

CENTER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2018

CENTER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-13
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	14
B-1 Statement of Activities	15
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16-17
C-2 Reconciliation for C-1	18
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	19-20
C-4 Reconciliation for C-3	21
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	22
E-2 Statement of Changes in Fiduciary Net Position	23
Notes to the Financial Statements	24-55
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	56
G-6 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	57
G-7 Schedule of District's Contributions to TRS Pension Plan	58
G-8 Schedule of District's Proportionate Share of the Net OPEB Liability (TRS)	59
G-9 Schedule of District's Contributions to the TRS OPEB Plan	60
Notes to Required Supplementary Information	61
<u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	62-65
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66-69
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	70-71
J-2 Budgetary Comparison Schedule – Food Service Fund	72
J-3 Budgetary Comparison Schedule – Debt Service Fund	73
<u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74-75
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	76-77
Schedule of Findings and Questioned Costs	78
Schedule of Status of Prior Findings	79
Corrective Action Plan	80
K-1 Schedule of Expenditures of Federal Awards	81-82
Notes to Schedule of Expenditures of Federal Awards	83

CERTIFICATE OF BOARD

Center Independent School District
Name of School District

Shelby
County

210-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the _____ of January, 2019.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is(are):
(attach list as necessary)



**UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

Board of Trustees
Center Independent School District
107 PR 605
Center, TX 75935

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center Independent School District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center Independent School District as of August 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements during fiscal year 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-13, budgetary comparison information on page 56, schedule of the District's proportionate share of the net pension liability (TRS) on page 57, schedule of District's contributions to TRS Pension plan on page 58, schedule of the District's proportionate share of the OPEB liability (TRS) on page 59, and schedule of District's contributions to TRS OPEB plan on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center Independent School District's basic financial statements. The combining financial statements 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 purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements and schedule of expenditures of federal awards 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, the combining financial statements 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2019, on our consideration of the Center Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center Independent School District's internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

January 14, 2019

CENTER INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the management of Center Independent School District, (the "District") discuss and analyze the District's financial performance for the fiscal year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District's governmental activities exceeded its liabilities at the close of the most recent period by \$15,656,836 (net position).
- At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$31,440,436. The General Fund reported an ending fund balance this year of \$10,171,008.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations is included in this report. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we presented the following kind of activity:

* Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the *Every Student Succeeds Act (ESSA)* from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's funds can be divided into these two categories:

* Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

* Fiduciary Funds – This fund accounts for resources held for the benefit of parties outside the government. The District acts as a trustee, or fiduciary, for money raised by student activities, scholarship programs and other private grant programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is (\$16,529,047).

The Statement of Net Position includes the District's portion of Teacher Retirement System (TRS) net pension liability as a result of the implementation of GASB 68. The financials also reflect deferred outflows and inflows of resources to record the liability.

The Statement of Net Position includes the District's portion of the Teacher Retirement System (TRS) net OPEB liability as a result of the implementation of GASB 75 in the current year 2018 only. The financials also reflect deferred outflows and inflows of resources to record the liability. The information is not available for the prior year 2017 financial statements.

TABLE I
CENTER INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Total % Change
Current and other assets	\$ 34,257,038	\$ 12,915,342	165.24%
Capital assets	31,675,839	32,687,569	-3.10%
Total assets	<u>65,932,877</u>	<u>45,602,911</u>	<u>44.58%</u>
Deferred outflows of resources	<u>1,911,529</u>	<u>2,430,485</u>	<u>-21.35%</u>
Other liabilities	2,475,107	1,605,264	54.19%
Long-term liabilities outstanding	31,025,194	11,442,345	171.14%
TRS net pension and OPEB liability	<u>13,772,111</u>	<u>5,361,295</u>	<u>156.88%</u>
Total liabilities	<u>47,272,412</u>	<u>18,408,904</u>	<u>156.79%</u>
Deferred inflows of resources	<u>4,915,158</u>	<u>463,613</u>	<u>960.19%</u>
Net investment in capital assets	907,929	21,543,718	-95.79%
Restricted	22,206,873	1,843,634	1104.52%
Unrestricted	<u>(7,457,966)</u>	<u>5,773,527</u>	<u>-229.18%</u>
Total net position	<u>\$ 15,656,836</u>	<u>\$ 29,160,879</u>	<u>-46.31%</u>

As of August 31, 2018, the District's assets exceeded liabilities by \$15,656,836, of which \$907,929 of the total net position represents the investment in capital assets less any related debt used to acquire those assets that are still outstanding, \$22,206,873 of the total net position represents resources that are subject to restrictions on how they may be used and the remaining balance of total net position of (\$7,457,966) represents the unrestricted net position, which is the part of the net position that can be used to finance day-to-day operations without constraints established by debt, or other legal requirements. Net position of the District's governmental activities decreased from \$29,160,579 to \$15,656,836. The decrease in net position for the year 2018 was primarily the result of the prior period adjustment of (\$16,529,047).

TABLE II
CENTER INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Total % Change
Revenues:			
Program Revenues:			
Charges for services	\$ 542,864	\$ 489,666	10.86%
Operating grants and contributions	(328,011)	4,581,954	-107.16%
General Revenues:			
Property taxes-General purposes	6,009,590	6,164,354	-2.51%
Property taxes-Debt service	849,230	863,411	-1.64%
Grants & contributions not restricted	17,738,566	17,992,880	-1.41%
Investments earnings	275,781	109,874	151.00%
Other general revenues	179,539	174,573	2.84%
(Loss) on disposition of capital assets	(11,609)	-	-100.00%
Total Revenues	25,255,950	30,376,712	-16.86%
Expenses:			
Instruction	10,418,339	15,633,094	-33.36%
Instructional Resources and Media Services	269,274	348,557	-22.75%
Curriculum and Staff Development	550,550	683,335	-19.43%
Instructional Leadership	432,388	306,785	40.94%
School Leadership	876,237	1,371,459	-36.11%
Guidance, Counseling and Evaluation Services	719,008	936,725	-23.24%
Social Work and Health Services	171,186	255,774	-33.07%
Student (Pupil) Transportation	1,244,205	1,612,424	-22.84%
Food Services	1,685,278	1,818,285	-7.31%
Cocurricular/Extracurricular Activities	1,072,516	1,620,478	-33.81%
General Administration	718,666	1,170,538	-38.60%
Plant Maintenance and Operations	2,436,543	2,519,828	-3.31%
Security and Monitoring Services	181,237	273,138	-33.65%
Data Processing Services	311,112	380,284	-18.19%
Community Services	88,530	61,431	44.11%
Debt Service - Interest on Long Term Debt	525,271	442,024	18.83%
Debt Service - Bond Issuance Cost and Fees	257,664	1,700	15056.71%
Payments to Fiscal Agents/Member Districts of SSA	88,450	93,587	-5.49%
Other Intergovernmental Charges	184,492	189,264	-2.52%
Total Expenses	22,230,946	29,718,710	-25.20%
Increase (Decrease) in Net Position	3,025,004	658,002	359.73%
Net Position Beginning of Year	29,160,879	28,502,877	2.31%
Prior Period Adjustment	(16,529,047)	-	-100.00%
Net Position End of Year	\$ 15,656,836	\$ 29,160,879	-46.31%

The District increased net position by \$3,025,004. The total cost of all governmental activities was \$22,230,946. The amount of these activities that our taxpayers paid for through property taxes was \$6,858,820 or 31%. The District's total revenues decreased by (\$5,120,762) or -16.86%, while total expenses decreased by (\$7,487,764) or -25.20%. The NECE negative on behalf revenues and negative on behalf expenses of (\$4,071,579) impacted the reporting of operating grants and contributions and related expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$31,440,436, a current fiscal year increase of \$20,650,899. Approximately 12.85% of the combined ending fund balance constitutes *unassigned fund balance*. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending because it has already been restricted (a) to pay debt service \$2,189,145 (b) for food services \$0 (c) for SSA-Alternative Education \$135,482, and (d) to fund construction from bond proceeds of \$19,975,281. Fund balance has been committed (a) for construction \$1,966,926 and (b) for retirement of loans or notes payable \$3,132,712.

The combined fund balance of the District increased by \$20,650,899 during the current fiscal year. The District's total revenues decreased by (\$334,691) or -1.11%. State program revenues decreased by (\$739,941). The District's total expenditures decreased by (\$1,031,172) or -3.33%. The students attended 14 days of school in August 2017 for the 2017-2018 school year. The students attended 8 days of school in August 2016 for the 2016-2017 school year. This resulted in a timing difference in the recognition of state revenue of \$645,822.

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,040,890 while the total fund balance was \$10,171,008. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 16.85% of the total General Fund expenditures. The net increase in fund balance during the current fiscal year in the General Fund was \$194,326. The District's General Fund transferred \$331,175 to the Capital Projects Fund and \$13,414 to food services during the current fiscal year.

The Debt Service Fund has a total fund balance of \$635,145, all of which is restricted for the payment of debt service. The net increase in fund balance during the current fiscal year in the Debt Service Fund was \$154,061.

The Capital Projects Fund has a total fund balance of \$20,498,801, all of which is restricted or committed for construction. The net increase in fund balance during the current fiscal year in the Capital Projects Fund was \$20,298,801. The District's General Fund transferred \$331,175 to the Capital Projects Fund to fund capital project expenditures for the current year. The District issued \$18,270,000 of bonded debt. The District received \$2,486,964 of premium/discount on the issuance of the bonds.

Other funds composed of the special revenue funds have a total fund balance of \$135,482. The fund balance is restricted for food services \$0 and restricted for SSA – Alternative Education of \$135,482. The net increase in fund balance during the current fiscal year in other funds was \$3,711. The District's General Fund transferred \$13,414 to food services for the deficiency of revenues over expenditures.

THE DISTRICT'S FUNDS

Our analysis focuses on the net changes in fund balances (Table III) of the District’s governmental funds. The net change in fund balance can be further evaluated based on the Total \$ Change Columns and the Total % Change Columns.

**TABLE III
CENTER INDEPENDENT SCHOOL DISTRICT
NET CHANGES IN FUND BALANCES**

	Governmental Funds 2018	Governmental Funds 2017	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 7,923,252	\$ 7,803,037	120,215	1.54%
State Program Revenues	18,070,454	18,810,395	(739,941)	-3.93%
Federal Program Revenues	3,860,171	3,575,136	285,035	7.97%
Total Revenues	29,853,877	30,188,568	(334,691)	-1.11%
Expenditures:				
Instruction	14,681,909	14,487,151	194,758	1.34%
Instructional resources & media services	314,566	324,551	(9,985)	-3.08%
Curriculum and instructional staff development	766,662	621,225	145,437	23.41%
Instructional leadership	591,071	284,519	306,552	107.74%
School leadership	1,264,615	1,259,238	5,377	0.43%
Guidance, counseling and evaluation services	955,935	864,882	91,053	10.53%
Health services	237,184	236,051	1,133	0.48%
Student (Pupil) transportation	1,562,705	1,511,340	51,365	3.40%
Food services	1,627,072	1,708,146	(81,074)	-4.75%
Extracurricular activities	1,278,397	1,646,412	(368,015)	-22.35%
General administration	848,042	1,084,758	(236,716)	-21.82%
Facilities maintenance & operations	2,511,169	2,407,948	103,221	4.29%
Security and monitoring services	248,998	251,980	(2,982)	-1.18%
Data processing services	334,995	355,623	(20,628)	-5.80%
Community services	122,617	55,724	66,893	120.04%
Debt services	1,803,042	1,542,528	260,514	16.89%
Facilities acquisition & construction	538,021	2,066,187	(1,528,166)	-73.96%
Payments to fiscal agent/member of SSA	88,450	93,587	(5,137)	-5.49%
Other intergovernmental charges	184,492	189,264	(4,772)	-2.52%
Total Expenditures	29,959,942	30,991,114	(1,031,172)	-3.33%
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(106,065)	(802,546)	696,481	86.78%
Other Financing Sources (Uses):				
Other Financing Sources	21,101,553	1,969,660	19,131,893	971.33%
Other Financing (Uses)	(344,589)	(1,969,660)	1,625,071	82.51%
Total Other Financing Sources (Uses)	20,756,964	-	20,756,964	100.00%
Net Change in Fund Balances	20,650,899	(802,546)	21,453,445	2673.17%
Fund Balance - Beginning of Year	10,789,537	11,592,083	(802,546)	-6.92%
Fund Balance - End of Year	\$ 31,440,436	\$ 10,789,537	\$ 20,650,899	191.40%

BUDGETARY HIGHLIGHTS

Over the course of the year, the District recommended and the Board approved certain revisions to budgeted appropriations as necessary.

General Fund:

(Decrease) in local and intermediate revenue sources	(310,000)
Increase in state program revenues	1,176,336
Increase in federal program revenues	500,000
(Increase) in instruction expenditures	(1,154,403)
(Increase) in instructional resources and media services expenditures	(14,826)
(Increase) in curriculum and instructional staff expenditures	(557)
(Increase) in instructional leadership expenditures	(130,450)
(Increase) in school leadership expenditures	(85,494)
(Increase) in guidance, counseling and evaluation expenditures	(72,075)
(Increase) in health services expenditures	(37,673)
Decrease in student (pupil) transportation expenditures	144,472
(Increase) in cocurricular/ extracurricular expenditures	(83,608)
(Increase) in general administration expenditures	(30,725)
(Increase) in facilities maintenance and operations expenditures	(205,830)
(Increase) in security and monitoring services expenditures	(37,442)
(Increase) in data processing expenditures	(8,101)
(Increase) in community services	(5,067)
(Increase) in other financing uses - transfers out	<u>(463,564)</u>
	<u>(819,007)</u>

Food Service Fund:

Increase in federal program revenues	71,591
(Increase) in food service expenditures	(124,091)
Increase in other financing sources - transfers in	<u>50,000</u>
	<u>(2,500)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$31,675,839 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, athletics, administration, and maintenance. Capital asset additions of \$724,438, less deletions of \$11,609, less depreciation expense of \$1,724,559 accounted to a net decrease of (\$1,011,730) from the prior year.

The District purchased two buses, utility truck, mower, stage curtains and completed additional renovations at the High School during the current year.

In June 2017, the District signed a construction contract in the amount of \$274,234 with Berry & Clay Company as the Construction Manager At-Risk for 2017 Campus Renovations, including CHS Culinary Kitchen and CHS Field House Renovation. The contract was reduced with a change order of (\$45,000). In the prior year, the District incurred \$219,771 of the construction contract costs and \$20,318 of engineering fees. In the current year, the District incurred \$9,463 of construction contract costs and \$3,839 in engineering fees to complete the project at a total cost of \$253,391.

In July 2018, the District issued \$18,270,000 of Unlimited Tax School Building Bonds, Series 2018 for the purpose of constructing, renovating, acquiring and equipping school buildings. In the current year, the District incurred architect fees in the amount of \$207,824 to plan the new construction. The costs are reflected as construction in progress as of August 31, 2018.

More detailed information about the District's capital asset activity is presented in Note I to the financial statements.

Debt

On February 23, 2011, the District borrowed \$5,300,000 in a Qualified School Construction Maintenance Tax Note (QSCB), Taxable Series 2011 for the repair, renovation and major improvement projects that were approved by TEA for the QSCB Program. In the governmental fund financial statements, maintenance tax note obligations of the District current requirements for principal and interest expenditures are accounted for in the General Fund. During the year ended August 31, 2018 the District paid \$0 in principal \$308,478 in interest. During the year ended August 31, 2018, the District received \$266,816 in credit payments to issuers of qualified bonds from the United States Treasury.

At year-end the District had \$22,865,000 in bonds outstanding versus \$5,670,000 last year.

On March 15, 2016, the District issued \$5,690,000 of Unlimited Tax Refunding Bonds, Series 2016 issued to advance refund Center Independent School District Unlimited Tax School Building Current Interest Bonds, Series 2007 in the amount of \$5,805,000. The Series 2016 is comprised of Current Interest Bonds with a stated interest rate of 2.00% – 5.00%.

On July 15, 2018, the District issued \$18,270,000 of Unlimited Tax School Building Bonds, Series 2018 for the purpose of constructing, renovating, acquiring and equipping school buildings. Bond Series proceeds from issuing the Unlimited Tax School Building Bonds, Series 2018 are accounted for in the Capital Projects Fund as other financing sources in the amount of \$28,270,000 capital related debt issued and \$2,486,964 premium/discount on issuance bonds. In the Capital Projects Fund, the District paid \$256,964 in bond issuance cost and fees.

Other obligations include accumulated sick leave benefits payable. More detailed information about the District's long-term liabilities is presented in Notes J, K, L, and M to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The proposed budget for 2018-2019 is \$22,595,376 which is a 1.41 percent decrease under last year's budget of \$22,917,867. Total revenues are \$22,595,376. State revenue of \$16,028,242 is 71 percent of our total revenue, local revenue of \$6,067,134 is 27 percent and other revenue is 2 percent.

Our local taxable value is \$518,558,463, which is an increase of \$9,409,256 higher than last year's values of \$509,149,207.

The 2018-19 budget is based upon the tax rate of \$1.4138. The rate consists of the M&O rate of \$1.1700 and the I&S rate of \$0.2438. The debt rate has increased .08 cents due to the voter's approval for a 30 million bond election. Proposition A is to be used for proposed academic campus improvements and allows for the District to address traffic congestion in and around the campuses. Proposition B allows for extracurricular programs improvements.

Payroll cost is 77.09% of the total budget which leaves 22.91 % for the remaining activities and operations of the District. Purchased and contract services are 12.87% of the budget, supplies and materials are 4.70%, other operating expenses are 3.07%, debt services are 1.36%, and capital outlay for land, buildings, and equipment is 0.91%

The 2018-19 budget accounts for our current projected revenue. Included in the budget is increased payroll projections. The budget planning and preparation process included a heightened level of awareness to counteract any drop in revenue due to student enrollment declines.

The focus for 2018-19 is to invest in the areas that are identified in our district goals.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Center Independent School District, 107 PR 605, Center, Texas 75935.

BASIC FINANCIAL STATEMENTS

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 30,171,907
1120 Current Investments	2,000,585
1220 Property Taxes - Delinquent	1,145,283
1230 Allowance for Uncollectible Taxes	(666,851)
1240 Due from Other Governments	1,565,920
1267 Due from Fiduciary Funds	40,194
Capital Assets:	
1510 Land	915,194
1520 Buildings and Improvements, Net	29,102,800
1530 Furniture and Equipment, Net	1,450,021
1580 Construction in Progress	207,824
1000 Total Assets	65,932,877
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding, Net	114,929
1705 Deferred Outflow Related to TRS Pension	1,642,814
1706 Deferred Outflow Related to TRS OPEB	153,786
1700 Total Deferred Outflows of Resources	1,911,529
LIABILITIES	
2110 Accounts Payable	117,482
2140 Accrued Interest Payable	136,937
2160 Accrued Wages Payable	1,142,451
2180 Due to Other Governments	1,043,679
2200 Accrued Expenses	27,179
2300 Unearned Revenue	7,379
Noncurrent Liabilities:	
2501 Due Within One Year	1,095,000
2502 Due in More Than One Year	29,930,194
2540 Net Pension Liability (District's Share)	4,345,761
2545 Net OPEB Liability (District's Share)	9,426,350
2000 Total Liabilities	47,272,412
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	972,098
2606 Deferred Resource Inflow Related to TRS OPEB	3,943,060
2600 Total Deferred Inflows of Resources	4,915,158
NET POSITION	
3200 Net Investment in Capital Assets	907,929
3820 Restricted for Federal and State Programs	135,482
3850 Restricted for Debt Service	2,096,110
3890 Restricted for Other Purposes	19,975,281
3900 Unrestricted	(7,457,966)
3000 Total Net Position	\$ 15,656,836

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

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 10,418,339	\$ 246,365	\$ (1,280,413)	\$ (11,452,387)
12 Instructional Resources and Media Services	269,274	-	(38,532)	(307,806)
13 Curriculum and Instructional Staff Development	550,550	-	644,049	93,499
21 Instructional Leadership	432,388	-	(94,223)	(526,611)
23 School Leadership	876,237	-	(258,246)	(1,134,483)
31 Guidance, Counseling and Evaluation Services	719,008	-	(48,360)	(767,368)
33 Health Services	171,186	-	(52,270)	(223,456)
34 Student (Pupil) Transportation	1,244,205	-	(219,555)	(1,463,760)
35 Food Services	1,685,278	225,599	1,378,060	(81,619)
36 Extracurricular Activities	1,072,516	70,900	(126,847)	(1,128,463)
41 General Administration	718,666	-	(84,450)	(803,116)
51 Facilities Maintenance and Operations	2,436,543	-	(100,002)	(2,536,545)
52 Security and Monitoring Services	181,237	-	(55,009)	(236,246)
53 Data Processing Services	311,112	-	(25,296)	(336,408)
61 Community Services	88,530	-	33,083	(55,447)
72 Debt Service - Interest on Long-Term Debt	525,271	-	-	(525,271)
73 Debt Service - Bond Issuance Cost and Fees	257,664	-	-	(257,664)
93 Payments Related to Shared Services Arrangements	88,450	-	-	(88,450)
99 Other Intergovernmental Charges	184,492	-	-	(184,492)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 22,230,946	\$ 542,864	\$ (328,011)	(22,016,093)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			6,009,590
DT	Property Taxes, Levied for Debt Service			849,230
GC	Grants and Contributions not Restricted			17,738,566
IE	Investment Earnings			275,781
MI	Miscellaneous Local and Intermediate Revenue			179,539
S2	Special Item - (Loss) on Disposal of Capital Asset			(11,609)
TR	Total General Revenues & Special Items			25,041,097
CN	Change in Net Position			3,025,004
NB	Net Position - Beginning			29,160,879
PA	Prior Period Adjustment			(16,529,047)
NE	Net Position--Ending			\$ 15,656,836

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

CENTER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 8,768,544	\$ 795,785	\$ 20,596,573
1120 Investments - Current	2,000,585	-	-
1220 Property Taxes - Delinquent	999,307	145,976	-
1230 Allowance for Uncollectible Taxes	(564,777)	(102,074)	-
1240 Due from Other Governments	1,292,329	-	-
1260 Due from Other Funds	214,499	-	-
1000 Total Assets	<u>\$ 12,710,487</u>	<u>\$ 839,687</u>	<u>\$ 20,596,573</u>
LIABILITIES			
2110 Accounts Payable	\$ 16,374	\$ -	\$ 97,772
2160 Accrued Wages Payable	1,043,917	-	-
2170 Due to Other Funds	18,042	124,305	-
2180 Due to Other Governments	1,007,344	36,335	-
2200 Accrued Expenditures	19,272	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>2,104,949</u>	<u>160,640</u>	<u>97,772</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	434,530	43,902	-
2600 Total Deferred Inflows of Resources	<u>434,530</u>	<u>43,902</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	1,554,000	635,145	-
3490 Other Restricted Fund Balance	-	-	19,975,281
Committed Fund Balance:			
3510 Construction	1,443,406	-	523,520
3525 Retirement of Loans or Notes Payable	3,132,712	-	-
3600 Unassigned Fund Balance	4,040,890	-	-
3000 Total Fund Balances	<u>10,171,008</u>	<u>635,145</u>	<u>20,498,801</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,710,487</u>	<u>\$ 839,687</u>	<u>\$ 20,596,573</u>

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

Other Funds	Total Governmental Funds
\$ 11,005	\$ 30,171,907
-	2,000,585
-	1,145,283
-	(666,851)
273,591	1,565,920
18,042	232,541
<u>\$ 302,638</u>	<u>\$ 34,449,385</u>
\$ 3,336	\$ 117,482
98,534	1,142,451
50,000	192,347
-	1,043,679
7,907	27,179
7,379	7,379
<u>167,156</u>	<u>2,530,517</u>
-	478,432
<u>-</u>	<u>478,432</u>
135,482	135,482
-	2,189,145
-	19,975,281
-	1,966,926
-	3,132,712
-	4,040,890
<u>135,482</u>	<u>31,440,436</u>
<u>\$ 302,638</u>	<u>\$ 34,449,385</u>

CENTER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	31,440,436
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$54,670,387 and the accumulated depreciation was (\$21,982,818). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, long term liabilities totaled (\$11,442,345). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.		21,245,224
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays additions, net of deletions and debt principal payments is to increase net position.		1,787,829
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS was a deferred resource outflow in the amount of \$1,642,814, a deferred resource inflow in the amount of (\$972,098) and a net pension liability in the amount of (\$4,345,761). This resulted in a (decrease) in net position.		(3,675,045)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$153,786, a deferred resource inflow in the amount of (\$3,943,060), and a net OPEB liability in the amount of (\$9,426,350). This resulted in a (decrease) in net position.		(13,215,624)
5 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(1,724,559)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(20,201,425)
19 Net Position of Governmental Activities	\$	15,656,836

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

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 6,738,349	\$ 932,973	\$ 25,330
5800 State Program Revenues	17,080,619	458,688	-
5900 Federal Program Revenues	696,712	-	-
5020 Total Revenues	<u>24,515,680</u>	<u>1,391,661</u>	<u>25,330</u>
EXPENDITURES:			
Current:			
0011 Instruction	13,215,930	-	-
0012 Instructional Resources and Media Services	312,751	-	-
0013 Curriculum and Instructional Staff Development	120,070	-	-
0021 Instructional Leadership	591,071	-	-
0023 School Leadership	1,264,615	-	-
0031 Guidance, Counseling and Evaluation Services	842,413	-	-
0033 Health Services	237,184	-	-
0034 Student (Pupil) Transportation	1,562,705	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,278,397	-	-
0041 General Administration	842,632	-	-
0051 Facilities Maintenance and Operations	2,466,758	-	19,683
0052 Security and Monitoring Services	248,998	-	-
0053 Data Processing Services	334,995	-	-
0061 Community Services	76,826	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	1,075,000	-
0072 Interest on Long-Term Debt	308,478	161,900	-
0073 Bond Issuance Cost and Fees	-	700	256,964
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	538,021
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	88,450	-	-
0099 Other Intergovernmental Charges	184,492	-	-
6030 Total Expenditures	<u>23,976,765</u>	<u>1,237,600</u>	<u>814,668</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>538,915</u>	<u>154,061</u>	<u>(789,338)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	18,270,000
7915 Transfers In	-	-	331,175
7916 Premium or Discount on Issuance of Bonds	-	-	2,486,964
8911 Transfers Out (Use)	(344,589)	-	-
7080 Total Other Financing Sources (Uses)	<u>(344,589)</u>	<u>-</u>	<u>21,088,139</u>
1200 Net Change in Fund Balances	194,326	154,061	20,298,801
0100 Fund Balance - September 1 (Beginning)	9,976,682	481,084	200,000
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,171,008</u>	<u>\$ 635,145</u>	<u>\$ 20,498,801</u>

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

Other Funds	Total Governmental Funds
\$ 226,600	\$ 7,923,252
531,147	18,070,454
3,163,459	3,860,171
3,921,206	29,853,877
1,465,979	14,681,909
1,815	314,566
646,592	766,662
-	591,071
-	1,264,615
113,522	955,935
-	237,184
-	1,562,705
1,627,072	1,627,072
-	1,278,397
5,410	848,042
24,728	2,511,169
-	248,998
-	334,995
45,791	122,617
-	1,075,000
-	470,378
-	257,664
-	538,021
-	88,450
-	184,492
3,930,909	29,959,942
(9,703)	(106,065)
-	18,270,000
13,414	344,589
-	2,486,964
-	(344,589)
13,414	20,756,964
3,711	20,650,899
131,771	10,789,537
\$ 135,482	\$ 31,440,436

CENTER INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	20,650,899
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays, net of deletions and debt principal payments is to increase net position.		1,787,829
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.		(1,724,559)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(20,890,279)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$493,473. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a (decrease) in net position totaling (\$445,443). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (decreased) the change in net position by (\$160,339). The net result is a (decrease) in the change in net position.		(112,309)
GASB 75 required that certain plan expenditures be de-expended and recorded as a deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$152,311. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a (decrease) in net position totaling (\$112,697). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the net position by \$3,273,809. The net result is an increase in the change in net position.		3,313,423
Change in Net Position of Governmental Activities	\$	3,025,004

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

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 46,549	\$ 161,855
Total Assets	<u>46,549</u>	<u>\$ 161,855</u>
LIABILITIES		
Due to Other Funds	-	\$ 40,194
Due to Student Groups	-	121,661
Total Liabilities	<u>-</u>	<u>\$ 161,855</u>
NET POSITION		
Restricted for Scholarships	46,254	
Restricted for Other Purposes	295	
Total Net Position	<u>\$ 46,549</u>	

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

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 99,666
Total Additions	<u>99,666</u>
DEDUCTIONS:	
Supplies and Materials	91,266
Other Operating Costs	8,500
Total Deductions	<u>99,766</u>
Change in Net Position	(100)
Total Net Position - September 1 (Beginning)	<u>46,649</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 46,549</u></u>

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

**CENTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Note A. Summary of Significant Accounting Policies

Center Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board “(GASB)” and other authoritative sources identified in *Statement on Auditing Standards No. 76* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

Pensions. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Center Independent School District applies Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Center Independent School District implemented Governmental Accounting Standards Board (GASB) Number 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)* to assume its proportionate share of the Net Postemployment Benefits other than Pensions Liability of the Teachers Retirement System of Texas (TRS) in the current year.

1. Reporting Entity

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Center Independent School District. The members of the Board of Trustees are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Center Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible, if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Agency Funds apply the accrual basis of accounting, but do not have a measurement focus. With the flow of economic resources measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

4. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

The District reports the following major governmental funds:

General Fund - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

Debt Service Fund - This governmental fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Capital Projects Fund – This governmental fund is established to account for proceeds, on the modified accrual basis, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

Governmental Fund Type:

Special Revenue Fund - These funds are established to account for federally, state and locally financed funds and expenditures legally restricted or committed for specified purposes. Most federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

Fiduciary Fund Types:

Private Purpose Trust Fund – Private Purpose Trust Funds are used to account for donations for scholarship funds that are received by the District that are to be awarded for post-secondary education purposes for relatives of employees. Private Purpose Trust Funds are also used to account for other private contribution programs.

Agency Fund - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

5. Cash Equivalents

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

6. Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

7. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

8. Asset Capitalization and Useful Lives

Capital assets, which include land, buildings and improvements, and furniture and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, building improvements, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Furniture and Equipment	5 - 15

9. Compensated Absences

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the financial statements. Employees of the District are entitled to sick leave. Any employee having accumulated fifty (50) days of State sick leave upon retirement that has worked for the District for at least five years, are to be paid the amount of the benefit based on the employee's annual salary and supplements for the period prior to retirement. Sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds of other long-term obligations using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond and debt issuance costs are reported as expense in the year incurred. In the fund financial statements, governmental fund types recognize the face amount of debt issued and the net amount of premiums and discounts as other financing sources in the current period. The bond and debt issuance costs are reported as expenditures in the current period.

11. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements of financial position (The government-wide Statement of Net Position and governmental funds Balance Sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 that applies to one of more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

12. Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purposes unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amount the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated the authority to assign fund balances to the Superintendent or Business Manager.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

13. Workers' Compensation Plan

For the year ended August 31, 2018, the District was a member of Deep East Texas Self Insurance Fund, a public entity risk pool, for workers' compensation insurance coverage. The Fund reinsures through commercial companies for claims in excess of \$750,000 per occurrence retention level. If the assets of the Fund were exhausted, members would be liable for their portion of the Fund liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. As of the most recent audit, the Fund stated that it has adequate assets to more than cover 100% of the liability, so there would be no contingency. Because the premiums paid by the District are expected to be the total payment and a risk has been transferred to the Fund, the payments are accounted for as expenditures.

14. Risk Management - Claims and Judgments

In the normal course of operations the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. In management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

15. Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

16. Functions

School districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing service and other intergovernmental charges functions (data control codes 41, 53 and 99, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

17. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

18. Estimates and Assumptions

The preparation of financial statements in conformity with generally accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position - Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental funds balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

The details for one element is as follows:

	<u>Amount</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Uncollected taxes (assumed collectible) from prior year levy	301,821	
Uncollected taxes (assumed collectible) from current year levy	<u>176,611</u>	
Total Adjustments to Revenue and Unavailable Revenue		478,432
<u>Adjustments to Long-Term Debt</u>		
(Increase) in compensated absences liability	(12,174)	
Interest accrued on bonds payable for current year	(136,937)	
Amortization of note premium/discount for current year	(3,161)	
Amortization of bond premium/discount for current year	114,450	
Deferred charge for refunding bonds, beginning balance	168,313	
Amortization of deferred charge for refunding bonds for current year	(53,384)	
Proceeds from capital related debt issued	(18,270,000)	
Proceeds from premium/discount on issuance of bonds	<u>(2,486,964)</u>	
Total Adjustments to Long-Term Debt		<u>(20,679,857)</u>
Net Adjustments to Net Position - (Decrease)		<u><u>(20,201,425)</u></u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities - Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental funds statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. The details for one element is as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Uncollected taxes (assumed collectible) from prior year levy	(242,859)	
Uncollected taxes (assumed collectible) from current year levy	<u>176,611</u>	
Total Adjustments to Revenue and Unavailable Revenue		(66,248)
<u>Adjustments to Long-Term Debt</u>		
(Increase) in compensated absences liability	(12,174)	
Interest accrued on bonds payable for current year	(136,937)	
Interest accrued on bonds payable for prior year	24,139	
Amortization of note premium/discount for current year	(3,161)	
Amortization of bond premium/discount for current year	114,450	
Amortization of deferred charge for refunding bonds for current year	(53,384)	
Proceeds from capital related debt issued	(18,270,000)	
Proceeds from premium/discount on issuance of bonds	<u>(2,486,964)</u>	
Total Adjustments to Long-Term Debt		<u>(20,824,031)</u>
Net Adjustments to Changes in Net Position - (Decrease)		<u><u>(20,890,279)</u></u>

Note C. Stewardship, Compliance and Accountability

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports appear in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant budget amendments during the year were as follows:

General Fund:

(Decrease) in local and intermediate revenue sources	(310,000)
Increase in state program revenues	1,176,336
Increase in federal program revenues	500,000
(Increase) in instruction expenditures	(1,154,403)
(Increase) in instructional resources and media services expenditures	(14,826)
(Increase) in curriculum and instructional staff expenditures	(557)
(Increase) in instructional leadership expenditures	(130,450)
(Increase) in school leadership expenditures	(85,494)
(Increase) in guidance, counseling and evaluation expenditures	(72,075)
(Increase) in health services expenditures	(37,673)
Decrease in student (pupil) transportation expenditures	144,472
(Increase) in cocurricular/ extracurricular expenditures	(83,608)
(Increase) in general administration expenditures	(30,725)
(Increase) in facilities maintenance and operations expenditures	(205,830)
(Increase) in security and monitoring services expenditures	(37,442)
(Increase) in data processing expenditures	(8,101)
(Increase) in community services	(5,067)
(Increase) in other financing uses - transfers out	(463,564)
	<u>(819,007)</u>

Food Service Fund:

Increase in federal program revenues	71,591
(Increase) in food service expenditures	(124,091)
Increase in other financing sources - transfers in	50,000
	<u>(2,500)</u>

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget Nonmajor Governmental Special Revenue Funds is as follows:

	8/31/2018
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	-
Nonappropriated Budget Funds	<u>135,482</u>
All Nonmajor Governmental Special Revenue Funds	<u><u>135,482</u></u>

Note D. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits:

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agents.

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currency.

The captions and amounts of cash and cash equivalents on the balance sheet and statement of fiduciary net position at August 31, 2018 consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Balance Sheet Total	Fiduciary Funds
Cash in Bank	5,111,018	741,927	52,685	11,005	5,916,635	94,763
Investment Pools	3,657,526	53,858	20,543,888	-	24,255,272	113,641
Total	<u>8,768,544</u>	<u>795,785</u>	<u>20,596,573</u>	<u>11,005</u>	<u>30,171,907</u>	<u>208,404</u>

The District's cash deposits at August 31, 2018 and during the entire year were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the District's investment policies and types of investments. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

As of August 31, 2018, Center Independent School District had the following investment pools and investments:

Investment Type	Investment Maturities (in years)					
	Book Value	Fair Value*	Less than 1	1-5	6-10	More than 10
Lone Star Liquidity Plus Fund ***	24,368,913	24,368,913	24,368,913	-	-	-
Federal Home Loan Bank	2,000,585	2,000,585	2,000,585	-	-	-
Total	26,369,498	26,369,498	26,369,498	-	-	-

*Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Under GASB 31, all investments are recorded at fair value.

**Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

***Investments in local government pool are based upon a contract and not the security itself. The above investment pools, which are regulated by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00.

The Lone Star Investment Pool ("Lone Star") is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

Lone Star's Advisory Board is composed of participants and other knowledgeable individuals representing public schools, public junior colleges, cities, counties, and other local governments. The purpose of the Advisory Board is to gather and exchange information from participants and nonparticipants relating to the operation of Lone Star Investment Pool. Lone Star employs an independent third-party bank, Mellon Bank, to perform custody and valuation services. Investment advisory services are provided by Standish Mellon and AMR Investments. An independent auditor, Ernst & Young LLP, provides an annual audit of Lone Star's financial statements.

Additional policies and contractual provisions governing deposits and investments for Center Independent School District are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; public funds investment pools; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States rated not less than A or its equivalent issued by national recognized statistical rating organizations (NRSROs). As of August 31, 2018, the District's investments in public funds investment pools were rated AAA by Standard & Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District diversifies in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Interest Rate Risk - To limit the risk of changes in interest rates will adversely affect the fair value of investments, the District requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currency.

Note E. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll on January 1, 2017 upon which the levy for the 2018 fiscal year was based was \$525,684,302. The tax rates levied for the year ended August 31, 2018, to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.1700 and \$0.1638 per \$100 per valuation respectively, for a total of \$1.3338 per \$100 valuation.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they are collected.

Note F. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance (General Fund) and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Note G. Disaggregation of Receivables and Payables

Receivables at August 31, 2018, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	999,307	1,292,329	214,499	2,506,135
Debt Service Fund	145,976	-	-	145,976
Nonmajor Governmental Funds (Special Revenue)	-	273,591	18,042	291,633
Total - Governmental Activities	<u>1,145,283</u>	<u>1,565,920</u>	<u>232,541</u>	<u>2,943,744</u>

Amounts not scheduled for collection during the subsequent year	<u>(666,851)</u>	<u>-</u>	<u>-</u>	<u>(666,851)</u>
--	------------------	----------	----------	------------------

Payables at August 31, 2018, were as follows:

	<u>Accounts</u>	<u>Salaries/ Benefits</u>	<u>Due to Other Funds</u>	<u>Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	16,374	1,063,189	18,042	1,007,344	2,104,949
Debt Service Fund	-	-	124,305	36,335	160,640
Capital Projects Fund	97,772	-	-	-	97,772
Nonmajor Governmental Funds (Special Revenue)	3,336	106,441	50,000	-	159,777
Total - Governmental Activities	<u>117,482</u>	<u>1,169,630</u>	<u>192,347</u>	<u>1,043,679</u>	<u>2,523,138</u>

Note H. Interfund Receivables and Payables

Interfund balances at August 31, 2018 consisted of the following individual fund balances:

	<u>Receivables</u> <u>(Due From)</u>	<u>Payables</u> <u>(Due To)</u>
General Fund:		
Due from/to Nonmajor Governmental Fund - Special Revenue	50,000	18,042
Due from/to Debt Service	124,305	-
Due from/to Fiduciary Fund - Student Activity Fund	40,194	-
	<u>214,499</u>	<u>18,042</u>
Nonmajor Governmental Fund - Special Revenue:		
Due from/to General Fund	<u>18,042</u>	<u>50,000</u>
Debt Service:		
Due from/to General Fund	<u>-</u>	<u>124,305</u>
Fiduciary Fund-Student Activity Fund:		
Due from/to General Fund	<u>-</u>	<u>40,194</u>
	<u>232,541</u>	<u>232,541</u>

Note I. Capital Asset Activity

The District purchased two buses, utility truck, mower, stage curtains and completed additional renovations at the High School during the current year.

In June 2017, the District signed a construction contract in the amount of \$274,234 with Berry & Clay Company as the Construction Manager At-Risk for 2017 Campus Renovations, including CHS Culinary Kitchen and CHS Field House Renovation. The contract was reduced with a change order of (\$45,000). In the prior year, the District incurred \$219,771 of the construction contract costs and \$20,318 of engineering fees. In the current year, the District incurred \$9,463 of construction contract costs and \$3,839 in engineering fees to complete the project at a total cost of \$253,391.

In July 2018, the District issued \$18,270,000 of Unlimited Tax School Building Bonds, Series 2018 for the purpose of constructing, renovating, acquiring and equipping school buildings. In the current year, the District incurred architect fees in the amount of \$207,824 to plan the new construction. The costs are reflected as construction in progress as of August 31, 2018.

Capital asset activity for the District for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Land	598,299	316,895	-	915,194
Building and Improvements	48,820,234	-	253,391	49,073,625
Furniture and Equipment	5,011,765	186,417	(258,871)	4,939,311
Construction in Progress	240,089	221,126	(253,391)	207,824
Totals at Historic Cost	<u>54,670,387</u>	<u>724,438</u>	<u>(258,871)</u>	<u>55,135,954</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	18,545,009	1,425,816	-	19,970,825
Furniture and Equipment	3,437,809	298,743	(247,262)	3,489,290
Total Accumulated Depreciation	<u>21,982,818</u>	<u>1,724,559</u>	<u>(247,262)</u>	<u>23,460,115</u>
Governmental Activities:				
Land	598,299	316,895	-	915,194
Building and Improvements, Net	30,275,225	(1,425,816)	253,391	29,102,800
Furniture and Equipment, Net	1,573,956	(112,326)	(11,609)	1,450,021
Construction in Progress	240,089	221,126	(253,391)	207,824
Capital Assets, Net	<u>32,687,569</u>	<u>(1,000,121)</u>	<u>(11,609)</u>	<u>31,675,839</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	885,097
Instructional Resources and Media Services	18,964
Curriculum and Instructional Staff Development	46,218
Instructional Leadership	35,633
School Leadership	76,237
Guidance, Counseling and Evaluation Services	57,628
Health Services	14,299
Student (Pupil) Transportation	171,406
Food Services	98,088
Cocurricular/Extracurricular Activities	77,068
General Administration	51,124
Plant Maintenance and Operations	150,199
Security and Monitoring Services	15,011
Data Processing Services	20,195
Community Services	7,392
Total Depreciation Expense - Governmental Activities	<u>1,724,559</u>

Note J. Maintenance Tax Note Obligation

On February 23, 2011, the District borrowed \$5,300,000 in a Qualified School Construction Maintenance Tax Note (QSCB), Taxable Series 2011. The District submitted an application including repair, renovation and major improvement projects that were approved by TEA for the QSCB Program. In the governmental fund financial statements, maintenance tax note obligations of the District current requirements for principal and interest expenditures are accounted for in the General Fund in Functions 71, 72 and 73– Debt Service for payment of principal, interest and fees, respectively. During the year ended August 31, 2018, the District paid \$0 in principal and \$308,478 in interest. During the year ended August 31, 2018, the District received \$266,816 in credit payments to issuers of qualified bonds from the United States Treasury. The federal revenue has been accounted for in the General Fund in Federal Program Revenues of \$266,816. The District was also required by the annual debt covenant to restrict \$467,000 as restricted fund balance for retirement of long-term debt. This payment is made annually to a separate sinking fund. The total amount of \$1,554,000 is restricted for retirement of long-term debt at August 31, 2018.

The summary of changes in Maintenance Tax Note Obligations for the year ended August 31, 2018 is as follows:

<u>Purpose</u>	<u>Stated Interest Rate</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 8/31/2018</u>
Qualified School Construction Maintenance Tax Notes, Taxable Series 2011 due in 2 installments on Feb. 15, 2021 and Feb. 15, 2026	5.4% - 6.35%	5,300,000	5,300,000	-	-	5,300,000
			5,300,000	-	-	5,300,000

Maintenance Tax Note Obligations requirements are as follows:

<u>Year Ended August 31</u>	<u>Maintenance Tax Note Obligations</u>			
	<u>Sinking Fund</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Principal</u>
2019	467,000	308,478	775,478	-
2020	467,000	308,478	775,478	-
2021	467,000	228,693	695,693	2,955,000
2022	467,000	148,908	615,908	-
2023	467,000	148,908	615,908	-
2024-2026	1,411,000	372,270	1,783,270	2,345,000
	3,746,000	1,515,735	5,261,735	5,300,000

In the government-wide financial statements, indebtedness of the Districts is reflected in the Statement of Net Position. Premium/discount on issuance of debt, net of accumulated amortization, totaled \$15,524 at August 31, 2018. Amortization expense of \$3,161 is reflected in the Statement of Activities for the year ended August 31, 2018.

Note K. Bonds Payable and Debt Service Requirements

On May 12, 2007, the taxpayers of the District approved a bond issue to construct school buildings for a new elementary school campus. In July 2007, the District issued \$9,647,209 of Unlimited Tax School Building Bonds, Series 2007. The bond issue consisted of \$5,805,000 in Current Interest Bonds (CIBs) and \$3,842,209 in Capital Appreciation Bonds (CABs). The \$5,805,000 of CIBs mature annually beginning February 15, 2018 through February 15, 2022 and have an interest rate of 4.25%. The Unlimited Tax School Building Bonds, Series 2007 issue included Capital Appreciation Bonds (CABs), bonds issued at a discount. The interest on these bonds accretes each year and is paid with the principal at the maturity of the bonds. The CABs matured annually beginning February 15, 2010 through February 15, 2017.

On March 15, 2016, the District issued \$5,690,000 of Unlimited Tax Refunding Bonds, Series 2016 issued to advance refund Center Independent School District Unlimited Tax School Building Current Interest Bonds, Series 2007 in the amount of \$5,805,000. The Series 2016 is comprised of Current Interest Bonds with a stated interest rate of 2.00% – 5.00%. The refunding proceeds were deposited in a trust with an escrow agent to provide all future debt service payments on the Series 2007 bonds when called on August 15, 2017.

On July 15, 2018, the District issued \$18,270,000 of Unlimited Tax School Building Bonds, Series 2018 for the purpose of constructing, renovating, acquiring and equipping school buildings. Bond Series proceeds from issuing the Unlimited Tax School Building Bonds, Series 2018 are accounted for in the Capital Projects Fund as other financing sources in the amount of \$28,270,000 capital related debt issued and \$2,486,964 premium/discount on issuance bonds. In the Capital Projects Fund, the District paid \$256,964 in bond issuance cost and fees.

In the governmental fund financial statements, the District’s current requirements for principal, interest and fees expenditures are accounted for in the Debt Service Fund Functions 71, 72 and 73, respectively. During the year ended August 31, 2018, the District paid \$1,075,000 in principal, \$161,900 interest and \$700 in fees.

A summary of changes in bonded indebtedness for the year ended August 31, 2018 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2017	Issuance/ Accretion	Retired	Amounts Outstanding 8/31/2018
Unlimited Tax Refunding Bonds, Series 2016	2-5%	5,690,000	5,670,000	-	1,075,000	4,595,000
Current Interest Bonds, due in annual	-					
installments February 15, 2017						
through February 15, 2022						
Unlimited Tax School Building Bonds, Series 2018	4-5%	18,270,000	-	18,270,000	-	18,270,000
Current Interest Bonds, due in annual						
installments February 15, 2023						
through February 15, 2048						
			5,670,000	18,270,000	1,075,000	22,865,000

Debt service requirements are as follows:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total Requirements
<u>August 31</u>			
2019	1,095,000	1,063,242	2,158,242
2020	1,125,000	964,375	2,089,375
2021	1,165,000	924,200	2,089,200
2022	1,210,000	876,700	2,086,700
2023	375,000	843,125	1,218,125
2024-2028	2,195,000	3,905,625	6,100,625
2029-2033	2,745,000	3,354,500	6,099,500
2034-2038	3,355,000	2,745,900	6,100,900
2039-2043	4,205,000	1,894,875	6,099,875
2044-2048	5,395,000	701,125	6,096,125
	<u>22,865,000</u>	<u>17,273,667</u>	<u>40,138,667</u>

In the government-wide financial statements, bonded indebtedness of the District is reflected in the statement of Net Position. Premium/discount on issuance of bonds, net of accumulated amortization, totaled \$2,733,363 at August 31, 2018. Amortization credit to interest expense of \$114,450 is reflected in the Statement of Activities for the year ended August 31, 2018. Additions include the premium/discount on the issuance of the Series 2018 Bonds of \$2,486,964 during the year ended August 31, 2018.

The deferred charge for refunding bonds, net of accumulated amortization, totaled \$114,929 at August 31, 2018. Amortization expense of \$53,384 is reflected in the Statement of Activities for the year ended August 31, 2018.

Center Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Center Independent School District.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

Note L. Accumulated Sick Leave Benefits Payable

The District pays retiring employees an amount equal based on the employee's annual salary and supplements, for employees who had accumulated fifty (50) days of State sick leave and have worked for the District for at least five years. A summary of changes in the accumulated sick leave benefits liability follows:

Balance September 1, 2017	130,181
Additions	12,174
Deductions	<u>-</u>
Balance August 31, 2018	<u><u>142,355</u></u>

Note M. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
Maintenance Tax Note Obligation	5,300,000	-	-	5,300,000	-
Premium/Discount on Debt Issuance	(18,685)	3,161	-	(15,524)	-
General Obligation Bonds	5,670,000	18,270,000	1,075,000	22,865,000	1,095,000
Premium/Discount on Debt Issuance	<u>360,849</u>	<u>2,486,964</u>	<u>114,450</u>	<u>2,733,363</u>	-
Total Bonds and Notes Payable	<u><u>11,312,164</u></u>	<u><u>20,760,125</u></u>	<u><u>1,189,450</u></u>	<u><u>30,882,839</u></u>	<u><u>1,095,000</u></u>
Other Liabilities:					
Compensated Absences	130,181	12,174	-	142,355	-
Net Pension Liability	5,361,295	(570,091)	445,443	4,345,761	-
Net OPEB Liability	<u>16,641,744</u>	<u>(7,102,697)</u>	<u>112,697</u>	<u>9,426,350</u>	-
Total Other Liabilities	<u><u>22,133,220</u></u>	<u><u>(7,660,614)</u></u>	<u><u>558,140</u></u>	<u><u>13,914,466</u></u>	<u><u>-</u></u>
Total Governmental Activities					
Long-term Liabilities	<u><u>33,445,384</u></u>	<u><u>13,099,511</u></u>	<u><u>1,747,590</u></u>	<u><u>44,797,305</u></u>	<u><u>1,095,000</u></u>

Note N. Defined Benefit Pension Plan (TRS)

Plan Description. Center Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position.

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018. Contribution rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

Contribution Rates

	<u>2017</u>	<u>2018</u>
Member (Employees)	7.7%	7.7%
Employer (District)	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%
CISD Member Contributions	1,206,734	1,255,155
CISD Employer Contributions	445,443	493,473
CISD NECE On-Behalf Contributions	846,171	848,459

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective the State contributes to the plan in accordance with state statute and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, and other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, for non-educational and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurances (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A*
Last year ending August 31 in 2017 to 2116	
Projection period (100) years	
Inflation	2.0%
Salary Increases Including Inflation	3.5% to 9.5%
Ad hoc post-employment benefit changes	None

**If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The single discount rate used to measure the total pension liability was 8.0%. The Discount Rate can be found in the 2017 TRS CAFR on page 90. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

For the fiscal year ended August 31, 2017, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability. The discount rate can be found in the 2017 CAFR, Note 12, page 91.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
CISD's proportionate share of the net pension liability	7,326,094	4,345,761	1,864,150

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, Center ISD reported a liability of \$4,345,761 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Center ISD. The amount recognized by Center ISD as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Center ISD were as follows:

District's proportionate share of the collective net pension liability	\$ 4,345,761
State's proportionate share that is associated with the District	<u>8,295,006</u>
Total	<u>\$ 12,640,767</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0135912848%, which was an increase (decrease) of (0.0005963476%) from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2018, Center ISD recognized pension expense of \$1,238,492 and revenue of \$632,710 for support provided by the State.

At August 31, 2018, Center ISD reported its proportionate share of the TRS's 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	\$ 63,580	\$ 234,361
Changes in actuarial assumptions	197,956	113,325
Difference between projected and actual investment earnings	-	316,709
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	887,805	307,703
Total as of August 31, 2017 measurement date	\$ 1,149,341	\$ 972,098
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	493,473	-
Total	\$ 1,642,814	\$ 972,098

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense for future plan years as follows:

Year ended <u>August 31:</u>	Pension Expense <u>Amount</u>
2019	27,361
2020	304,762
2021	6,046
2022	(81,906)
2023	(51,538)
Thereafter	<u>(27,482)</u>
	<u>\$ 177,243</u>

Note O. Defined Other Post-Employment Benefit Plan

Plan Description. Center Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB Liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.92%

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective Sept. 1, 2016 - Dec. 31, 2017

	<u>TRS-Care 1 Basic Plan</u>	<u>TRS-Care 2 Optional Plan</u>	<u>TRS-Care 3 Optional Plan</u>
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82
<i>*or surviving spouse</i>			

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code 1575.202 establishes the state’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
CISD's 2018 FY Member Contributions		105,953
CISD's 2018 FY Employer Contributions		152,311
Measurement Year NECE On-behalf Contributions		145,469

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District’s proportionate share of the \$212,000,000 received during the district’s 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Methods and Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: [Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82].

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS annual pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50%**
Healthcare Trend Rates***	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc post-employment benefit changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

** Includes Inflation at 2.50%

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Discount Rate: A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability. The current single discount rate (3.42%) used was for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
CISD's proportionate share of the Net OPEB Liability	11,125,433	9,426,350	8,060,670

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	7,848,378	9,426,350	11,496,848

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$9,426,350 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 9,426,350
State's proportionate share that is associated with the District	<u>12,167,530</u>
Total	<u><u>\$21,593,880</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer’s proportion of the collective Net OPEB Liability was .0216766220% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increase or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of (\$7,232,691) and revenue of (\$4,071,579) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 196,782
Changes in actuarial assumptions	-	3,746,278
Net Difference between projected and actual investment earnings	1,432	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	43	-
Total as of August 31, 2017 measurement date	1,475	3,943,060
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	152,311	-
Total as of August 31, 2018 fiscal year-end	\$ 153,786	\$ 3,943,060

The net amounts of the employer’s balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (520,096)
2020	(520,096)
2021	(520,096)
2022	(520,096)
2023	(520,454)
Thereafter	(1,340,747)
	<u>\$ (3,941,585)</u>

Note P. School District Retiree Health Plan (TRS)

Plan Description – The Center Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issued a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage.

Contribution rates and amounts are shown in the table below for fiscal years 2018-2016.

Contribution Rates and Contribution Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2018	0.65%	\$105,953	1.25%	\$203,756	0.75%	\$122,270
2017	0.65%	\$101,867	1.00%	\$147,209	0.55%	\$86,195
2016	0.65%	\$102,024	1.00%	\$146,951	0.55%	\$86,328

Note Q. Medicare Part D (TRS)

Federal Government Retiree Drug Subsidy - The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submission by reporting entities for the month of May. Any questions about payroll amounts should be directed to a reporting entity's payroll contact.

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Center Independent School District's employees were \$49,037 for the year ended August 31, 2018. State Contributions for Medicare Part D made on behalf of Center Independent School District's employees were \$73,334 for the year ended August 31, 2017. State Contributions for Medicare Part D made on behalf of Center Independent School District's employees were \$46,323 for the year ended August 31, 2016.

Note R. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting. Following are the effect on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ (1,280,413)	\$ (2,783,624)	\$ 1,503,211
12 - Instructional Resources and Media Services	(38,532)	(40,839)	2,307
13 - Curriculum and Instructional Staff Development	644,049	(2,499)	646,548
21 - Instructional Leadership	(94,223)	(95,372)	1,149
23 - School Leadership	(258,246)	(261,394)	3,148
31 - Guidance, Counseling and Evaluation Services	(48,360)	(163,855)	115,495
33 - Health Services	(52,270)	(52,907)	637
34 - Student Transportation	(219,555)	(222,232)	2,677
35 - Food Services	1,378,060	(9,112)	1,387,172
36 - Extracurricular Activities	(126,847)	(128,393)	1,546
41 - General Administration	(84,450)	(90,955)	6,505
51 - Facilities Maintenance and Operations	(100,002)	(126,251)	26,249
52 - Security and Monitoring Services	(55,009)	(55,680)	671
53 - Data Processing Services	(25,296)	(25,604)	308
61 - Community Services	33,083	(12,862)	45,945
	<u>\$ (328,011)</u>	<u>\$ (4,071,579)</u>	<u>\$ 3,743,568</u>

Note S. Health Care Coverage

During the year ended August 31, 2018, employees of Center Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$225 per month, which includes the \$75 which is reimbursed by the state, per employee to the Plan. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and will be administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Aetna as the health plan administrator and Caremark as the pharmacy benefits manager for TRS-ActiveCare.

Note T. Due From/To Other Governments

The District participates in a variety of federal, state and local programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from/to federal and state governments as of August 31, 2017 are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from/to other governments.

Due from/to other governments at August 31, 2018 consisted of the following:

Fund	State Entitlements	Federal Grants	Total
Governmental Activities:			
<u>Due From Other Governments:</u>			
General Fund	1,292,329	-	1,292,329
Nonmajor Governmental Funds (Special Revenue)	-	273,591	273,591
	1,292,329	273,591	1,565,920
<u>Due to Other Governments:</u>			
General Fund	1,007,344	-	1,007,344
Debt Service Fund	-	36,335	36,335
	1,007,344	36,335	1,043,679

Note U. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2018 consisted of the following:

	General Fund	Debt Service Fund	Governmental Funds Total
Net uncollected tax revenue	434,530	43,902	478,432
	434,530	43,902	478,432

Note V. Commitments and Contingencies

Litigation - The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Grant Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note W. Transfer In and Transfer Out

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Transfer (out) to Nonmajor Governmental Funds (Special Revenue)	-	(13,414)
Transfer (out) to Capital Projects Fund	-	(331,175)
	<u>-</u>	<u>(344,589)</u>
Nonmajor Governmental Funds (Special Revenue):		
Transfer in from General Fund	<u>13,414</u>	<u>-</u>
Capital Projects Fund:		
Transfer in from General Fund	<u>331,175</u>	<u>-</u>
	<u>344,589</u>	<u>(344,589)</u>

The General Fund transferred \$331,175 to the Capital Projects Fund for construction projects.
The General Fund transferred \$13,414 to the Food Service Fund for the deficiency of revenues over expenditures.

Note X. Revenue from Local and Intermediate Sources

<u>Revenue Sources</u>	<u>Government Fund Types</u>					<u>Fund</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Private Purpose Trust Funds</u>
Property taxes and tax-related income	6,180,464	863,629	-	-	7,044,093	-
Tuition and fees	68,366	-	-	-	68,366	-
Investment income	180,683	69,344	25,330	424	275,781	873
Gifts and bequests	-	-	-	-	-	98,793
Insurance recovery	34,934	-	-	-	34,934	-
Food service activity	-	-	-	226,176	226,176	-
Co-curricular	70,900	-	-	-	70,900	-
Campus activity fund local revenue	182,097	-	-	-	182,097	-
Other local and intermediate sources	15,522	-	-	-	15,522	-
Miscellaneous - other local sources	5,383	-	-	-	5,383	-
	<u>6,738,349</u>	<u>932,973</u>	<u>25,330</u>	<u>226,600</u>	<u>7,923,252</u>	<u>99,666</u>

Note Y. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Federal Oil and Gas Royalty	15.427	70,998
Qualified School Construction Bonds	N/A	266,816
School Health and Related Services (SHARS)	N/A	358,898
		<u>696,712</u>

Note Z. Shared Service Arrangements

The District participates in several Shared Service Arrangements (“SSA”) described as follows:

State Funded – Center ISD fiscal Agent: The District participated in a share services arrangement (“SSA”) which provides instructional programs to students under disciplinary action by their respective districts. Other member districts include several other districts in Shelby County. All services are provided by Center ISD, the fiscal agent. The member districts provide funds to the fiscal agent. The District has accounted for their portion of the payment of the activities of the SSA’s in the General Fund Function 93, Shared Services Arrangements, and has accounted for the payment using Model 3 in the SSA section of the Resource Guide.

State Funded - Tatum ISD fiscal agent: The District participates in a State funded SSA which provides services for UIL competitions to member districts. In addition to the District, other member districts include various other districts. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent.

Shared Services Arrangements payments were as follows for the year ended August 31, 2018.

General Fund - Function 93:

SSA - Alternative Education	81,850
SSA - UIL	6,600
Total SSA payments	<u>88,450</u>

State Funded - Center ISD fiscal agent: The District is the fiscal agent for the state funded SSA which provides instructional programs to students under disciplinary action by their respective school districts, through the Shelby County Alternative Education Program (AEP). In addition to the District, other member districts include five other districts. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund No. 458, Shared Services Arrangements - State Funded Program Alternative Education. The SSA has been accounted for using Model 3 in the SSA section of the Resource Guide.

State Program Funds of the SSA attributable to each participating district are summarized below:

	Fund 458 SSA	
	<u>Percentage</u>	<u>Alternative Education</u>
Funds received current year:		
Center ISD	43.17%	81,850
San Augustine ISD	11.41%	21,641
Shelbyville ISD	13.39%	25,390
Joaquin ISD	11.14%	21,129
Timpson ISD	10.04%	19,028
Tenaha ISD	9.40%	17,829
Excelsior ISD	1.44%	2,740
Total SSA funds received	<u>100.00%</u>	<u>189,607</u>
TRs on behalf revenue		<u>9,829</u>
Total state program revenues		<u><u>199,436</u></u>

Note AA. Prior Period Adjustment – Government Wide Statements

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. With GASB 75, the District must assume their proportionate share of the Net Postemployment Benefits other than Pensions Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is (\$16,529,047). The restated beginning net position is \$12,631,832.

Note AB. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through January 14, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,296,525	\$ 5,986,525	\$ 6,738,349	\$ 751,824
5800	State Program Revenues	16,621,342	17,797,678	17,080,619	(717,059)
5900	Federal Program Revenues	-	500,000	696,712	196,712
5020	Total Revenues	22,917,867	24,284,203	24,515,680	231,477
EXPENDITURES:					
Current:					
0011	Instruction	12,162,062	13,316,465	13,215,930	100,535
0012	Instructional Resources and Media Services	302,141	316,967	312,751	4,216
0013	Curriculum and Instructional Staff Development	156,471	157,028	120,070	36,958
0021	Instructional Leadership	470,320	600,770	591,071	9,699
0023	School Leadership	1,222,520	1,308,014	1,264,615	43,399
0031	Guidance, Counseling and Evaluation Services	780,026	852,101	842,413	9,688
0033	Health Services	216,837	254,510	237,184	17,326
0034	Student (Pupil) Transportation	1,774,575	1,630,103	1,562,705	67,398
0036	Extracurricular Activities	1,197,468	1,281,076	1,278,397	2,679
0041	General Administration	912,884	943,609	842,632	100,977
0051	Facilities Maintenance and Operations	2,441,777	2,647,607	2,466,758	180,849
0052	Security and Monitoring Services	217,377	254,819	248,998	5,821
0053	Data Processing Services	355,931	364,032	334,995	29,037
0061	Community Services	80,000	85,067	76,826	8,241
Debt Service:					
0072	Interest on Long-Term Debt	308,478	308,478	308,478	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	125,000	125,000	88,450	36,550
0099	Other Intergovernmental Charges	194,000	194,000	184,492	9,508
6030	Total Expenditures	22,917,867	24,639,646	23,976,765	662,881
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(355,443)	538,915	894,358
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(463,564)	(344,589)	118,975
1200	Net Change in Fund Balances	-	(819,007)	194,326	1,013,333
0100	Fund Balance - September 1 (Beginning)	9,976,682	9,976,682	9,976,682	-
3000	Fund Balance - August 31 (Ending)	\$ 9,976,682	\$ 9,157,675	\$ 10,171,008	\$ 1,013,333

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.013591285%	0.014187632%	0.0154962%	0.009616%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,345,761	\$ 5,361,295	\$ 5,477,700	\$ 2,568,567
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	8,295,006	9,991,763	9,795,156	8,269,759
Total	<u>\$ 12,640,767</u>	<u>\$ 15,353,058</u>	<u>\$ 15,272,856</u>	<u>\$ 10,838,326</u>
District's Covered Payroll	\$ 15,671,850	\$ 15,696,039	\$ 15,668,897	\$ 14,804,755
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.73%	34.16%	34.96%	17.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CENTER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 493,473	\$ 445,443	\$ 450,495	\$ 458,850
Contribution in Relation to the Contractually Required Contribution	(493,473)	(445,443)	(450,495)	(458,850)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 16,297,288	\$ 15,671,850	\$ 15,696,039	\$ 15,668,897
Contributions as a Percentage of Covered Payroll	3.03%	2.84%	2.87%	2.93%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CENTER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.021676622%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 9,426,350
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	12,167,530
Total	\$ 21,593,880
District's Covered Payroll	\$ 15,671,850
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

CENTER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 152,311
Contribution in Relation to the Contractually Required Contribution	(152,311)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 16,297,288
Contributions as a Percentage of Covered Payroll	0.93%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

CENTER INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

A. Notes to Schedules for the TRS Pension Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes of benefit

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Changes in Assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for the permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

COMBINING SCHEDULES

CENTER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ (55,061)	\$ (19)	\$ (6,936)	\$ (2,131)
1240	Due from Other Governments	99,839	19	43,384	2,131
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ 44,778</u>	<u>\$ -</u>	<u>\$ 36,448</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 3,336	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	37,635	-	33,543	-
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	3,807	-	2,905	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>44,778</u>	<u>-</u>	<u>36,448</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 44,778</u>	<u>\$ -</u>	<u>\$ 36,448</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	286 Title I SIP Academy Grant ARRA	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI
\$ (42,867)	\$ -	\$ (228)	\$ (20,490)	\$ -	\$ -	\$ (1,353)	\$ -
92,966	-	4,940	24,393	-	-	5,919	-
13,414	-	-	-	-	-	-	-
<u>\$ 63,513</u>	<u>\$ -</u>	<u>\$ 4,712</u>	<u>\$ 3,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,566</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,664	-	4,278	3,542	-	-	4,468	-
50,000	-	-	-	-	-	-	-
142	-	434	361	-	-	98	-
5,707	-	-	-	-	-	-	-
<u>63,513</u>	<u>-</u>	<u>4,712</u>	<u>3,903</u>	<u>-</u>	<u>-</u>	<u>4,566</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 63,513</u>	<u>\$ -</u>	<u>\$ 4,712</u>	<u>\$ 3,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,566</u>	<u>\$ -</u>

CENTER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	410 State Textbook Fund	427 Other State Special Revenue Funds	428 High School Allotment	429 Other State Special Revenue Funds
ASSETS				
1110	\$ 1,672	\$ (3,546)	\$ -	\$ (1,082)
1240	-	-	-	-
1260	-	3,546	-	1,082
1000	<u>\$ 1,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
2110	\$ -	\$ -	\$ -	\$ -
2160	-	-	-	-
2170	-	-	-	-
2200	-	-	-	-
2300	1,672	-	-	-
2000	<u>1,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 1,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

458 SSA Alternative Education	Total Nonmajor Governmental Funds
\$ 143,046	\$ 11,005
-	273,591
-	18,042
<u>\$ 143,046</u>	<u>\$ 302,638</u>
\$ -	\$ 3,336
7,404	98,534
-	50,000
160	7,907
-	7,379
<u>7,564</u>	<u>167,156</u>
<u>135,482</u>	<u>135,482</u>
<u>135,482</u>	<u>135,482</u>
<u>\$ 143,046</u>	<u>\$ 302,638</u>

CENTER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	966,781	26,341	509,751	23,480
5020 Total Revenues	966,781	26,341	509,751	23,480
EXPENDITURES:				
Current:				
0011 Instruction	291,822	7,033	447,556	21,349
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	623,364	-	-	-
0031 Guidance, Counseling and Evaluation Services	25,112	-	62,195	2,131
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	26,483	19,308	-	-
6030 Total Expenditures	966,781	26,341	509,751	23,480
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	286 Title I SIP Academy Grant ARRA	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI
\$ 226,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10,960	-	-	-	-	-	-	1,825
1,376,098	25,746	60,996	103,266	42,167	4,749	24,084	-
1,613,658	25,746	60,996	103,266	42,167	4,749	24,084	1,825
-	25,746	46,624	92,831	42,167	4,749	-	1,825
-	-	-	1,815	-	-	-	-
-	-	14,372	8,620	-	-	-	-
-	-	-	-	-	-	24,084	-
1,627,072	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,627,072	25,746	60,996	103,266	42,167	4,749	24,084	1,825
(13,414)	-	-	-	-	-	-	-
13,414	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CENTER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	410 State Textbook Fund	427 Other State Special Revenue Funds	428 High School Allotment	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	301,797	236	16,893	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>301,797</u>	<u>236</u>	<u>16,893</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	301,797	-	16,893	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	236	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>301,797</u>	<u>236</u>	<u>16,893</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

458 SSA Alternative Education	Total Nonmajor Governmental Funds
\$ -	\$ 226,600
199,436	531,147
-	3,163,459
<u>199,436</u>	<u>3,921,206</u>
165,587	1,465,979
-	1,815
-	646,592
-	113,522
-	1,627,072
5,410	5,410
24,728	24,728
-	45,791
<u>195,725</u>	<u>3,930,909</u>
3,711	(9,703)
-	13,414
<u>3,711</u>	<u>3,711</u>
<u>131,771</u>	<u>131,771</u>
<u>\$ 135,482</u>	<u>\$ 135,482</u>

REQUIRED T.E.A. SCHEDULES

CENTER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.193800	547,797,131
2011	1.170000	0.063800	512,712,919
2012	1.170000	0.163800	595,359,274
2013	1.170000	0.163800	591,614,327
2014	1.170000	0.163800	591,684,360
2015	1.170000	0.163800	601,696,128
2016	1.170000	0.163800	556,143,966
2017	1.170000	0.163800	524,436,665
2018 (School year under audit)	1.170000	0.163800	525,684,302
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 218,689	\$ -	\$ 6,083	\$ 1,133	\$ (3,118)	\$ 208,355
43,064	-	2,110	393	(67)	40,495
46,161	-	3,728	203	(212)	42,018
61,532	-	3,026	424	(250)	57,831
81,824	-	6,640	930	(183)	74,071
97,314	-	8,379	1,165	(221)	87,548
126,828	-	11,862	1,656	(112)	113,198
149,422	-	23,830	3,330	(106)	122,156
271,938	-	87,697	12,254	(7,858)	164,130
-	7,011,577	5,922,647	827,578	(25,872)	235,481
<u>\$ 1,096,773</u>	<u>\$ 7,011,577</u>	<u>\$ 6,076,002</u>	<u>\$ 849,066</u>	<u>\$ (37,999)</u>	<u>\$ 1,145,283</u>

CENTER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - FOOD SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 268,617	\$ 268,617	\$ 226,600	\$ (42,017)
5800 State Program Revenues	8,629	8,629	10,960	2,331
5900 Federal Program Revenues	1,275,767	1,347,358	1,376,098	28,740
5020 Total Revenues	1,553,013	1,624,604	1,613,658	(10,946)
EXPENDITURES:				
0035 Food Services	1,553,013	1,677,104	1,627,072	50,032
6030 Total Expenditures	1,553,013	1,677,104	1,627,072	50,032
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(52,500)	(13,414)	39,086
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	50,000	13,414	(36,586)
1200 Net Change in Fund Balances	-	(2,500)	-	2,500
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ (2,500)	\$ -	\$ 2,500

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 848,400	\$ 848,400	\$ 932,973	\$ 84,573
5800 State Program Revenues	389,000	389,000	458,688	69,688
5020 Total Revenues	1,237,400	1,237,400	1,391,661	154,261
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,075,000	1,075,000	1,075,000	-
0072 Interest on Long-Term Debt	161,600	161,600	161,900	(300)
0073 Bond Issuance Cost and Fees	1,000	1,000	700	300
6030 Total Expenditures	1,237,600	1,237,600	1,237,600	-
1200 Net Change in Fund Balances	(200)	(200)	154,061	154,261
0100 Fund Balance - September 1 (Beginning)	481,084	481,084	481,084	-
3000 Fund Balance - August 31 (Ending)	\$ 480,884	\$ 480,884	\$ 635,145	\$ 154,261

**COMPLIANCE, INTERNAL CONTROL, AND
FEDERAL AWARDS SECTION**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

Independent Auditors' Report

Board of Trustees
Center Independent School District
107 PR 605
Center, TX 75935

Members of the Board:

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, each major fund, and the aggregate remaining fund information of Center Independent School District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center Independent School District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

January 14, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Independent Auditors' Report

Board of Trustees
Center Independent School District
107 PR 605
Center, TX 75935

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Center Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Center Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Center Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Center Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Center Independent School District 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 August 31, 2018.

Report on Internal Control Over Compliance

Management of Center Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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.

This purpose of this report in 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.

Wilf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

January 14, 2019

**CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Center Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Center Independent School District was disclosed during the audit.
- d. No significant deficiencies or material weaknesses relating to the audit of the major federal award program is reported in the report on internal control over compliance required by Uniform Guidance.
- e. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
- f. No audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under 2 CFR 200.516 (a).
- g. The program tested as major programs was:

School Breakfast Program – Cash Assistance	CFDA # 10.553
School Breakfast Program – Non-Cash Assistance	CFDA # 10.553
National School Lunch Program – Cash Assistance	CFDA # 10.555
National School Lunch Program – Non-Cash Assistance	CFDA # 10.555

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Center Independent School District was determined to be a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

No findings required to be reported.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

No findings required to be reported.

**CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018**

There were no prior year audit findings or questioned costs.

**CENTER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018**

There were no current year audit findings or questioned costs.

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
<u>Passed Through Shelby County Texas</u>			
Federal Oil and Gas Royalty	15.427	N/A	\$ 70,998
Total Passed Through Shelby County Texas			70,998
TOTAL U.S. DEPARTMENT OF INTERIOR			70,998
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-6101101210901	878,081
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19-6101101210901	88,699
Total CFDA Number 84.010A			966,780
ESEA, Title I, Part C - Migratory Children	84.011	18-615001210901	26,341
*IDEA - Part B, Formula	84.027	18-6600012109016600	466,717
*IDEA - Part B, Formula	84.027	19-6600012109016600	43,034
Total CFDA Number 84.027			509,751
*IDEA - Part B, Preschool	84.173	18-6610012109016610	21,350
*IDEA - Part B, Preschool	84.173	19-6610012109016610	2,131
Total CFDA Number 84.173			23,481
Total Special Education Cluster (IDEA)			533,232
Title IV, Part A, Subpart 1	84.424A	18 -680101210901	19,518
Title IV, Part A, Subpart 1	84.424A	19 -680101210901	4,566
Total CFDA Number 84.424A			24,084
Career and Technical - Basic Grant	84.048	18-420006210901	25,746
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	18-696001210901	42,167
Title III, Part A - English Language Acquisition	84.365A	18-67100121091	99,362
Title III, Part A - English Language Acquisition	84.365A	19-67100121091	3,904
Total CFDA Number 84.365A			103,266
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18-694501210901	56,284
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	19-694501210901	4,712
Total CFDA Number 84.367A			60,996
LEP Summer School	84.369A	69551702	4,749
Total Passed Through State Department of Education			1,787,361
TOTAL U.S. DEPARTMENT OF EDUCATION			1,787,361
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program - Cash Assistance	10.553	N/A	340,910
*School Breakfast Program - Non-Cash Assistance	10.553	N/A	41,128
Total CFDA Number 10.553			382,038
*National School Lunch Program - Cash Assistance	10.555	N/A	887,044
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	107,016
Total CFDA Number 10.555			994,060
Total Child Nutrition Cluster			1,376,098
Total Passed Through the State Department of Agriculture			1,376,098

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CENTER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,376,098
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,234,457

*Clustered Programs as required by Compliance Supplement 2017

**CENTER INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted or committed to specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds 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 current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types, the Expendable Trust Funds, and Agency Funds. This 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 deferred revenues until earned.

The District has elected to not use the 10% de minimum indirect cost rate as allowed under the Uniform Guidance.

3. 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, OMB Uniform Guidance Compliance Statement.
4. Nonmonetary assistance received from the Commodity Supplemental Food Program is recorded at fair market value of the commodities received and disbursed. The revenues and expenses are reported in the Food Service Special Revenue Fund.
5. According to AAG-SLB Appendix D, Questions and Answers, most Medicaid arrangements between the states and providers are contracts for services and not Federal assistance. Therefore, they should not appear on the Schedule of Federal Awards.

A reconciliation of federal program revenues and expenditures is as follows:

General Fund	696,712
Special Revenue Fund	<u>3,163,459</u>
Sub -total	3,860,171
Less Medicaid Arrangements Payments	
School Health & Related Services (SHARS)	(358,898)
Less Qualified School Construction Bonds	<u>(266,816)</u>
Total Federal Program Expenditures	<u><u>3,234,457</u></u>