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www.centertexas.org

AGENDA

The Center City Council will meet in Regular Session on Monday, September 10, 2018 at 5:00 p.m. in Council Room at Center City Hall. The following items are on the agenda for appropriate action:

- I. Welcome Guests and Visitors.**
- II. Approval of Minutes of the Workshop and Regular Meetings on August 27, 2018.**
- III. Public Hearings:**
 - A. Proposed Tax Rate.
 - B. Proposed Budget FY 2019.
- IV. Discuss Consider and Action on the Following:**
 - A. Authorize Engagement Letter for Audit Services with Axley & Rode.
 - B. Approve Budget Change for 102 Childs Street Renovation.
 - C. Approve CHS Homecoming Parade and Related Street Closure Request.
- V. Items of Interest from Council and City Manager and Citizens – No Action Items.**
- VI. Executive Session**
 1. Personnel

Consider entering executive session for legal consultation with the City Attorney and discussion of pending litigation, personnel matters and land acquisition with possible action related thereto upon reconvening in open session in accordance with Government Code Section 551.071, 551.072 and 551.074
- VII. Adjournment.**

MEMORANDUM

TO: Mayor and City Council

FR: Chad D. Nehring, City Manager



Date: August 24, 2018

RE: Agenda Comments for Regular Meeting of August 27, 2018

REGULAR MEETING AGENDA:

III.A. Public Hearing on the Tax Rate

This is the second of two required public hearings on the property tax rate that Council will adopt next month for fiscal year 2019.

III.B. Public Hearing – FY 2019 Budget

This is the initial hearing required prior to consideration for adoption of the annual budget to serve as the operating, financial plan for the fiscal year 2019, covering the period of Oct 2018 thru Sept 2019.

IV.A. Authorize Engagement Letter for Audit Services with Axley & Rode

This is the annual renewal of services for annual financial audit services. Axley and Rode has performed these services for the City for well over two decades and is extremely familiar with the operations, history and accounting systems in place, many of which they assisted in creating and adapting to updated GASB standards. Staff recommends approval for continuation of these services.

IV.B. Approve Budget Change – 102 Childs Renovation

Council authorized a revised budget allocation for electrical and HVAC renovations last month to accommodate necessary improvements to allow this new facility to function for some staff offices and needed records storage. Those are now nearing completion and final exterior and interior upgrades will complete the facility. The exterior is planned for complete encasement with cement/hardyboard including trim and replacement/repair of the current windows and several doors. Interior will be some countertops, wall/ceiling repair, some plumbing fixture replacement, light fixtures, painting and primarily flooring. We don't have firm quotes on all of these items yet but enough for reasonable estimates. Exterior is \$12,000 plus windows, estimated at \$2,500. Interior accumulates to \$10,500. All items including location purchase will be approximately \$70,000, equaling roughly \$45/sq ft. The total for finishing this building for occupancy being recommended for budget change is \$25,000.

IV.C. Approve CHS Homecoming Parade and Related Street Closures

Included is the letter requesting designated temporary street closure for the annual homecoming parade. Upon approval, staff will provide required notice to TXDoT and inform PD of traffic control responsibilities upon TXDoT acceptance.

Items of Interest:

Recycling Trailer – The trailer is still available for use daily at the Riggs St yard, 7 AM – 3 PM. As the evidence and information of trash dumping was resulting in virtually all materials labeled “contaminated” by the material processor. Upon learning collected material was simply being dumped as garbage, it was either recommend eliminating the program or trying to find a way to eliminate the contamination so that materials would actually be recycled. The trailer has been stationed at the Annex yard post What-a-melon festival and has been being utilized by those seeking actual recycling disposal options. At present that is the plan to make sure that we actually receive recyclable material and do more than transport it to end up in a dumpster like many other recycling programs.

VI. Executive Session

We may have need of an executive session.

**MINUTES OF THE CITY OF CENTER
CITY COUNCIL MEETING
WORKSHOP MEETING
August 27, 2018**

The Center City Council met in a workshop session on Monday, August 27, 2018 at 4:00 p.m. in the Conference Room at City Hall. The meeting was open to the public. Notices were properly posted of the date, place and hour and the news media was notified. The following members were present:

David Chadwick	-	Mayor	
Leigh Porterfield	-	Mayor Pro Tem	
Jerry Lathan	-	Council Member	
Joyce Johnson	-	Council Member	
Howell Howard	-	Council Member	Absent
Randy Collard	-	Council Member	
Terry Scull	-	Council Member	
Chad Nehring	-	City Manager	
Barbara Boyd	-	City Secretary	
James Payne	-	City Attorney	Absent

Item I. Mayor, David Chadwick opened the meeting.

1. Budget.
2. Capital Improvement Plan.

City Manager, Chad Nehring went over the budget, policies, goals and major projects with Council.

Item II. Adjournment.

Mayor Chadwick recessed the meeting at 4:58 pm.

David Chadwick, Mayor

Attest:

Barbara Boyd, City Secretary

**MINUTES OF THE CITY OF CENTER
CITY COUNCIL MEETING
REGULAR MEETING
August 27, 2018**

The Center City Council met in a regular session on Monday, August 13, 2018 at 5:00 p.m. in the Council Chambers at Center City Hall. The meeting was open to the public. Notices were properly posted of the date, place and hour and the news media was notified. The following members were present:

David Chadwick	-	Mayor
Leigh Porterfield	-	Mayor Pro Tem
Joyce Johnson	-	Council Member
Howell Howard	-	Council Member
Jerry Lathan	-	Council Member
Terry Scull	-	Council Member
Randy Collard	-	Council Member
Chad Nehring	-	City Manager
Barbara Boyd	-	City Secretary
Jim Payne	-	City Attorney

Guests signed the register.

Item I. Mayor David Chadwick opened the meeting and welcomed the visitors.

Item II. Approval of Minutes of the Regular Meeting on August 13, 2018.

Council Member Randy Collard made a motion to approve the minutes. Council Member Howell Howard seconded the motion. All voted in favor.

Item III. Public Hearings:

A. Proposed Tax Rate. There were no comments.

Item IV. Consider Discussion and Possible Action on the following:

A. Approve Ordinance 2018-04 Cancellation of Election. City Secretary, Barbara Boyd stated the ordinance cancels elections for the unopposed candidates in District 4 and the two At Large positions, but District 2 will be on the ballot on election day. Council Member Howell Howard made a motion to approve Ordinance 2018-04 Cancellation of Election. Council Member Jerry Lathan seconded the motion. All voted in favor.

B. Resolution 2018-12 Authorizing Agreement – Parker Place LLC. City Manager, Chad Nehring stated this agreement outlines the settlement of prior agreements with Parker Place LLC for initial development costs of all grant obligations and further authorizes the acquisition of the remaining vacant lots as condition to this conclusion. Mr. Nehring stated the resolution authorizes the Mayor to finalize its execution. Council Member Leigh Porterfield made a motion to approve Resolution 2018-12 Authorizing Agreement with Parker Place LLC. Council Member Howell Howard seconded the motion. All voted in favor.

C. Approve Budget Change – Center Municipal Airport Capital Improvement Project. City Manager, Chad Nehring stated for two years staff has been working to progress

additional airport improvements, most notably the old runway to support new and much larger aircraft than current design and additionally, the general airport use priority is the rehab of the runway which was last painted and resurfaced in 2003. Mr. Nehring stated TXDoT Aviation has both these projects in their current CIP being presented to the TX Transportation Commission for funding approval and even though their current request is for the \$66,850 match needed for the taxiway which could leave approximately \$25,000 in match for the runway component. Mr. Nehring stated staff has worked with TXDoT Aviation in hopes of having these projects included and funded under a one-time federal program that would minimize or even eliminate the local match requirements but that will not be determined until projects are initiated, which requires submittal of the local match. Council Member Howell Howard made a motion to approve Budget Change for Center Municipal Airport Capital Improvement Project. Council Member Leigh Porterfield seconded the motion. All voted in favor.

- D. Approve Grant Administration – 2019 Texas Community Development Block Grant Application. City Manager, Chad Nehring stated staff prepared the necessary procurement solicitation for these services required by the Texas Dept of Agriculture to contract for grant administration services related to a Community Development Block Grant application and project. Mr. Nehring stated only one response from the solicitation was received and that was from Gary Traylor & Associates, whom the City has used for over thirty years for virtually all grant applications and administrative services. Council Member Terry Scull made a motion to approve Grant Administration for the 2019 Texas Community Development Block Grant Application. Council Member Randy Collard seconded the motion. All voted in favor.
- E. Center Police Department Surplus Equipment. City Manager, Chad Nehring stated with recent grant funding, the police department was able to upgrade all s taser equipment and prior equipment has been kept for appropriate disposal. Mr. Nehring stated Shelbyville ISD has requested transfer if items available and the police department has reported that several units could be disposed of in this manner. Council Member Terry Scull made a motion to approve the request to dispose the Center Police Department Surplus Equipment. Council Member Howell Howard seconded the motion. All voted in favor.
- F. TML Intergovernmental Risk Pool Board of Trustees Election Ballot. City Manager stated Council has historically reviewed the recommendation and authorized staff to submit a ballot for these positions on the governing board for the City's health insurance, interlocal government cooperative. Council Member Terry Scull made a motion to approve the recommendations of the City Manager for the TML Intergovernmental Risk Pool Board of Trustees Election Ballot. Council Member Leigh Porterfield seconded the motion. All voted in favor.

Item V. Items of Interest from Council and City Manager, and Citizens – No Action Items.

Item VI. Executive Session.

1. Consultation with City Attorney.
2. Personnel.

There was no executive session.

Consider entering executive session for legal consultation with the City Attorney and discussion of pending litigation, personnel matters and land acquisition with possible action related thereto upon reconvening in open session in accordance with Local Government Code Section 551.071, 551.072 and 551.074.3.

Item VII. Adjournment. Mayor David Chadwick adjourned the meeting at 5:28 pm.

David Chadwick, Mayor

Attest:

Barbara Boyd, City Secretary

NOTICE OF 2018 TAX YEAR PROPOSED PROPERTY TAX RATE FOR CITY OF CENTER

A tax rate of \$0.600000 per \$100 valuation has been proposed for adoption by the governing body of City of Center. This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate.

The governing body of City of Center proposes to use revenue attributable to the tax rate increase for the purpose of General increase in operational cost..

PROPOSED TAX RATE	\$0.600000 per \$100
PRECEDING YEAR'S TAX RATE	\$0.575000 per \$100
EFFECTIVE TAX RATE	\$0.564509 per \$100
ROLLBACK TAX RATE	\$0.616027 per \$100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for City of Center from the same properties in both the 2017 tax year and the 2018 tax year.

The rollback tax rate is the highest tax rate that City of Center may adopt before voters are entitled to petition for an election to limit the rate that may be approved to the rollback rate.

YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES CAN BE CALCULATED AS
FOLLOWS:

$$\text{property tax amount} = (\text{rate}) \times (\text{taxable value of your property}) / 100$$

For assistance or detailed information about tax calculations, please contact:

Debora Riley
City of Center tax assessor-collector
200 San Augustine Street, Center, TX 75935
936/598-4441
debora.riley@co.shelby.tx.us

You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: August 27, 2018 at 05:00 PM at Center City Hall 617 Tenaha Street Center, Texas.

Second Hearing: September 10, 2018 at 05:00 PM at Center City Hall 617 Tenaha Street Center, Texas.

August 27, 2018

Honorable Mayor and City Council
City of Center Economic Development Corporation
P. O. Box 1744
Center, Texas 75935

We are pleased to confirm our understanding of the services we are to provide for City of Center Economic Development Corporation for the year ended September 30, 2018. We will audit the financial statements of the City of Center Economic Development Corporation, which comprises the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of Center Economic Development Corporation's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City of Center Economic Development Corporation's RSI in accordance with the auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison

AUDIT OBJECTIVE

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplemental information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City of Center Economic Development Corporation and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the City of Center Economic Development Corporation's financial statements. Our report will be addressed to the Honorable Mayor and City Council of the City of Center Economic Development Corporation. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the City of Center Economic Development Corporation is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

AUDIT PROCEDURES - GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

AUDIT PROCEDURES - INTERNAL CONTROL

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

AUDIT PROCEDURES - COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Center Economic Development Corporation's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OTHER SERVICES

We will also assist in preparing the financial statements and related notes of City of Center Economic Development Corporation in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

MANAGEMENT RESPONSIBILITIES

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we may report.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

ENGAGEMENT ADMINISTRATION, FEES, AND OTHER

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

In the interest of facilitating our services, we may send data over the internet or utilize cloud-based storage. Confidential electronic data may be transmitted or stored using these methods. We may use third party service providers to store or transmit this data. In using these data communication and storage methods, we use reasonable efforts to keep such communications and electronic data secure. You recognize that data breaches can occur even with all reasonable security measures being employed by us or our third party vendors. You consent to our use of these applications and submission of confidential client information to third party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the City of Center Economic Development Corporation; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Axley & Rode, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available in a timely manner to the City of Center Economic Development Corporation, a federal or state agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Axley & Rode, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the City of Center Economic Development Corporation. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Eric A. Carver is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

August 27, 2018

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, is not expected to exceed \$2,850. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2017 peer review report accompanies this letter.

We appreciate the opportunity to be of service to City of Center Economic Development Corporation and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

AXLEY & RODE, LLP



ERIC A. CARVER, P.C., CPA
PARTNER

EAC:aos

RESPONSE:

This letter correctly sets forth the understanding of City of Center Economic Development Corporation.

By: _____

Date: _____

Title: _____

Report on the Firm's System of Quality Control

January 22, 2018

To the partners of Axley & Rode LLP and the Peer Review Committee of the Texas Society of Certified Public Accountants.

We have reviewed the system of quality control for the accounting and auditing practice of Axley & Rode LLP in effect for the year ending August 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, and audits performed under FDICIA.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Axley & Rode LLP in effect for the year ended August 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Axley & Rode LLP has received a peer review rating of *pass*.

Condley and Company, L.L.P.

Certified Public Accountants

August 27, 2018

Honorable Mayor and City Council
City of Center Street Improvement for
Economic Development Corporation
P. O. Box 1744
Center, Texas 75935

We are pleased to confirm our understanding of the services we are to provide for City of Center Street Improvement for Economic Development Corporation for the year ended September 30, 2018. We will audit the financial statements of the City of Center Street Improvement for Economic Development Corporation, which comprises the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of Center Street Improvement for Economic Development Corporation's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City of Center Street Improvement for Economic Development Corporation's RSI in accordance with the auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison

AUDIT OBJECTIVE

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplemental information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City of Center Street Improvement for Economic Development Corporation and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the City of Center Street Improvement for Economic Development Corporation's financial statements. Our report will be addressed to the Honorable Mayor and City Council of the City of Center Street Improvement for Economic Development Corporation. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the City of Center Street Improvement for Economic Development Corporation is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

AUDIT PROCEDURES - GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

AUDIT PROCEDURES - INTERNAL CONTROL

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

AUDIT PROCEDURES - COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Center Street Improvement for Economic Development Corporation's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OTHER SERVICES

We will also assist in preparing the financial statements and related notes of City of Center Street Improvement for Economic Development Corporation in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

MANAGEMENT RESPONSIBILITIES

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we may report.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

ENGAGEMENT ADMINISTRATION, FEES, AND OTHER

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

In the interest of facilitating our services, we may send data over the internet or utilize cloud-based storage. Confidential electronic data may be transmitted or stored using these methods. We may use third party service providers to store or transmit this data. In using these data communication and storage methods, we use reasonable efforts to keep such communications and electronic data secure. You recognize that data breaches can occur even with all reasonable security measures being employed by us or our third party vendors. You consent to our use of these applications and submission of confidential client information to third party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the City of Center Street Improvement for Economic Development Corporation; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Axley & Rode, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available in a timely manner to the City of Center Street Improvement for Economic Development Corporation, a federal or state agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out our oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Axley & Rode, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the City of Center Street Improvement for Economic Development Corporation. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Eric A. Carver is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

August 27, 2018

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, is not expected to exceed \$2,850. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2017 peer review report accompanies this letter.

We appreciate the opportunity to be of service to City of Center Street Improvement for Economic Development Corporation and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

AXLEY & RODE, LLP



ERIC A. CARVER, P.C., CPA
PARTNER

EAC:aos

RESPONSE:

This letter correctly sets forth the understanding of City of Center Street Improvement for Economic Development Corporation.

By: _____

Date: _____

Title: _____

Report on the Firm's System of Quality Control

January 22, 2018

To the partners of Axley & Rode LLP and the Peer Review Committee of the Texas Society of Certified Public Accountants.

We have reviewed the system of quality control for the accounting and auditing practice of Axley & Rode LLP in effect for the year ending August 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; and audits performed under FDICIA.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Axley & Rode LLP in effect for the year ended August 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Axley & Rode LLP has received a peer review rating of *pass*.

Condley and Company, L.L.P.

Certified Public Accountants

August 27, 2018

Honorable Mayor and City Council
City of Center
P. O. Box 1744
Center, Texas 75935

We are pleased to confirm our understanding of the services we are to provide City of Center for the year ended September 30, 2018. We will audit 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, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Center as of and for the year ended September 30, 2018. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of Center's basic financial statements. Such information, although not 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. As part of our engagement, we will apply certain limited procedures to the City of Center's RSI in accordance with the auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison

We have also been engaged to report on supplementary information other than RSI that accompanies the City of Center's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and will provide an opinion on it in relation to the financial statements as a whole:

1. Combining Statements
2. Statistical Section

AUDIT OBJECTIVE

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplemental information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City of Center and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the City of Center's financial statements. Our report will be addressed to the Honorable Mayor and City Council of the City of Center. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the City of Center is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

AUDIT PROCEDURES - GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

AUDIT PROCEDURES - INTERNAL CONTROL

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

AUDIT PROCEDURES - COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Center's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OTHER SERVICES

We will also assist in preparing the financial statements and related notes of City of Center in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

MANAGEMENT RESPONSIBILITIES

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we may report.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

ENGAGEMENT ADMINISTRATION, FEES, AND OTHER

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

In the interest of facilitating our services, we may send data over the internet or utilize cloud-based storage. Confidential electronic data may be transmitted or stored using these methods. We may use third party service providers to store or transmit this data. In using these data communication and storage methods, we use reasonable efforts to keep such communications and electronic data secure. You recognize that data breaches can occur even with all reasonable security measures being employed by us or our third party vendors. You consent to our use of these applications and submission of confidential client information to third party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the City of Center; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Axley & Rode, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available in a timely manner to the City of Center, a federal or state agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Axley & Rode, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the City of Center. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Eric A. Carver is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, is not expected to exceed \$26,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2017 peer review report accompanies this letter.

We appreciate the opportunity to be of service to City of Center and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

AXLEY & RODE, LLP



ERIC A. CARVER, P.C., CPA
PARTNER

EAC:aos

RESPONSE:

This letter correctly sets forth the understanding of City of Center.

By: _____

Date: _____

Title: _____



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PO Box 2993
Abilene, Texas 79604-2993
phone 325-677-6251
fax 325-677-0006
www.condley.com

Report on the Firm's System of Quality Control

January 22, 2018

To the partners of Axley & Rode LLP and the Peer Review Committee of the Texas Society of Certified Public Accountants.

We have reviewed the system of quality control for the accounting and auditing practice of Axley & Rode LLP in effect for the year ending August 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, and audits performed under FDICIA.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Axley & Rode LLP in effect for the year ended August 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Axley & Rode LLP has received a peer review rating of *pass*.

Condley and Company, L.L.P.

Certified Public Accountants



**Application for Parade Permit
within the City Limits of the City of Center, Texas**

1. Name of Applicant Center Alumni Assn
2. Business or Permanent Address PO Box 1030, 75935
3. Parade to be held on Saturday, Sept. 22, 2018
4. Hours of Parade 4:00 PM - 5:00 PM
5. Parade Route Start at Farmers State Bank
drive-in parking lot, FM699 to square,
around the square, back to lot.
6. Date of application 9/7/18

John Howard
Signature of Applicant

Received by City Secretary on