290</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	226 044	159 420	385 464	-	28 622
Accrued expense	16 847	-	16 847	-	290
Due to other funds	25	-	25	-	-
Debt payable - Current	315 000	-	315 000	33 126	40 462
Accrued interest payable	19 062	-	19 062	3 389	-
Customer deposits payable	217 681	-	217 681	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>794 659</b>	<b>159 420</b>	<b>954 079</b>	<b>36 515</b>	<b>69 374</b>
<b>Noncurrent Liabilities:</b>					
Compensated absences	55 955	-	55 955	-	-
Pension liability	374 069	-	374 069	-	-
OPEB liability	47 028	-	47 028	-	-
Long term debt payable	4 890 000	-	4 890 000	566 834	41 927
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>5 367 052</b>	<b>-</b>	<b>5 367 052</b>	<b>566 834</b>	<b>41 927</b>
<b>TOTAL LIABILITIES</b>	<b>6 161 711</b>	<b>159 420</b>	<b>6 321 131</b>	<b>603 349</b>	<b>111 301</b>
<b>DEFERRED INFLOWS</b>					
Deferred inflow - Pension	266 273	-	266 273	-	-
Deferred inflow - OPEB	14 888	-	14 888	-	-
<b>TOTAL DEFERRED INFLOWS</b>	<b>281 161</b>	<b>-</b>	<b>281 161</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>6 442 872</b>	<b>159 420</b>	<b>6 602 292</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	10 764 439	-	10 764 439	491 016	20 928
Restricted for capital projects	527 190	-	527 190	-	-
Unrestricted	1 391 405	563 424	1 954 829	469 931	356 061
<b>TOTAL NET POSITION</b>	<b>\$ 12 683 034</b>	<b>\$ 563 424</b>	<b>\$ 13 246 458</b>	<b>\$ 960 947</b>	<b>\$ 376 989</b>

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

CITY OF CENTER, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended September 30, 2023

	BUSINESS-TYPE ACTIVITIES			INTERNAL SERVICE FUNDS	
	WATER AND SEWER FUND	SANITATION FUND	TOTAL	EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
Operating Revenues:					
Charges for service	\$ 4 318 527	\$ 1 929 136	\$ 6 247 663	\$ 370 467	\$ 233 900
Taps and connections	6 495	-	6 495	-	-
Miscellaneous	117 102	1 189	118 291	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>4 442 124</b>	<b>1 930 325</b>	<b>6 372 449</b>	<b>370 467</b>	<b>233 900</b>
Operating Expenses:					
Nondepartmental	225 037	-	225 037	5 712	180 841
Public works	312 904	-	312 904	-	-
Water production	1 509 089	-	1 509 089	-	-
Water distribution	375 447	-	375 447	-	-
Sewer collection	279 240	-	279 240	-	-
Sewer treatment	834 385	-	834 385	-	-
Sanitation	-	1 669 206	1 669 206	-	-
Depreciation	648 224	-	648 224	270 225	22 517
<b>TOTAL OPERATING EXPENSES</b>	<b>4 184 326</b>	<b>1 669 206</b>	<b>5 853 532</b>	<b>275 937</b>	<b>203 358</b>
<b>OPERATING INCOME</b>	<b>257 798</b>	<b>261 119</b>	<b>518 917</b>	<b>94 530</b>	<b>30 542</b>
Nonoperating Revenues (Expenses):					
Income from investments	102 434	20 920	123 354	16 642	17 525
Other revenue	2 335	-	2 335	73 050	-
Interest expense	(29 901)	-	(29 901)	(2 103)	-
Grants and contributions	41 727	-	41 727	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>116 595</b>	<b>20 920</b>	<b>137 515</b>	<b>87 589</b>	<b>17 525</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS</b>	<b>374 393</b>	<b>282 039</b>	<b>656 432</b>	<b>182 119</b>	<b>48 067</b>
Operating transfers in (out)	191 038	(200 000)	(8 962)	-	-
<b>TOTAL NET OPERATING TRANSFERS</b>	<b>191 038</b>	<b>(200 000)</b>	<b>(8 962)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>565 431</b>	<b>82 039</b>	<b>647 470</b>	<b>182 119</b>	<b>48 067</b>
Beginning net position	12 117 603	481 385	12 598 988	778 828	328 922
<b>NET POSITION, END OF YEAR</b>	<b>\$ 12 683 034</b>	<b>\$ 563 424</b>	<b>\$ 13 246 458</b>	<b>\$ 960 947</b>	<b>\$ 376 989</b>

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



CITY OF CENTER, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended September 30, 2023

	BUSINESS-TYPE ACTIVITIES			INTERNAL SERVICE FUNDS	
	WATER AND SEWER FUND	SANITATION FUND	TOTAL	EQUIPMENT REPLACEMENT FUND	TECHNOLOGY FUND
Cash Flows from Operating Activities:					
Received from customers	\$ 4 416 516	\$ 1 917 376	\$ 6 333 892	\$ 370 467	\$ 254 515
Payments to suppliers	(2 213 133)	(1 648 005)	(3 861 138)	(19 853)	(181 275)
Payments to employees	(1 376 027)	-	(1 376 027)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>827 356</u>	<u>269 371</u>	<u>1 096 727</u>	<u>350 614</u>	<u>73 240</u>
Cash Flows from Noncapital Financing Activities:					
Contributions and grants received	41 727	-	41 727	-	-
Operating transfers in (out)	191 038	(200 000)	(8 962)	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>232 765</u>	<u>(200 000)</u>	<u>32 765</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(1 009 116)	-	(1 009 116)	(606 002)	(125 834)
Debt proceeds	13 604	(182 748)	(169 144)	378 225	125 834
Principal paid on debt	(310 000)	-	(310 000)	(36 755)	(43 445)
Insurance proceeds	-	-	-	52 100	-
Gain on disposal of assets	-	-	-	20 950	-
Interest paid on debt	(29 901)	-	(29 901)	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1 335 413)</u>	<u>(182 748)</u>	<u>(1 518 161)</u>	<u>(191 482)</u>	<u>(43 445)</u>
Cash Flows from Investing Activities:					
Interest on investments	102 434	20 920	123 354	16 642	17 525
Purchases of investments	2 335	-	2 335	(190 096)	(43 308)
Royalties	104 769	(161 828)	(57 059)	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>104 769</u>	<u>20 920</u>	<u>125 689</u>	<u>(173 454)</u>	<u>(25 783)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(170 523)	(92 457)	(262 980)	(14 322)	4 012
Unrestricted Cash at beginning of year	407 118	83 957	491 075	7 780	999
UNRESTRICTED CASH AT END OF YEAR	<u>\$ 236 595</u>	<u>\$ (8 500)</u>	<u>\$ 228 095</u>	<u>\$ (6 542)</u>	<u>\$ 5 011</u>

Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities

Operating income (loss)	\$ 257 798	\$ 261 119	\$ 518 917	\$ 94 530	\$ 30 542
Adjustments:					
Depreciation	648 224	-	648 224	270 225	22 517
Changes in:					
Accounts receivable	(36 819)	(12 949)	(49 768)	-	-
Inventory	(5 185)	-	(5 185)	-	-
Deferred charges	(585 595)	-	(585 595)	-	-
Accounts payable	(42 932)	21 201	(21 731)	(14 141)	20 615
Accrued expense	1 033	-	1 033	-	(434)
Accrued compensated absences	410	-	410	-	-
Pension and OPEB liability	579 211	-	579 211	-	-
Customer deposits	11 211	-	11 211	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 827 356</u>	<u>\$ 269 371</u>	<u>\$ 1 096 727</u>	<u>\$ 350 614</u>	<u>\$ 73 240</u>

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

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

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.

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.

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

D. Assets, 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.

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.

CITY OF CENTER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

	Any Amount
Land/land improvement	
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.

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).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 22, 2024, the date the financial statements were available to be issued.

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, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

FUND BALANCE ANALYSIS

	<u>2023</u>
Beginning fund balance	\$ 3 101 811
Total general fund revenues and transfers	6 593 850
Total general fund expenditures and transfers	<u>(6 993 141)</u>
ENDING GENERAL FUND BALANCE	\$ <u>2 702 520</u>
Airport expense	\$ 204 462
General fund expenditures	<u>6 922 319</u>
ADJUSTED GENERAL FUND EXPENDITURES	\$ <u>6 717 857</u>
Required Fund Balance	\$ <u>20%</u> 1 343 571 <u>25%</u> 1 679 464

Actual Fund Balance calculation represents 40.22% of adjusted General Fund Expenditures and 39.04% 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 \$7,580 for the year.

<u>YEAR</u>	<u>VALUE OF</u>
2024	ABATED PROPERTY
	\$ 1 257 706

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	\$ 6 697 044
Restricted cash and investments	527 190
Component Units:	
Cash and cash equivalents	4 164 834
TOTAL CASH AND INVESTMENTS	\$ <u>11 389 068</u>
Primary Government:	
Deposits with financial institutions	\$ 1 013 600
Investments in LOGIC	6 210 634
Component Units:	
Deposits with financial institutions	41 896
Investments in LOGIC	<u>4 122 938</u>
TOTAL CASH AND INVESTMENTS	\$ <u>11 389 068</u>

At September 30, the total deposits (as shown on the records of the bank) for the primary government and the component units amounted to \$543,170 and \$3,043, 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).

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

<u>INVESTMENT</u>	<u>FAIR</u>	<u>WEIGHTED AVERAGE</u>	<u>RATING</u>
<u>TYPE</u>	<u>VALUE</u>	<u>MATURITIES (DAYS)</u>	
LOGIC Pool	\$ 10 843 071	45	AAAm

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.

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Leases Receivable

The City leases hangers at the municipal airport with terms of one to twenty years and rates of \$175 to \$2,600 annually. The present value of the lease receivable has been recorded in the general fund and the future receipts recorded as a deferred inflow.

		<u>RECEIVABLE</u>		<u>INTEREST</u>
2024	\$	11 062	\$	348
2025		7 735		243
2026		7 664		241
2027		7 565		238
2028		5 254		165
Thereafter		<u>21 043</u>		<u>663</u>
	\$	<u>60 323</u>	\$	<u>1 898</u>

C. Capital Assets

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

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in progress	\$ 1 527 483	\$ 698 366	\$ (2 225 849)	\$ -
Land	73 072	-	-	73 072
<b>TOTAL ASSETS NOT BEING DEPRECIATED</b>	<u>1 600 555</u>	<u>698 366</u>	<u>(2 225 849)</u>	<u>694 226</u>
Capital Assets, Being Depreciated:				
Buildings	9 366 164	-	-	9 366 164
Improvements other than buildings	5 949 475	360 126	-	6 309 601
Vehicles and equipment	2 441 218	79 354	-	2 520 572
Infrastructure	22 124 488	1 377 432	-	23 501 920
<b>TOTAL ASSETS BEING DEPRECIATED</b>	<u>39 881 345</u>	<u>1 816 912</u>	<u>-</u>	<u>41 698 257</u>
Less Accumulated Depreciation For:				
Buildings	3 232 060	221 214	-	3 453 274
Improvements other than buildings	1 854 422	162 384	-	2 016 806
Vehicles and equipment	1 874 678	127 570	-	2 002 403
Infrastructure	9 156 360	999 933	-	10 156 293
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>16 117 520</u>	<u>1 511 256</u>	<u>-</u>	<u>17 628 776</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>23 763 825</u>	<u>305 656</u>	<u>-</u>	<u>24 069 481</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 25 364 380</u>	<u>\$ 1 004 022</u>	<u>\$ (2 225 849)</u>	<u>\$ 24 142 553</u>
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 665 250	\$ -	\$ -	\$ 665 250
Construction in progress	862 947	1 071 984	(1 796 255)	138 676
<b>TOTAL ASSETS NOT BEING DEPRECIATED</b>	<u>1 528 197</u>	<u>1 071 984</u>	<u>(1 796 255)</u>	<u>803 926</u>
Capital Assets, Being Depreciated:				
Buildings and systems	33 562 736	1 716 693	-	35 279 429
Vehicles and equipment	3 839 538	16 692	-	3 856 230
<b>TOTAL ASSETS BEING DEPRECIATED</b>	<u>37 402 274</u>	<u>1 733 385</u>	<u>-</u>	<u>39 135 659</u>
Less Accumulated Depreciation For:				
Buildings and systems	20 185 048	557 520	-	20 742 568
Vehicles and equipment	3 136 874	90 704	-	3 227 578
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>23 321 922</u>	<u>648 224</u>	<u>-</u>	<u>23 970 146</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>14 080 352</u>	<u>1 085 161</u>	<u>-</u>	<u>15 165 513</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 15 608 549</u>	<u>\$ 2 157 145</u>	<u>\$ (1 796 255)</u>	<u>\$ 15 969 439</u>
<b>Internal Service Fund:</b>				
Capital Assets, Being Depreciated:				
Vehicles and equipment	\$ 1 489 465	\$ 606 002	\$ -	\$ 2 095 467
Right of use assets	-	125 834	-	125 834
<b>TOTAL ASSETS NOT BEING DEPRECIATED</b>	<u>1 489 465</u>	<u>731 836</u>	<u>-</u>	<u>2 221 301</u>
Less Accumulated Depreciation For:				
Vehicles and equipment	734 266	292 742	-	1 027 008
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>734 266</u>	<u>292 742</u>	<u>-</u>	<u>1 027 008</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>\$ 755 199</u>	<u>\$ 439 094</u>	<u>\$ -</u>	<u>\$ 1 194 293</u>



CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

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

Governmental Activities:	
General government	\$ 25 304
Public safety	159 629
Community services	326 547
Street and drainage	999 776
Internal Services	<u>292 742</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1 803 998</u>
Business-Type Activities:	
Water	\$ 390 054
Sewer	<u>258 170</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 648 224</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	\$ 8 125 000	\$ -	\$ (555 000)	\$ 7 570 000	\$ 575 000
Note payable	175 838	-	(22 948)	152 890	23 636
Compensated absences	139 375	9 063	-	148 438	-
Pension liability (asset)	(606 148)	1 693 581	-	1 087 433	-
OPEB liability	<u>204 987</u>	<u>-</u>	<u>(64 732)</u>	<u>140 207</u>	<u>-</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 8 039 052</u>	<u>\$ 1 702 644</u>	<u>\$ (642 680)</u>	<u>\$ 9 098 968</u>	<u>\$ 598 636</u>
Business-Type Activities:					
General obligation bonds	\$ 5 515 000	\$ -	\$ (310 000)	\$ 5 205 000	\$ 315 000
Compensated absences	55 545	410	-	55 955	-
Pension liability (asset)	(217 580)	591 649	-	374 069	-
OPEB liability	<u>59 421</u>	<u>-</u>	<u>(11 519)</u>	<u>47 947</u>	<u>-</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 5 412 386</u>	<u>\$ 592 059</u>	<u>\$ (321 519)</u>	<u>\$ 5 682 971</u>	<u>\$ 315 000</u>
Internal Service Activities:					
Leases payable	\$ -	\$ 378 225	\$ -	\$ 378 225	\$ -
Subscription based IT arrangement	-	125 834	(43 445)	82 389	40 462
Notes payable	<u>258 490</u>	<u>-</u>	<u>(36 755)</u>	<u>221 735</u>	<u>33 126</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 258 490</u>	<u>\$ 504 059</u>	<u>\$ (80 200)</u>	<u>\$ 682 349</u>	<u>\$ 73 588</u>

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

General Obligation Debt:

\$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)	\$ 1 305 000
\$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)	2 800 000
\$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)	3 820 000
\$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)	1 800 000
\$3,080,000, 2021 General Obligation Refunding bonds, due in annual installments of \$15,000 to \$460,000 through August 15, 2030, with interest of 2.0% to 2.5% (Liability recorded in governmental activities)	<u>3 050 000</u>
	<u>\$ 12 775 000</u>

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

YEAR ENDING SEPTEMBER	GOVERNMENTAL FUNDS		PROPRIETARY FUNDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2024	\$ 575 000	\$ 194 866	\$ 315 000	\$ 154 745
2025	587 500	179 941	327 500	142 497
2026	603 750	165 654	336 250	131 600
2027	618 750	151 891	346 250	122 800
2028	631 250	136 794	353 750	113 072
Thereafter	<u>4 553 750</u>	<u>726 488</u>	<u>3 526 250</u>	<u>526 886</u>
TOTAL	<u>\$ 7 570 000</u>	<u>\$ 1 555 634</u>	<u>\$ 5 205 000</u>	<u>\$ 1 191 600</u>

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

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%	\$ 152 890
\$258,490 note for the Equipment Replacement Fund to be paid in annual installments of \$41,595 with a final payment of \$126,845 in January 2026, with interest at 2.8%	
	221 735
	\$ 374 625

YEAR ENDING SEPTEMBER	NOTE PAYABLE		LEASE PAYABLE		SBITA PAYABLE	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2024	\$ 23 636	\$ 4 587	\$ 33 126	\$ 8 469	\$ 40 462	\$ 2 983
2025	24 356	3 876	34 122	7 473	41 927	1 418
2026	25 076	3 147	35 148	6 447	-	-
2027	25 828	2 395	119 339	7 506	-	-
2028	26 603	1 620	-	-	-	-
Thereafter	27 391	822	-	-	-	-
TOTAL	\$ 152 890	\$ 16 447	\$ 221 735	\$ 29 895	\$ 82 389	\$ 4 401

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 annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**Benefits Provided**

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

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

**Employees Covered by Benefit Terms:**

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	38
Active employees	74
	158

**Contributions**

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

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

**NOTE 4 - OTHER INFORMATION - CONTINUED**

Employees for the City of Center were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Center were 12.40% and 10.71% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$406,107, and were equal to the required contribution.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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:

**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.

**Changes in the Net Pension Liability**

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A) - (B)
Balance at Beginning of Year:	\$ 15 634 757	\$ 16 458 485	\$ (823 728)
Changes for the Year:			
Service cost	594 251	-	594 251
Interest	1 058 253	-	1 058 253
Change of benefit terms	-	-	-
Difference between expected and actual experience	86 888	-	86 888
Changes of assumptions	-	-	-
Contributions - Employer	-	406 107	(406 107)
Contributions - Employee	-	248 492	(248 492)
Net investment income	-	(1 202 448)	1 202 448
Benefit payments, including refunds of employee	(508 135)	(508 135)	-
Administrative expense	-	(10 396)	10 396
Other changes	-	12 406	(12 406)
NET CHANGES	<u>1 231 257</u>	<u>(1 053 974)</u>	<u>2 285 231</u>
Balance at End of the Year:	<u>\$ 16 866 014</u>	<u>\$ 15 404 511</u>	<u>\$ 1 461 503</u>

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

NOTE 4 - OTHER INFORMATION - CONTINUED

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

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

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
Net pension liability	\$ 3 984 288	\$ 1 461 503	\$ (586 715)

***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.

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

For the year ended September 30, 2023, the City recognized pension expense of \$380,336.

At September 30, 2023, 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	\$ 65 798	\$	244 260
Changes in actuarial assumptions	10 592		-
Difference between projected and actual investment earnings	1 850 717		796 079
Contributions subsequent to the measurement date	433 994		-
TOTAL	<u>\$ 2 361 101</u>	\$	<u>1 040 339</u>

\$433,994 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, 2023. 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
2024	\$	(44 746)
2025		197 775
2026		268 532
2027		465 207
2028		-
Thereafter		-
TOTAL	\$	<u>886 768</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.

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Employees Covered by Benefit Terms**

**Membership:**

Number of:	
Inactive employees currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	8
Active employees	74
TOTAL	116

**Covered Payroll**

\$ 3 868 992

**Contributions**

PLAN/ CALENDAR YEAR	TOTAL SDBF CONTRIBUTION (RATE)	RETIREE PORTION OF SDBF CONTRIBUTION (RATE)
2021	0.23%	0.05%
2022	0.22%	0.00%
2023	0.37%	0.00%

The City's contributions to the SDBF for the year ended September 30, 2023 were \$8,603, and were equal to the required contribution.

**Summary of Actuarial Assumptions**

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - Disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Note: The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**Changes in OPEB Liability**

Total OPEB liability - Beginning of year	\$ <u>264 408</u>
Changes for the Year:	
Service cost	17 039
Interest on total OPEB liability	4 979
Changes of benefit terms	-
Differences between expenditures and actual	43
Changes in assumptions or other inputs	(93 700)
Benefit payments	(4 615)
NET CHANGES	(76 254)
TOTAL OPEB LIABILITY - END OF YEAR	\$ <u>188 154</u>

**Total OPEB Liability as a Percentage of Covered Payroll**

5.7%

**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 4.05%, 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 (3.05%) or 1-percentage point higher (5.05%) than the current rate.

	1% Decrease (3.05%)	Current Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB Liability	\$ 224 130	\$ 188 154	\$ 159 944

CITY OF CENTER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

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, 2023, the City recognized OPEB expense of \$13,074.

As of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual	\$ 34	\$ 10 242
Changes in actuarial assumptions	-	47 317
Difference between projected and actual earnings	-	-
Subsequent contributions	8 603	-
TOTAL	<u>\$ 8 637</u>	<u>\$ 57 559</u>

\$8,603 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>YEAR ENDED AUGUST 31,</u>	<u>AMORTIZATION</u>
2023	\$ (10 652)
2024	(9 653)
2025	(14 549)
2026	(17 200)
2027	(5 471)
Thereafter	-
TOTAL	<u>\$ (57 525)</u>

C. Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended September 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>Revenues:</b>				
General Property Taxes:				
Current taxes	\$ 1 316 200	\$ 1 316 200	\$ 1 304 635	\$ (11 565)
Delinquent taxes	20 000	20 000	32 520	12 520
Other taxes	60 000	60 000	106 815	46 815
Penalties, interest and cost	20 000	20 000	27 758	7 758
<b>TOTAL GENERAL PROPERTY TAXES</b>	<u>1 416 200</u>	<u>1 416 200</u>	<u>1 471 728</u>	<u>55 528</u>
Other Local Taxes and Permits:				
City sales taxes	2 507 050	2 694 050	2 708 313	14 263
Franchise taxes	706 800	706 800	758 045	51 245
Mixed drink taxes	3 000	3 000	5 009	2 009
License and permit fees	18 350	35 100	40 979	5 879
<b>TOTAL OTHER LOCAL TAXES AND PERMITS</b>	<u>3 235 200</u>	<u>3 438 950</u>	<u>3 512 346</u>	<u>73 396</u>
Fines and Fees:				
Municipal court fines	150 000	150 000	156 016	6 016
Court cost fees	3 350	33 350	18 806	(14 544)
Fines and fees	-	-	1 758	1 758
<b>TOTAL FINES AND FEES</b>	<u>153 350</u>	<u>183 350</u>	<u>176 580</u>	<u>(6 770)</u>
Charges For Service:				
Administration	-	-	60 000	60 000
Airport fuel	125 500	166 175	191 180	25 005
Airport hangar lease	25 500	25 500	29 029	3 529
Civic Center	54 000	54 000	60 730	6 730
Land lease	3 600	3 600	11 350	7 750
Building rental	10 500	10 500	18 025	7 525
<b>TOTAL CHARGES FOR SERVICES</b>	<u>219 100</u>	<u>259 775</u>	<u>370 314</u>	<u>110 539</u>
Contributions and Grants:				
Grant and donations	43 000	43 000	54 322	11 322
<b>TOTAL CONTRIBUTIONS AND GRANTS</b>	<u>43 000</u>	<u>43 000</u>	<u>54 322</u>	<u>11 322</u>
Miscellaneous Revenue:				
Miscellaneous receipts	2 250	2 250	16 334	14 084
<b>TOTAL MISCELLANEOUS REVENUE</b>	<u>2 250</u>	<u>2 250</u>	<u>16 334</u>	<u>14 084</u>
<b>TOTAL REVENUES</b>	<u>5 069 100</u>	<u>5 343 525</u>	<u>5 601 624</u>	<u>258 099</u>
<b>Expenditures:</b>				
General Government:				
City Hall:				
Payroll	831 400	831 400	852 112	(20 712)
Supplies	27 550	27 550	20 107	7 443
Contractual services	65 100	65 100	63 648	1 452
Utilities	10 700	10 700	10 272	428
Sundry charges	21 500	21 500	22 623	(1 123)
Maintenance	8 450	12 550	11 864	686
Capital outlay	-	34 083	34 083	-
<b>TOTAL CITY HALL</b>	<u>964 700</u>	<u>1 002 883</u>	<u>1 014 709</u>	<u>(11 826)</u>
Nondepartmental:				
Payroll	32 700	32 700	15 328	17 372
Supplies	3 750	3 750	3 932	(182)
Contractual services	311 850	311 850	140 157	171 693
Sundry charges	85 950	85 950	76 763	9 187
Capital outlay	1 000	1 051 000	1 212 264	(161 264)
<b>TOTAL NONDEPARTMENTAL</b>	<u>435 250</u>	<u>1 485 250</u>	<u>1 448 444</u>	<u>36 806</u>
Municipal Court:				
Payroll	58 900	58 900	43 040	15 860
Supplies	1 250	1 250	1 798	(548)
Contractual services	54 900	54 900	50 900	4 000
Utilities	1 000	1 000	-	1 000
Sundry charges	1 700	1 700	4 087	(2 387)
<b>TOTAL MUNICIPAL COURT</b>	<u>117 750</u>	<u>117 750</u>	<u>99 825</u>	<u>17 925</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>1 517 700</u>	<u>2 605 883</u>	<u>2 562 978</u>	<u>42 905</u>



CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - CONTINUED  
Year Ended September 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Public Safety:				
Police Department:				
Payroll	1 922 000	1 922 000	1 849 642	72 358
Supplies	57 200	57 200	40 563	16 637
Contractual services	194 450	194 450	181 423	13 027
Utilities	40 500	40 500	40 013	487
Sundry charges	12 300	12 300	16 998	(4 698)
Maintenance	124 250	124 250	113 139	11 111
Capital outlay	5 000	64 425	59 425	5 000
TOTAL POLICE DEPARTMENT	<u>2 355 700</u>	<u>2 415 125</u>	<u>2 301 203</u>	<u>113 922</u>
Fire Department:				
Payroll	467 450	467 450	483 882	(16 432)
Supplies	14 150	14 150	6 704	7 446
Contractual services	26 500	26 500	25 167	1 333
Utilities	9 500	9 500	11 065	(1 565)
Sundry charges	10 000	10 000	6 299	3 701
Maintenance	44 000	44 000	40 396	3 604
Capital outlay	15 000	15 000	1 219	13 781
TOTAL FIRE DEPARTMENT	<u>586 600</u>	<u>586 600</u>	<u>574 732</u>	<u>11 868</u>
Animal Control Department:				
Supplies	6 600	6 600	7 484	(884)
Contractual services	16 000	16 000	15 485	515
Utilities	1 500	1 500	530	970
Sundry charges	1 600	1 600	1 056	544
Maintenance	1 000	1 000	-	1 000
TOTAL ANIMAL CONTROL DEPARTMENT	<u>26 700</u>	<u>26 700</u>	<u>24 555</u>	<u>2 145</u>
TOTAL PUBLIC SAFETY	<u>2 969 000</u>	<u>3 028 425</u>	<u>2 900 490</u>	<u>127 935</u>
Community Services:				
Airport Department:				
Payroll	26 100	26 100	28 155	(2 055)
Supplies	1 950	1 950	716	1 234
Contractual services	7 800	7 800	9 518	(1 718)
Utilities	15 900	15 900	16 942	(1 042)
Sundry charges	102 100	132 900	144 005	(11 105)
Maintenance	7 500	7 500	4 929	2 571
Capital outlay	10 000	10 000	197	9 803
TOTAL AIRPORT DEPARTMENT	<u>171 350</u>	<u>202 150</u>	<u>204 462</u>	<u>(2 312)</u>
Cemetery Department:				
Contractual services	20 000	20 000	21 890	(1 890)
TOTAL CEMETERY DEPARTMENT	<u>20 000</u>	<u>20 000</u>	<u>21 890</u>	<u>(1 890)</u>
Parks Department:				
Payroll	157 800	157 800	170 893	(13 093)
Supplies	16 000	16 000	12 762	3 238
Contractual services	70 500	78 425	86 704	(8 279)
Utilities	13 000	13 000	17 674	(4 674)
Sundry charges	750	750	291	459
Maintenance	31 000	31 000	23 888	7 112
TOTAL PARKS DEPARTMENT	<u>289 050</u>	<u>296 975</u>	<u>312 212</u>	<u>(15 237)</u>
Civic Center Department:				
Payroll	95 450	95 450	109 135	(13 685)
Supplies	8 200	8 200	6 941	1 259
Contractual services	24 200	24 200	21 470	2 730
Utilities	26 500	26 500	28 089	(1 589)
Sundry charges	7 250	7 250	2 750	4 500
Maintenance	25 800	25 800	12 110	13 690
Capital outlay	5 000	5 000	2 516	2 484
TOTAL CIVIC CENTER DEPARTMENT	<u>192 400</u>	<u>192 400</u>	<u>183 011</u>	<u>9 389</u>

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND - CONTINUED  
Year Ended September 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Community Facilities Department:				
Supplies	1 000	1 000	3	997
Contractual services	69 150	76 150	75 950	200
Utilities	18 750	18 750	22 078	(3 328)
Sundry charges	200	200	-	200
Maintenance	8 500	8 500	4 983	3 517
Capital outlay	-	-	3 600	(3 600)
TOTAL COMMUNITY FACILITIES DEPARTMENT	<u>97 600</u>	<u>104 600</u>	<u>106 614</u>	<u>(2 014)</u>
TOTAL COMMUNITY SERVICES	<u>770 400</u>	<u>816 125</u>	<u>828 189</u>	<u>(12 064)</u>
Streets and Drainage:				
Streets Department:				
Payroll	285 750	285 750	292 825	(7 075)
Supplies	15 850	15 850	15 896	(46)
Contractual services	41 200	85 920	82 814	3 106
Utilities	85 600	85 600	93 179	(7 579)
Sundry charges	800	800	475	325
Maintenance	68 700	68 700	56 976	11 724
TOTAL STREETS DEPARTMENT	<u>497 900</u>	<u>542 620</u>	<u>542 165</u>	<u>455</u>
TOTAL STREETS AND DRAINAGE	<u>497 900</u>	<u>542 620</u>	<u>542 165</u>	<u>455</u>
Inspection Services:				
Inspection Department:				
Payroll	67 900	67 900	67 285	615
Supplies	2 300	2 300	3 480	(1 180)
Contractual services	15 700	15 700	10 136	5 564
Utilities	250	250	267	(17)
Sundry charges	3 250	3 250	3 503	(253)
Maintenance	2 500	2 500	3 826	(1 326)
TOTAL INSPECTION DEPARTMENT	<u>91 900</u>	<u>91 900</u>	<u>88 497</u>	<u>3 403</u>
TOTAL INSPECTION SERVICES	<u>91 900</u>	<u>91 900</u>	<u>88 497</u>	<u>3 403</u>
TOTAL EXPENDITURES	<u>5 846 900</u>	<u>7 084 953</u>	<u>6 922 319</u>	<u>162 634</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(777 800)</u>	<u>(1 741 428)</u>	<u>(1 320 695)</u>	<u>420 733</u>
Other Financing Sources (Uses):				
Interest income	7 500	7 500	146 112	138 612
Operating transfers in	745 000	1 795 000	846 114	(948 886)
Operating transfers (out)	(4 700)	(4 700)	(70 822)	(66 122)
TOTAL OTHER FINANCING SOURCES (USES)	<u>747 800</u>	<u>1 935 800</u>	<u>921 404</u>	<u>(1 014 396)</u>
CHANGE IN FUND BALANCE	(30 000)	194 372	(399 291)	(593 663)
Fund balance at beginning of year	3 101 811	3 101 811	3 101 811	-
FUND BALANCE AT END OF YEAR	<u>\$ 3 071 811</u>	<u>\$ 3 296 183</u>	<u>\$ 2 702 520</u>	<u>\$ (593 663)</u>

See independent auditor's report.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service cost	\$ 594 251	\$ 565 946	\$ 547 357	\$ 537 720	\$ 523 585	\$ 522 065	\$ 516 676	\$ 463 237	\$ 443 966
Interest (on the total pension liability)	1 058 253	1 005 970	956 535	902 764	873 880	879 442	867 048	860 379	804 999
Changes of benefit terms									
Difference between expected and actual experience	86 888	(259 570)	(180 403)	(149 486)	(428 137)	(915 461)	(587 907)	(191 770)	21 180
Change of assumptions				71 120				(39 880)	
Benefit payments, including refunds of employee contributions	(508 135)	(595 743)	(605 096)	(535 555)	(561 408)	(577 012)	(652 767)	(476 550)	(500 735)
NET CHANGE IN TOTAL PENSION LIABILITY	1 231 257	716 603	718 393	826 563	407 920	(90 966)	143 050	615 416	769 410
Total pension liability - Beginning	15 634 757	14 918 154	14 199 761	13 373 198	12 965 278	13 056 244	12 913 194	12 297 778	11 528 368
TOTAL PENSION LIABILITY - ENDING	16 866 014	15 634 757	14 918 154	14 199 761	13 373 198	12 965 278	13 056 244	12 913 194	12 297 778
Plan Fiduciary Net Position:									
Contributions - Employer	406 107	411 143	406 177	426 162	471 010	514 644	503 737	439 335	424 581
Contributions - Employee	248 492	238 652	229 294	226 734	217 772	216 496	212 499	199 181	197 742
Net investment income	(1 202 448)	1 894 330	1 023 371	1 790 717	(353 900)	1 420 322	645 178	13 834	500 976
Benefit payments, including refunds of employee contributions	(508 135)	(595 743)	(605 096)	(535 555)	(561 408)	(577 012)	(652 767)	(476 550)	(500 735)
Administrative	(10 396)	(8 758)	(6 617)	(10 111)	(6 836)	(7 356)	(7 282)	(8 424)	(5 230)
Other	12 406	60	(259)	(286)	(373)	(373)	(392)	(416)	(430)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(1 053 974)	1 939 684	1 046 870	1 897 661	(233 735)	1 566 721	700 973	166 960	616 904
Plan fiduciary net position - Beginning	16 458 485	14 518 801	13 471 931	11 574 270	11 808 005	10 241 284	9 540 311	9 373 351	8 756 447
PLAN FIDUCIARY NET POSITION - ENDING	15 404 511	16 458 485	14 518 801	13 471 931	11 574 270	11 808 005	10 241 284	9 540 311	9 373 351
NET PENSION LIABILITY (ASSET) - ENDING	\$ 1 461 503	\$ (823 728)	\$ 399 353	\$ 727 830	\$ 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	91.33%	105.27%	97.32%	94.87%	86.55%	91.07%	78.44%	73.88%	76.22%
Covered employee payroll	\$ 3 549 884	\$ 3 509 894	\$ 3 258 954	\$ 3 195 006	\$ 3 111 024	\$ 3 092 802	\$ 3 035 696	\$ 2 845 439	\$ 2 824 891
Net pension liability as a percentage of covered employee payroll	41.17%	(23.47)%	12.25%	22.78%	57.82%	37.42%	92.73%	118.54%	103.52%

SCHEDULE OF CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determine contribution									
Contributions in relation to the actuarially determined contribution	\$ 433 994	\$ 409 403	\$ 434 350	\$ 418 708	\$ 405 655	\$ 495 007	\$ 462 058	\$ 446 765	\$ 390 666
CONTRIBUTION DEFICIENCY (EXCESS)	(433 994)	(409 403)	(434 350)	(418 708)	(405 655)	(495 007)	(462 058)	(446 765)	(390 666)
Covered employee payroll	\$ 3 868 992	\$ 3 549 894	\$ 3 509 894	\$ 3 258 954	\$ 3 195 006	\$ 3 111 024	\$ 3 092 802	\$ 3 035 696	\$ 2 845 439
Contributions as a percentage of covered employee payroll	11.22%	11.53%	12.38%	12.85%	12.70%	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.

See independent auditor's 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**

	2022	2021	2020	2019	2018	2017
Total OPEB Liability:						
Service cost	\$ 17,039	\$ 13,296	\$ 10,154	\$ 7,029	\$ 8,089	\$ 6,804
Interest on total OPEB liability	4,979	5,030	5,933	6,407	5,942	5,816
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	43	(4,222)	(10,762)	(3,809)	(6,260)	-
Change of assumptions	(93,700)	7,821	32,098	33,293	(12,649)	14,252
Benefit payments, including refunds of employee contributions	(4,615)	(4,773)	(1,638)	(1,278)	(1,556)	(2,165)
NET CHANGE IN TOTAL OPEB LIABILITY	(76,254)	17,152	35,785	41,642	(6,434)	24,707
Total OPEB liability, beginning	264,408	247,256	211,471	169,829	176,263	151,556
TOTAL PENSION LIABILITY, ENDING (a)	188,154	264,408	247,256	211,471	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)

Plan fiduciary net position as a % of total OPEB liability	00.00%	00.00%	00.00%	00.00%	00.00%	00.00%
Covered employee payroll	\$ 3,549,884	\$ 3,509,894	\$ 3,275,628	\$ 3,195,006	\$ 3,111,024	\$ 3,092,802
Net OPEB liability as a % of covered employee payroll	5.30%	7.53%	7.55%	6.62%	5.46%	5.70%

**SCHEDULE OF CONTRIBUTIONS**

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 8,603	\$ 7,400	\$ 7,414	\$ 5,167	\$ 4,902	\$ 1,723
Contributions in relation to the actuarially determined contribution	(8,603)	(7,400)	(7,414)	(5,167)	(4,902)	(1,723)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,868,992	\$ 3,549,884	\$ 3,509,894	\$ 3,275,628	\$ 3,195,006	\$ 3,111,024
Contributions as a percentage of covered employee payroll	(0.22)%	(0.21)%	(0.21)%	(1.66)%	(0.16)%	(0.06)%

**Other Information:**

\* This schedule is illustrated 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. See independent auditor's report.

SUPPLEMENTARY INFORMATION

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## 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, Security, Jury and Truancy 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.

American Rescue Plan - To account for federal COVID recovery grant funds.

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

Opioid Fund - To account for opioid legal settlement funds received by the City.

### 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, 2023

			PERMANENT FUND		
	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 165 917	\$ -	\$ -	\$ 165 917
Investments	138 508	990 406	124 226	43 733	1 296 873
Receivables	-	332 040	-	-	332 040
Due from other funds	-	500	-	-	500
TOTAL ASSETS	\$ 138 508	\$ 1 488 863	\$ 124 226	\$ 43 733	\$ 1 795 330
 <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 1 584	\$ -	\$ -	\$ 1 584
Due to other funds	-	70 328	-	-	70 328
Accrued expenses	-	743	-	-	743
TOTAL LIABILITIES	-	72 655	-	-	72 655
Deferred Inflows:					
Unavailable revenue	-	167 000	-	-	167 000
TOTAL DEFERRED INFLOWS	-	167 000	-	-	167 000
TOTAL LIABILITIES AND DEFERRED INFLOWS	-	239 655	-	-	239 655
Fund Balances:					
Restricted for grants	-	1 249 208	-	-	1 249 208
Restricted for debt service	138 508	-	-	-	138 508
Other restrictions	-	-	124 226	43 733	167 959
TOTAL FUND BALANCES	138 508	1 249 208	124 226	43 733	1 555 675
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 138 508	\$ 1 488 863	\$ 124 226	\$ 43 733	\$ 1 795 330

See independent auditor's report.



CITY OF CENTER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2023

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	PERMANENT FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS
			CEMETERY ENDOWMENT FUND	ANIMAL WELFARE FUND	
Revenues:					
Taxes	\$ 659 419	\$ 510 444	\$ -	\$ -	\$ 1 169 863
Grants and contributions	-	108 693	-	-	108 693
Fines and fees	-	11 777	-	-	11 777
Charges for services	-	101 644	-	-	101 644
Other	-	25 565	-	-	25 565
TOTAL REVENUES	<u>659 419</u>	<u>758 123</u>	<u>-</u>	<u>-</u>	<u>1 417 542</u>
Expenditures:					
Public safety	-	533	-	-	533
Community services	-	251 084	-	-	251 084
Street and drainage	-	698 366	-	-	698 366
Debt Service:					
Principal	599 978	21 001	-	-	620 979
Interest and fiscal charges	298 842	7 222	-	-	306 064
TOTAL EXPENDITURES	<u>898 820</u>	<u>978 206</u>	<u>-</u>	<u>-</u>	<u>1 877 026</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(239 401)</u>	<u>(220 083)</u>	<u>-</u>	<u>-</u>	<u>(459 484)</u>
Other Financing Sources (Uses):					
Interest	20 311	61 381	5 766	713	88 171
Operating transfers in	231 603	734 636	-	-	966 239
Operating transfers (out)	(10 272)	(965 935)	-	-	(976 207)
TOTAL OTHER FINANCING SOURCES (USES)	<u>241 642</u>	<u>(169 918)</u>	<u>5 766</u>	<u>713</u>	<u>78 203</u>
NET CHANGE IN FUND BALANCE	2 241	(390 001)	5 766	713	(381 281)
Fund balance at beginning of year	<u>136 267</u>	<u>1 639 209</u>	<u>118 460</u>	<u>43 020</u>	<u>1 936 956</u>
FUND BALANCES AT END OF YEAR	<u>\$ 138 508</u>	<u>\$ 1 249 208</u>	<u>\$ 124 226</u>	<u>\$ 43 733</u>	<u>\$ 1 555 675</u>

See independent auditor's report.

CITY OF CENTER, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 September 30, 2023

	TEXAS CAPITAL FUND	GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 68 748	\$ 1 272	\$ 31	\$ 38	
Investments	-	-	662 972	31 091	35 396	
Receivables	-	-	165 040	-	-	
Due from other funds	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 68 748</b>	<b>\$ 829 284</b>	<b>\$ 31 122</b>	<b>\$ 35 434</b>	
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	
Due to other funds	-	69 290	-	-	-	
Accrued expenses	-	-	-	-	-	
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>69 290</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Deferred Inflows:</b>						
Unavailable revenue	-	-	-	-	-	
<b>TOTAL DEFERRED INFLOWS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>-</b>	<b>69 290</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Fund Balance:</b>						
Restricted	-	(542)	829 284	31 122	35 434	
<b>TOTAL FUND BALANCE</b>	<b>-</b>	<b>(542)</b>	<b>829 284</b>	<b>31 122</b>	<b>35 434</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 68 748</b>	<b>\$ 829 284</b>	<b>\$ 31 122</b>	<b>\$ 35 434</b>	

See independent auditor's report.

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND	RECREATION FUND
\$ -	\$ 67 503	\$ 1 342	\$ 1 101	\$ 8 528	\$ -	\$ (1 981)
24 412	-	-	184 807	-	34 567	-
-	-	-	-	-	167 000	-
-	500	-	-	-	-	-
<u>\$ 24 412</u>	<u>\$ 68 003</u>	<u>\$ 1 342</u>	<u>\$ 185 908</u>	<u>\$ 8 528</u>	<u>\$ 201 567</u>	<u>\$ (1 981)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 625	\$ 959
-	-	1 038	-	-	-	-
-	-	-	-	-	-	743
-	-	1 038	-	-	625	1 702
-	-	-	-	-	167 000	-
-	-	-	-	-	167 000	-
-	-	1 038	-	-	167 625	1 702
24 412	68 003	304	185 908	8 528	33 942	(3 683)
<u>24 412</u>	<u>68 003</u>	<u>304</u>	<u>185 908</u>	<u>8 528</u>	<u>33 942</u>	<u>(3 683)</u>
<u>\$ 24 412</u>	<u>\$ 68 003</u>	<u>\$ 1 342</u>	<u>\$ 185 908</u>	<u>\$ 8 528</u>	<u>\$ 201 567</u>	<u>\$ (1 981)</u>

CITY OF CENTER, TEXAS  
 COMBINING BALANCE SHEET - CONTINUED  
 NONMAJOR SPECIAL REVENUE FUNDS  
 September 30, 2023

	JURY FUND	TRUANCY FUND	AMERICAN RESCUE PLAN GRANT
<b>ASSETS</b>			
Cash and cash equivalents	\$ 328	\$ 39	\$ -
Investments	-	17 161	-
Receivables	-	-	-
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 328</b>	<b>\$ 17 200</b>	<b>\$ -</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Accrued expenses	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows:</b>			
Unavailable revenue	-	-	-
<b>TOTAL DEFERRED INFLOWS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance:</b>			
Restricted	328	17 200	-
<b>TOTAL FUND BALANCE</b>	<b>328</b>	<b>17 200</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 328</b>	<b>\$ 17 200</b>	<b>\$ -</b>

See independent auditor's report.

STREET IMPROVEMENT FUND	OPIOD FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ 18 968	\$ 165 917
-	-	990 406
-	-	332 040
-	-	500
<u>\$ -</u>	<u>\$ 18 968</u>	<u>\$ 1 488 863</u>
\$ -	\$ -	\$ 1 584
-	-	70 328
-	-	743
<u>-</u>	<u>-</u>	<u>72 655</u>
-	-	167 000
-	-	167 000
-	-	239 655
-	18 968	1 249 208
-	18 968	1 249 208
<u>\$ -</u>	<u>\$ 18 968</u>	<u>\$ 1 488 863</u>

CITY OF CENTER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended September 30, 2023

	TEXAS CAPITAL FUND GRANT REPAYMENT FUND	CIVIC CENTER FUND	HOTEL/ MOTEL FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUND
<b>Revenues:</b>					
Taxes	\$ -	\$ 2 774	\$ 472 437	\$ -	\$ -
Grants and contributions	-	-	-	-	-
Fines and fees	-	-	-	3 656	4 018
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>2 774</u>	<u>472 437</u>	<u>3 656</u>	<u>4 018</u>
<b>Expenditures:</b>					
Public safety	-	-	-	233	300
Community services	445	-	130 699	-	-
Streets and drainage	-	-	-	-	-
Debt service	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>445</u>	<u>-</u>	<u>130 699</u>	<u>233</u>	<u>300</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(445)</u>	<u>2 774</u>	<u>341 738</u>	<u>3 423</u>	<u>3 718</u>
<b>Other Financing Sources (Uses):</b>					
Interest	-	-	32 754	1 363	1 555
Operating transfers in	1 010	-	-	-	-
Operating transfers (out)	-	-	(110 000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1 010</u>	<u>-</u>	<u>(77 246)</u>	<u>1 363</u>	<u>1 555</u>
<b>NET CHANGE IN FUND BALANCE</b>	565	2 774	264 492	4 786	5 273
Fund balance, beginning of year	<u>(565)</u>	<u>(3 316)</u>	<u>564 792</u>	<u>26 336</u>	<u>30 161</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ (542)</u>	<u>\$ 829 284</u>	<u>\$ 31 122</u>	<u>\$ 35 434</u>

See independent auditor's report.

POLICE DEPARTMENT FORFEITURE FUND	AIRPORT CONSTRUCTION FUND	HOME GRANT	TAX INCREMENT FINANCING FUND	INDUSTRIAL DEVELOPMENT FUND	LOGIC PARK FUND	RECREATION FUND
\$ -	\$ -	\$ -	\$ 35 233	\$ -	\$ -	\$ -
-	35 000	-	-	-	72 969	724
-	-	-	-	-	-	-
-	-	-	-	-	-	101 644
<u>7 094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7 094</u>	<u>35 000</u>	<u>-</u>	<u>35 233</u>	<u>-</u>	<u>72 969</u>	<u>102 368</u>
-	-	-	-	-	-	-
-	-	-	-	-	12 860	107 080
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>28 223</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>28 223</u>	<u>-</u>	<u>12 860</u>	<u>107 080</u>
<u>7 094</u>	<u>35 000</u>	<u>-</u>	<u>7 010</u>	<u>-</u>	<u>60 109</u>	<u>(4 712)</u>
972	-	-	7 973	396	1 785	-
-	-	-	30 560	-	-	4 700
-	2 850	-	-	-	-	-
<u>972</u>	<u>2 850</u>	<u>-</u>	<u>38 533</u>	<u>396</u>	<u>1 785</u>	<u>4 700</u>
8 066	37 850	-	45 543	396	61 894	(12)
<u>16 346</u>	<u>30 153</u>	<u>304</u>	<u>140 365</u>	<u>8 132</u>	<u>(27 952)</u>	<u>(3 671)</u>
\$ <u>24 412</u>	\$ <u>68 003</u>	\$ <u>304</u>	\$ <u>185 908</u>	\$ <u>8 528</u>	\$ <u>33 942</u>	\$ <u>(3 683)</u>

CITY OF CENTER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended September 30, 2023

	JURY FUND	TRUANCY FUND	AMERICAN RESCUE PLAN GRANT
Revenues:			
Taxes	\$ -	\$ -	\$ -
Grants and contributions	-	-	-
Fines and fees	80	4 023	-
Charges for services	-	-	-
Other	-	-	-
TOTAL REVENUES	80	4 023	-
Expenditures:			
Public safety	-	-	-
Community services	-	-	-
Streets and drainage	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	80	4 023	-
Other Financing Sources (Uses):			
Interest	-	697	13 389
Operating transfers in	-	-	-
Operating transfers (out)	-	-	(858 785)
TOTAL OTHER FINANCING SOURCES (USES)	-	697	(845 396)
NET CHANGE IN FUND BALANCE	80	4 720	(845 396)
Fund balance, beginning of year	248	12 480	845 396
FUND BALANCE, END OF YEAR	\$ 328	\$ 17 200	\$ -

See independent auditor's report.



STREET IMPROVEMENT FUND	OPIOD FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ 510 444
-	-	108 693
-	-	11 777
-	-	101 644
<u>-</u>	<u>18 471</u>	<u>25 565</u>
<u>-</u>	<u>18 471</u>	<u>758 123</u>
-	-	533
-	-	251 084
698 366	-	698 366
<u>-</u>	<u>-</u>	<u>28 223</u>
<u>698 366</u>	<u>-</u>	<u>978 206</u>
<u>(698 366)</u>	<u>18 471</u>	<u>(220 083)</u>
-	497	61 381
698 366	-	734 636
<u>-</u>	<u>-</u>	<u>(965 935)</u>
<u>698 366</u>	<u>497</u>	<u>(169 918)</u>
-	18 968	(390 001)
<u>-</u>	<u>-</u>	<u>1 639 209</u>
\$ <u>-</u>	\$ <u>18 968</u>	\$ <u>1 249 208</u>

CITY OF CENTER, TEXAS  
SCHEDULE OF REVENUES - PROPRIETARY FUNDS  
Year Ended September 30, 2023

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Revenues:			
Charges for Service:			
Water charges	\$ 3 196 511	\$ -	\$ 3 196 511
Sewer charges	1 122 016	-	1 122 016
Sanitation charges	-	1 929 136	1 929 136
TOTAL	4 318 527	1 929 136	6 247 663
Taps and Connections:			
Water taps and connections	5 145	-	5 145
Sewer taps and connections	1 350	-	1 350
TOTAL	6 495	-	6 495
Miscellaneous Revenue:			
Administrative fees	5 920	-	5 920
Penalties	52 079	-	52 079
Reconnection fees	26 826	-	26 826
Miscellaneous receipts	32 277	1 189	33 466
TOTAL	117 102	1 189	118 291
TOTAL OPERATING REVENUES	\$ 4 442 124	\$ 1 930 325	\$ 6 372 449
Nonoperating Revenues:			
Grants and contributions	\$ 41 727	\$ -	\$ 41 727
Other revenue	2 335	-	2 335
Income from investments	102 434	20 920	123 354
TOTAL NONOPERATING REVENUES	\$ 146 496	\$ 20 920	\$ 167 416

See independent auditor's report.

CITY OF CENTER, TEXAS  
SCHEDULE OF EXPENSES - PROPRIETARY FUNDS  
Year Ended September 30, 2023

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER FUND	SANITATION FUND	TOTAL
Operating Expenses:			
Nondepartmental:			
Supplies	\$ 18 666	\$ -	\$ 18 666
Contractual services	33 200	-	33 200
Sundry charges	37 612	-	37 612
Utilities	131 784	-	131 784
Capital outlay	3 775	-	3 775
TOTAL	<u>225 037</u>	<u>-</u>	<u>225 037</u>
Public Works:			
Payroll	222 849	-	222 849
Supplies	6 079	-	6 079
Contractual services	54 776	-	54 776
Utilities	13 165	-	13 165
Sundry charges	2 336	-	2 336
Maintenance	13 699	-	13 699
TOTAL	<u>312 904</u>	<u>-</u>	<u>312 904</u>
Water Production:			
Payroll	557 502	-	557 502
Supplies	373 814	-	373 814
Contractual services	138 547	-	138 547
Utilities	309 262	-	309 262
Sundry charges	10 370	-	10 370
Maintenance	90 896	-	90 896
Capital outlay	28 698	-	28 698
TOTAL	<u>1 509 089</u>	<u>-</u>	<u>1 509 089</u>
Water Distribution:			
Payroll	231 503	-	231 503
Supplies	8 008	-	8 008
Contractual services	44 543	-	44 543
Utilities	1 724	-	1 724
Sundry charges	1 755	-	1 755
Maintenance	87 914	-	87 914
TOTAL	<u>375 447</u>	<u>-</u>	<u>375 447</u>
Sewer Collection:			
Payroll	99 932	-	99 932
Supplies	4 265	-	4 265
Contractual services	62 621	-	62 621
Utilities	39 392	-	39 392
Sundry charges	171	-	171
Maintenance	72 859	-	72 859
TOTAL	<u>279 240</u>	<u>-</u>	<u>279 240</u>
Sewer Treatment:			
Payroll	259 300	-	259 300
Supplies	127 020	-	127 020
Contractual services	178 410	-	178 410
Utilities	104 856	-	104 856
Sundry charges	19 763	-	19 763
Maintenance	145 036	-	145 036
TOTAL	<u>834 385</u>	<u>-</u>	<u>834 385</u>
Sanitation:			
Contractual services	-	1 665 499	1 665 499
Sundry charges	-	3 707	3 707
TOTAL	<u>-</u>	<u>1 669 206</u>	<u>1 669 206</u>
Depreciation:			
Depreciation	648 224	-	648 224
TOTAL OPERATING EXPENSES	<u>\$ 4 184 326</u>	<u>\$ 1 669 206</u>	<u>\$ 5 853 532</u>
Nonoperating Expense:			
Interest expense	\$ 29 901	\$ -	\$ 29 901
TOTAL NONOPERATING EXPENSE	<u>\$ 29 901</u>	<u>\$ -</u>	<u>\$ 29 901</u>

See independent auditor's report.

CITY OF CENTER, TEXAS  
 COMBINED COMPONENT UNITS  
 STATEMENT OF NET POSITION  
 Year Ended September 30, 2023

	ECONOMIC DEVELOPMENT CORPORATION	STREET IMPROVEMENT ECONOMIC DEVELOPMENT CORPORATION	LOCAL GOVERNMENT HOUSING CORPORATION	TOTAL COMPONENT UNITS
<b>ASSETS</b>				
Cash	\$ 1 118	\$ 1 925	\$ 38 853	\$ 41 896
Investments	2 347 417	1 775 521	-	4 122 938
Due from state	43 095	86 190	-	129 285
Notes receivable	212 890	-	-	212 890
Accrued interest receivable	3 497	-	-	3 497
Land	289 530	-	-	289 530
<b>TOTAL ASSETS</b>	<b>2 897 547</b>	<b>1 863 636</b>	<b>38 853</b>	<b>4 800 036</b>
<b>NET POSITION</b>				
Net investment in capital assets	289 530	-	-	289 530
Unrestricted	2 608 017	1 863 636	38 853	4 510 506
<b>TOTAL NET POSITION</b>	<b>\$ 2 897 547</b>	<b>\$ 1 863 636</b>	<b>\$ 38 853</b>	<b>\$ 4 800 036</b>

See independent auditor's report.

CITY OF CENTER, TEXAS  
 COMBINED COMPONENT UNITS  
 STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2023

	ECONOMIC DEVELOPMENT CORPORATION	STREET IMPROVEMENT ECONOMIC DEVELOPMENT CORPORATION	LOCAL GOVERNMENT HOUSING CORPORATION	TOTAL COMPONENT UNITS
Revenues:				
Sales tax	\$ 541 982	\$ 1 083 580	\$ -	\$ 1 625 562
Other income	-	-	18 500	18 500
<b>TOTAL REVENUES</b>	<b>541 982</b>	<b>1 083 580</b>	<b>18 500</b>	<b>1 644 062</b>
Expenditures:				
Administration	30 000	30 000	-	60 000
Contractual	8 250	4 200	2 560	15 010
Sundry	294	154	-	448
Incentives and projects	1 080 000	-	-	1 080 000
<b>TOTAL EXPENDITURES</b>	<b>1 118 544</b>	<b>34 354</b>	<b>2 560</b>	<b>1 155 458</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>(576 562)</b>	<b>1 049 226</b>	<b>15 940</b>	<b>488 604</b>
Other Financing Sources (Uses):				
Interest income	105 271	72 238	51	177 560
TIF loan interest income	5 274	-	-	5 274
Transfer (to) from City	-	(798 366)	-	(798 366)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>110 545</b>	<b>(726 128)</b>	<b>51</b>	<b>(615 532)</b>
<b>CHANGE IN NET POSITION</b>	<b>(466 017)</b>	<b>323 098</b>	<b>15 991</b>	<b>(126 928)</b>
Fund Balance/Net Position:				
Beginning of year	3 363 564	1 540 538	22 862	4 926 964
<b>END OF YEAR</b>	<b>\$ 2 897 547</b>	<b>\$ 1 863 636</b>	<b>\$ 38 853</b>	<b>\$ 4 800 036</b>

See independent auditor's report.

STATISTICAL SECTION

CITY OF CENTER, TEXAS  
INSURANCE COVERAGE  
September 30, 2023  
"UNAUDITED"

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	Law Enforcement Liability	* 10/01/22 to 10/01/23	\$ 1 000 000
Texas Municipal League	Public Officials (Excess Coverage)	* 10/01/22 to 10/01/23	\$ 100 000
Deep East Texas Self Insurance Fund	Worker's Compensation	* 10/01/22 to 10/01/23	Statutory
Texas Municipal League	Real and Personal Property	* 10/01/22 to 10/01/23	\$ 18 139 672
Texas Municipal League	General Liability	* 10/01/22 to 10/01/23	\$ 1 000 000
Texas Municipal League	Airport Liability	* 10/01/22 to 10/01/23	\$ 1 000 000
Texas Municipal League	Mobile Equipment	* 10/01/22 to 10/01/23	\$ 277 482
Texas Municipal League	Automobile Liability	* 10/01/22 to 10/01/23	\$ 1 000 000
Texas Municipal League	Auto Physical Damage	* 10/01/22 to 10/01/23	\$ Actual Cash Value
Texas Municipal League	Public Employee Dishonesty	* 10/01/22 to 10/01/23	\$ 25 000
Texas Municipal League	Errors and Omissions Liability	* 10/01/22 to 10/01/23	\$ 1 000 000
Texas Municipal League	Sudden Events Involving Pollution	* 10/01/22 to 10/01/23	\$ 1 000 000

\* Renewed at 10/01/2023

CITY OF CENTER, TEXAS  
 WATER AND SEWER RATES AND SYSTEM CONNECTIONS  
 September 30, 2023  
 "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 200,000 Gallons Incl.	Wholesale 50,000 Gallons Incl.	Large Industrial Manufacturer 5,000,000 Gallons Incl.	Industrial/Manufacturer Supplemental Meter Charges at Same Facility
5/8- 3/4	\$12.90	\$13.75				
1	\$18.00	\$20.10				
1.5	\$26.75	\$29.60				
2	\$37.50	\$39.50	\$ 925	\$ 300	\$14 200	\$ 57.50
3	\$55.00	\$59.00	\$1 030	\$ 400	\$14 500	\$ 160.00
4	\$73.00	\$79.00	\$1 200	\$ 575	\$14 800	\$ 355.00
6	\$110.00	\$120.00	\$1 550	\$ 890	\$15 500	\$ 670.00
8			\$2 010	\$1 450	\$16 500	\$1 155.00
10			\$2 675	\$2 050	\$17 750	\$1 855.00
Sprinklers	\$20.00	\$20.00				

B. Unit Cost Per 1,000 Gallons:

Residential and sprinklers	\$ 4.10
Commercial	\$ 4.75
Small industrial/manufacturer	\$ 3.85
Wholesale	\$ 3.85
Large industrial/manufacturer	\$ 2.50
Over 1.75M/day or 30M/month	\$ 3.00
Over 2M/day or 40M/month	\$ 4.00
Bulk water	\$ 4.50

C. Outside City Limits:

Rates are double (2x) the rates expressed in A and B above.

Sewer Rates:

Residential:

Inside City Limits:

Minimum

\$15.50 plus 1/2 of Water

Maximum

\$45.00

Commercial:

Minimum

\$18.00 plus 1/2 of Water

Maximum

None

Industrial:

Minimum

\$21.00 plus 1/2 of Water

Maximum

None

Fixed Rates (Tyson office account)

\$310 per month

Outside City Limits:

The rate for services furnished outside the City limits shall be double (2X) the rate for the same service supplied inside the City limits.

Sewer Disposal

\$0.06 per gallon

Garbage Rates:

Residential	\$24.70
Commercial Small	\$30.30
Commercial Large	\$41.00

Commercial Dumpster Rates:

p/u per week	1X	2X	3X	4X	5X	6X	Extra Collections
Size							
2 Yard	108.00	186.00	253.00	332.00	423.00		45.00
3 Yard	119.00	211.00	298.00	392.00	484.00		47.50
4 Yard	135.00	228.00	315.00	430.00	529.00		50.00
6 Yard	165.00	243.00	354.00	450.00	552.00		52.00
8 Yard	203.00	362.00	512.00	743.00	817.00	947.00	54.00



CITY OF CENTER, TEXAS  
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED  
September 30, 2023  
"UNAUDITED"

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	\$800.00 + Street Cut Repairs	\$1,600.00 + Street Cut Repairs
1 inch	\$925.00 + Street Cut Repairs	\$1,850.00 + Street Cut Repairs
1 ½ inch	\$1,150.00 + Street Cut Repairs	\$2,300.00 + Street Cut Repairs
2 inch	\$1,300.00 + Street Cut Repairs	\$2,650.00 + 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	\$800.00 + Street Cut Repairs
6 inch	\$550.00 + Street Cut Repairs	\$1,100.00 + Street Cut Repairs

Utility Deposits:

Type Service			Deposit
Water	-	\$	125.00
Water, Sewer and Garbage Collection	-	\$	125.00
Commercial/Industrial Water, Sewer and Garbage Collection	-	\$	200.00
Commercial - Bulk Water/Temp Construction Water	-	\$	200.00
Garbage Collection Only	-	\$	50.00
Risk Account Additional Deposit	-	\$	125.00

Utility Account Fees:

Administrative Fee	-	\$	25.00
After Hours Call-out Fee (Emergency cut off)	-	\$	125.00
Broken Lock Fee	-	\$	50.00
Curb Stop Replacement Fee	-	\$	100.00
Payment Agreement Fee	-	\$	25.00
Utility Reconnection Fee	-	\$	75.00
Meter Removal/Reconnection Fee	-	\$	100.00
Cut-Off Valve Installation Fee	-	\$	100.00
Return Check Fee	-	\$	50.00
Meter Set Fee - 2 inch meter and below	-	\$	400.00
Meter Tampering Fee	-	\$	100.00
Dumpster Lock Fee	-	\$	10.00

Permits:

PERMIT TYPE		
Garage Sale Permit		\$5
House Moving Permit		\$250
Itinerant Salesperson Business Annual Fee		\$50
Additional Fee Per Sales Person		\$25
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 Inspection - Plumbing/Electrical		\$200
Each Additional Inspection (foundation, rough-in, final)		\$35
Gas Inspection Fee		\$35

CITY OF CENTER, TEXAS  
WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED  
September 30, 2023  
"UNAUDITED"

PERMIT TYPE		
<b>Building Permit and Inspections:</b>		
Residential Construction		\$0.30 per sf for 1 <sup>st</sup> 1,000 sf
		\$0.20 per sf for 1,001 to 2,500 sf
		\$0.15 per sf for 2,501 sf +
Commercial/Industrial Construction		\$5 per \$1,000 for 1 <sup>st</sup> \$100K
		\$3 per \$1,000 for \$100K - \$250K
		\$2 per \$1,000 for \$250K and above
Minimum Permit Fee		\$35
Driveway/Curb Cut/Culvert Permit (Ch 78)		\$35
Demolition (Any Structure/Building)		\$50
Piers, Etc. at Lake Pinkston		\$50
<b>Zoning Fees</b>		
Rezoning Request		\$250
Zoning Variance		\$350
Specific Use Request		\$250
Copy of Ordinance and Map		\$20

**Airport Fees:**

TYPE FEE		
<b>Hangar/Building Leases</b>		
Private T-Hangers		\$180
City-Owned Hangers		\$2 750
Additional Fees May Apply for Services in Hangers		
Ground Leases		\$0.135/SF
Fuel Flowage Fee		\$0.15/Gallon

**Police and Municipal Court:**

Police/Accident Reports		\$6/report
Fingerprinting		\$6

**Recreation Program Fees:**

(Park/5K Permit/Set Up Fee - \$25) (Race Equipment Rental - \$200 per race, plus supply cost) (Late Registration Fee -\$15 per participant) (Payment Plan Fee - \$5 per participant)

Recreation Program Registration		
<b>Baseball</b>		
4 Year Old		\$90
5-12 Year Old		\$90
13-14 Year Old		\$90
<b>Softball</b>		
		\$90
<b>Football</b>		
Flag Football		\$80
Tackle Football		\$105
Soccer		\$70
Basketball		\$60

**Park/Field Temporary Use Permit:**

Site	Fee	
	Daily	Seasonal
Portacool Park Basketball Pavilion; Center Park Pavilion; Perry Sampson Park	\$25	N/A
Baseball, Soccer, Softball (each field)	\$50	\$250
- With Field Lights (up to 2 hours)	\$75	\$250

**Miscellaneous:**

Animal Control		
Reclaimed Animal Charge		\$20/Day
Carnival/Festival Permit		\$500
Downtown Electric Use Fee		\$50/Day
Temporary Road Closure (e.g. Parade, Private function, road 5K's requiring TxDOT closure)		\$100
Record Request Charges		
Copies		\$0.10/page
Computer Printouts		\$0.25/page
Other Charges		Per Texas State Library Fee Schedule

CITY OF CENTER, TEXAS  
 WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED  
 September 30, 2023  
 "UNAUDITED"

Windham Civic Center Rental:

Room	Sq. Ft.	Weekday - Evening (Mon. - Thurs.)						Weekend (Fri. - Sun.)							
		2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023		
		Rate	Rate	Rate**	Rate**	Deposit	Deposit	Rate	Rate	Rate**	Rate**	Half-Day	Half-Day	Damage	Damage
Brd.Rm	700	\$225	\$250	\$150	\$150	\$115	\$125	\$250	\$250	\$175	\$175	N/A	N/A	\$125	\$150
Hourly Rate		\$35	\$50	N/A	N/A	\$30	\$50	\$50	\$75					\$50	\$50
Lobby (Hourly Rate)	2,000	\$35	\$50	N/A	N/A	\$30	\$50	\$50	\$75					\$50	\$50
Civic Rm	1,000	\$225	\$250	\$125	\$125	\$100	\$125	\$250	\$275	\$150	\$150	\$100	\$100	\$115	\$125
Rm A or C	2,400	\$225	\$250	\$125	\$125	\$100	\$125	\$300	\$325	\$200	\$200	\$150	\$150	\$150	\$150
Rm B	1,900	\$200	\$225	\$150	\$150	\$100	\$100	\$250	\$275	\$150	\$175	\$100	\$125	\$125	\$150
Rm A or C w/B	4,300	\$375	\$400	\$250	\$250	\$175	\$200	\$450	\$500	\$325	\$325	\$225	\$250	\$225	\$250
Rm A, B, C	6,700	\$550	\$600	\$400	\$400	\$250	\$300	\$650	\$700	\$425	\$450	\$300	\$325	\$300	\$325
Conf. Hall		\$625	\$700	\$475	\$475	\$300	\$350	\$750	\$800	\$550	\$575	\$400	\$450	\$350	\$375
Entire Bldg (-Brd Rm)		\$900		\$600	\$600	\$450	\$500					\$600		\$750	\$800

Room	Sq. Ft.	Weekday - 8 a.m. - 5 p.m.						Additional Fees		
		2022	2023	2022	2023	2022	2023	Microphones		
		Rate	Rate	Rate**	Rate**	Deposit	Deposit	Cordless	Each	\$25
Brd.Rm	700	\$165	\$175	\$100	\$100	\$75	\$75	Corded	Each	\$20
Hourly Rate		\$35	\$50			\$30	\$50	Soundboard	Each	\$35
Lobby (Hourly Rate)	2,000	N/A	N/A	N/A	N/A	N/A	N/A	Chair Upgrade	Each Chair	\$1
Civic Rm	1,000	\$150	\$175	\$100	\$100	\$75	\$75	Stage:		\$75
Rm A or C	2,400	\$175	\$200	\$125	\$125	\$85	\$100	1-3 sections		\$150
Rm B	1,900	\$150	\$150	\$100	\$100	\$75	\$75	4-6 sections		\$15
Rm A or C w/B	4,300	\$300	\$350	\$175	\$175	\$150	\$175	Curtain	Each Section	\$15
Rm A, B, C	6,700	\$450	\$475	\$300	\$300	\$225	\$250	Laptop Connection	Each	\$25
Conf. Hall		\$500	\$550	\$325	\$325	\$250	\$275	Uplights	Each	\$7
Entire Bldg (-Brd Rm)		\$900		\$600	\$600	\$450	\$500	For the set of 16		\$100

	People	Rate		People	Rate
Kitchen/Catering	0-50	\$50	Alcohol Fee (charged for extra clean-up and risk to the facility)	0-50	\$50
	50-100	\$75		50-100	\$75
	100-150	\$100		100-150	\$100
	150-200	\$125		150-200	\$125
	200+	\$150		200+	\$150

Projector/Screen		\$75
Laser Light Fixture		\$15
Computer Remote Control		\$5
Conference Call	Call 20 min or less	\$15
	Call 20-45 min.	\$25
	Call >45 min.	\$50
Coffee/Water Service up to 25 ppl	Per Day	\$30
Coffee/Water Service up to 75 ppl	Per Day	\$50
Coffee/Water Service up to 150 ppl	Per Day	\$100
Coffee/Water Service over 150 ppl	Per Day	\$200

Proposal of a \$15.00/half hour charge deducted from the damage deposit for not arriving when requested (if necessitates staff arriving earlier than necessary)

Community House Building Rental:

	Regular Rates			Taxpayer/Non-Profit Rates		
	Rate	2 <sup>nd</sup> Rate**	Damage	Rate	2 <sup>nd</sup> Rate**	Damage
Rent	\$325	\$150	\$150	\$275	\$125	\$125
Projector/Screen	\$75		\$75	\$75		
Room Setup	\$75		\$75	\$75		

The following deductions from the damage deposit are recommended:

- \$10 - Leaving the lights on
- \$10 - Not taking out the trash
- \$25 - Use of tape on the ceiling/dry wall
- \$50 - Not cleaning the facility
- \$150 - Use of alcohol

Credit Card Transaction Fee:

3.5% of payment amount. Not inclusive of 3<sup>rd</sup> party convenience fees.

CITY OF CENTER, TEXAS  
 WATER AND SEWER RATES AND SYSTEM CONNECTIONS - CONTINUED  
 September 30, 2023  
 "UNAUDITED"

Residential Service:

	Customer Rate		
	City Rate		21.12
2x Week Service			
Handicapped-back door service			

Commercial Handload Service:

	Customer Rate		
	City Rate		19.35
(Note - Must meet the same requirements as residential approximate 10 bags max. for 2x/week)			

Small Commercial Hand Load:

	Customer Rate		
	City Rate		19.35
Bag limit is 3 bags maximum or less			

Carts placed only for operational reasons. If needed for this purpose equate the number of carts and frequency to size of a front load, rate will be the same.

SIZE	1x	2x	3x	4x	5x	6x	Extra Lift
2 Yard	93.40	167.75	231.81	301.21	388.80		40.00
3 Yard	104.81	188.40	270.71	354.62	446.00		41.85
4 Yard	120.05	203.92	286.36	390.73	488.06		43.77
6 Yard	146.71	219.17	316.47	407.99	510.55		45.65
8 Yard	181.17	325.93	465.18	672.55	753.01	891.46	47.52

6 yd vertipack compactor \$440.16 month for 1x wk pick up - 32x per week \$1,008.69

City allowed 90 cubic yards per year at no charge as follows: 600 cubic yards for clean ups.

300 cubic yards from City's water treatment plant not to exceed 300 cubic yards or 300 tons from June 1 to May 31 annually.

30 yd Roll Off rate if needed \$777.28 per haul, \$100.00 rent and \$100.00 delivery.

40 yd Roll Off rate if needed \$884.00 per haul, \$100.00 \$3 day rent \$100.00 delivery.

Bulky Item drop off at City Annex, no residential pickup provided.

30 yd Compactor - \$848.01 per haul

40 yd Compactor - \$1,111.08

At September 30, 2023, the records of the City indicated the following system connections:

Water System	2 433
Sewer System	2 049
Garbage System	2 071

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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, 2023, 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 22, 2024.

**Report on 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.

**Report on 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 22, 2024

*Axley & Rode LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and  
Members of the City Council  
City of Center, Texas

Honorable Mayor and Members of the City Council:

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the City of Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, which could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Center and to meet our other ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Center's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Center's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsible to those risk. Such procedures include examining, on a test basis, evidence regarding the City of Center's compliance with the compliance requirement referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the City of Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Conclusion**

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

Lufkin, Texas  
April 22, 2024

  
CERTIFIED PUBLIC ACCOUNTANTS





CITY OF CENTER, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended September 30, 2023

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Uniform Guidance?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster*
21.027	Coronavirus Local Fiscal Recovery Fund Grant

Dollar threshold used to distinguish between Type A and Type B Federal programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

None

C. Federal Compliance Findings

None

CITY OF CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended September 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS- THROUGH ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Department of Treasury:			
Passed through Texas Division of Emergency Management:			
Coronavirus Local Fiscal Recovery Fund	N/A	21.027	\$ <u>746 758</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>746 758</u>
U.S. Department of Justice:			
Community Policing Grant			
TOTAL U.S. DEPARTMENT OF JUSTICE	N/A	16.710	<u>46 917</u>
U.S. Department of Housing and Urban Development:			
Passed through Texas Department of Agriculture:			
Community Development Block Grant	7220081	14.228	<u>40 280</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>40 280</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>833 955</u></u>

CITY OF CENTER  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
September 30, 2023

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Center under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Center.
2. For all federal programs, the City uses the fund types specified in Governmental Accounting Standards. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Special Revenue Fund which is a governmental fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net fund balance.  
  
The modified accrual basis of accounting is used for the governmental fund types, and agency funds. The basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.  
  
Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3 Uniform Guidance Compliance Statement - Provisional 6/97.
5. City of Center has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

CITY OF CENTER, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2023

Findings/Recommendation	Current Status	Management's Explanation if Not Implemented
<u>Finding 2022-01:</u> Segregation of duties in payroll	Resolved	N/A

CITY OF CENTER, TEXAS  
CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2023

None

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**APPENDIX E**  
**SPECIMEN BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services  
Provided By:

