

CENTER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2019

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

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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, 2019 at a meeting of the Board of Trustees of such school district on the _____ of January, 2020.

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)



WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

**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, 2019, 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, 2019, 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.

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 55, schedule of the District's proportionate share of the net pension liability (TRS) on pages 56-57, schedule of District's contributions to TRS Pension plan on pages 58-59, schedule of the District's proportionate share of the OPEB liability (TRS) on page 60, and schedule of District's contributions to TRS OPEB plan on page 61 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 December 20, 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.
Certified Public Accountants
Texarkana, Texas

December 20, 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, 2019. 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 \$16,428,812 (net position).
- At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$29,164,810. The General Fund reported an ending fund balance this year of \$11,645,721.

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 was (\$16,529,047).

TABLE I
CENTER INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2019	Governmental Activities 2018	Total % Change
Current and other assets	\$ 32,165,642	\$ 34,257,038	-6.11%
Capital assets	34,228,826	31,675,839	8.06%
Total assets	<u>66,394,468</u>	<u>65,932,877</u>	<u>0.70%</u>
Deferred outflows of resources	<u>5,631,295</u>	<u>1,911,529</u>	<u>194.60%</u>
Other liabilities	2,619,618	2,475,107	5.84%
Long-term liabilities outstanding	29,703,246	31,025,194	-4.26%
TRS net pension and OPEB liability	19,095,090	13,772,111	38.65%
Total liabilities	<u>51,417,954</u>	<u>47,272,412</u>	<u>8.77%</u>
Deferred inflows of resources	<u>4,178,997</u>	<u>4,915,158</u>	<u>-14.98%</u>
Net investment in capital assets	4,737,227	907,929	421.76%
Restricted	19,343,055	22,206,873	-12.90%
Unrestricted	<u>(7,651,470)</u>	<u>(7,457,966)</u>	<u>-2.59%</u>
Total net position	<u>\$ 16,428,812</u>	<u>\$ 15,656,836</u>	<u>4.93%</u>

As of August 31, 2019, the District's assets exceeded liabilities by \$16,428,812, of which \$4,737,227 of the total net position represents the investment in capital assets less any related debt used to acquire those assets that are still outstanding, \$19,343,055 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 (\$7,651,470) deficit 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 increased from \$15,656,836 to \$16,428,812.

TABLE II
CENTER INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2019	Governmental Activities 2018	Total % Change
Revenues:			
Program Revenues:			
Charges for services	\$ 562,104	\$ 542,864	3.54%
Operating grants and contributions	5,529,863	(328,011)	1785.88%
General Revenues:			
Property taxes-General purposes	6,245,061	6,009,590	3.92%
Property taxes-Debt service	1,296,568	849,230	52.68%
Grants & contributions not restricted	17,666,972	17,738,566	-0.40%
Investments earnings	771,159	275,781	179.63%
Other general revenues	136,165	179,539	-24.16%
Refund of prior year tax collections	(115,022)	(11,609)	-890.80%
Total Revenues	32,092,870	25,255,950	27.07%
Expenses:			
Instruction	15,565,811	10,418,339	49.41%
Instructional Resources and Media Services	358,320	269,274	33.07%
Curriculum and Staff Development	872,492	550,550	58.48%
Instructional Leadership	673,177	432,388	55.69%
School Leadership	1,521,676	876,237	73.66%
Guidance, Counseling and Evaluation Services	1,192,260	719,008	65.82%
Social Work and Health Services	252,310	171,186	47.39%
Student (Pupil) Transportation	1,680,578	1,244,205	35.07%
Food Services	1,780,817	1,685,278	5.67%
Cocurricular/Extracurricular Activities	1,451,048	1,072,516	35.29%
General Administration	957,249	718,666	33.20%
Plant Maintenance and Operations	2,557,680	2,436,543	4.97%
Security and Monitoring Services	394,446	181,237	117.64%
Data Processing Services	514,108	311,112	65.25%
Community Services	158,811	88,530	79.39%
Debt Service - Interest on Long Term Debt	1,110,657	525,271	111.44%
Debt Service - Bond Issuance Cost and Fees	1,459	257,664	-99.43%
Payments to Fiscal Agents/Member Districts of SSA	88,326	88,450	-0.14%
Other Intergovernmental Charges	189,669	184,492	2.81%
Total Expenses	31,320,894	22,230,946	40.89%
Increase (Decrease) in Net Position	771,976	3,025,004	-74.48%
Net Position Beginning of Year	15,656,836	29,160,879	-46.31%
Prior Period Adjustment	-	(16,529,047)	100.00%
Net Position End of Year	\$ 16,428,812	\$ 15,656,836	4.93%

The District increased net position by \$771,976. The total cost of all governmental activities was \$31,320,894. The amount of these activities that our taxpayers paid for through property taxes was \$7,541,629 or 24%. The District's total revenues increased by \$6,836,920 or 27.07%, while total expenses increased by \$9,089,948 or 40.89%. The prior year 2018 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 \$29,164,810, a current fiscal year decrease of (\$2,275,626). Approximately 15.68% 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 \$2,312,627 (b) for food services \$0 (c) for SSA-Alternative Education \$130,015, and (d) to fund construction from bond proceeds of \$16,897,447. Fund balance has been committed (a) for construction \$1,943,406 and (b) for retirement of loans or notes payable \$3,306,985.

The combined fund balance of the District decreased by (\$2,275,626) during the current fiscal year. The District's total revenues increased by \$1,568,224 or 5.25%. State program revenues increased by \$414,352. The District's total expenditures increased by \$3,622,763 or 12.09%. The District expended \$3,862,513 in Facilities Acquisition and Construction.

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 \$4,574,330 while the total fund balance was \$11,645,721. 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 19.39% of the total General Fund expenditures. The net increase in fund balance during the current fiscal year in the General Fund was \$1,474,713. The District's General Fund transferred \$49,597 to food services during the current fiscal year.

The Debt Service Fund has a total fund balance of \$291,627 all of which is restricted for the payment of debt service. The net decrease in fund balance during the current fiscal year in the Debt Service Fund was (\$343,518).

The Capital Projects Fund has a total fund balance of \$17,097,447, all of which is restricted or committed for construction. The net decrease in fund balance during the current fiscal year in the Capital Projects Fund was (\$3,401,354).

Other funds composed of the special revenue funds have a total fund balance of \$130,015. The fund balance is restricted for food services \$0 and restricted for SSA – Alternative Education of \$130,015. The net decrease in fund balance during the current fiscal year in other funds was (\$5,467). The District's General Fund transferred \$49,597 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 2019	Governmental Funds 2018	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 9,051,090	\$ 7,923,252	1,127,838	14.23%
State Program Revenues	18,484,806	18,070,454	414,352	2.29%
Federal Program Revenues	3,886,205	3,860,171	26,034	0.67%
Total Revenues	<u>31,422,101</u>	<u>29,853,877</u>	<u>1,568,224</u>	<u>5.25%</u>
Expenditures:				
Instruction	13,809,762	14,681,909	(872,147)	-5.94%
Instructional resources & media services	326,051	314,566	11,485	3.65%
Curriculum and instructional staff development	759,798	766,662	(6,864)	-0.90%
Instructional leadership	594,514	591,071	3,443	0.58%
School leadership	1,340,194	1,264,615	75,579	5.98%
Guidance, counseling and evaluation services	1,059,816	955,935	103,881	10.87%
Health services	222,840	237,184	(14,344)	-6.05%
Student (Pupil) transportation	1,625,387	1,562,705	62,682	4.01%
Food services	1,676,625	1,627,072	49,553	3.05%
Extracurricular activities	1,320,484	1,278,397	42,087	3.29%
General administration	868,540	848,042	20,498	2.42%
Facilities maintenance & operations	2,402,549	2,511,169	(108,620)	-4.33%
Security and monitoring services	357,361	248,998	108,363	43.52%
Data processing services	470,633	334,995	135,638	40.49%
Community services	139,464	122,617	16,847	13.74%
Debt services	2,468,179	1,803,042	665,137	36.89%
Facilities acquisition & construction	3,862,513	538,021	3,324,492	617.91%
Payments to fiscal agent/member of SSA	88,326	88,450	(124)	-0.14%
Other intergovernmental charges	189,669	184,492	5,177	2.81%
Total Expenditures	<u>33,582,705</u>	<u>29,959,942</u>	<u>3,622,763</u>	<u>12.09%</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(2,160,604)</u>	<u>(106,065)</u>	<u>(2,054,539)</u>	<u>-1937.06%</u>
Other Financing Sources (Uses):				
Other Financing Sources	49,597	21,101,553	(21,051,956)	-99.76%
Other Financing (Uses)	<u>(164,619)</u>	<u>(344,589)</u>	<u>179,970</u>	<u>52.23%</u>
Total Other Financing Sources (Uses)	<u>(115,022)</u>	<u>20,756,964</u>	<u>(20,871,986)</u>	<u>-100.55%</u>
Net Change in Fund Balances	(2,275,626)	20,650,899	(22,926,525)	-111.02%
Fund Balance - Beginning of Year	<u>31,440,436</u>	<u>10,789,537</u>	<u>20,650,899</u>	<u>191.40%</u>
Fund Balance - End of Year	<u>\$ 29,164,810</u>	<u>\$ 31,440,436</u>	<u>\$ (2,275,626)</u>	<u>-7.24%</u>

BUDGETARY HIGHLIGHTS

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

General Fund:

Increase in local and intermediate revenue sources	195,000
Increase in state program revenues	944,373
(Increase) in instruction expenditures	(465,136)
(Increase) in instructional resources and media services expenditures	(16,142)
Decrease in curriculum and instructional staff expenditures	39,500
(Increase) in instructional leadership expenditures	(72,000)
(Increase) in school leadership expenditures	(71,363)
Decrease in guidance, counseling and evaluation expenditures	21,991
(Increase) in health services expenditures	(12,052)
(Increase) in student (pupil) transportation	(267,783)
(Increase) in cocurricular/ extracurricular expenditures	(249,144)
(Increase) in general administration expenditures	(84,327)
(Increase) in facilities maintenance and operations expenditures	(3,937)
(Increase) in security and monitoring services expenditures	(84,604)
(Increase) in data processing expenditures	(147,913)
(Increase) in community services	(7,146)
(Increase) in other financing uses - transfers out	(50,000)
(Increase) in other financing uses - refund of prior year tax collections	(115,023)
	<u>(445,706)</u>

Food Service Fund:

Increase in federal program revenues	87,427
(Increase) in food service expenditures	(117,427)
Increase in other financing sources - transfers in	50,000
	<u>20,000</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had \$34,228,826 (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 \$4,107,935, less depreciation expense of \$1,554,948 accounted to a net increase of \$2,552,987 from the prior year.

The District purchased two buses, two used trucks, a CATE cutting table and a turf sweeper during the current year.

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 prior year, the District incurred architect fees in the amount of \$207,824 to plan the new construction. In the current year, the District signed a construction contract with Berry & Clay, Inc. in the amount of \$645,006 for the Elementary Canopy and Drive project. With change orders of (\$36,096), the amount of the contract totaled \$608,910. The District signed a construction contract with Berry & Clay, Inc. in the amount of \$7,998,692 for additions to the Moffett Campus. The District also signed a contract with E3 Integral Solutions in the amount of \$1,207,423 for an Energy Conservation Project. The District also incurred costs for security upgrades. In the current year, the District incurred costs totaling \$3,862,513 for all of the projects. Total construction in progress is \$4,070,337 at August 31, 2019.

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, 2019 the District paid \$0 in principal \$308,478 in interest. During the year ended August 31, 2019, the District received \$267,958 in credit payments to issuers of qualified bonds from the United States Treasury.

At year-end the District had \$21,770,000 in bonds outstanding versus \$22,865,000 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 \$18,270,000 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 2019-2020 is \$25,616,008 which is a 13.37 percent increase over last year's budget of \$22,595,376. Total revenues are \$25,634,928. State revenue of \$19,907,072 is 78 percent of our total revenue and local revenue of \$5,727,856 is 22 percent of the total revenues.

Our local taxable value is \$536,115,353, which is an increase of \$17,556,890 higher than last year's values of \$518,558,463.

The 2019-20 budget is based upon the tax rate of \$1.3121. The rate consists of the M&O rate of \$1.0683 and the I&S rate of \$0.2438. The tax rate has decreased \$.1017 due to the new legislation of HB3.

Payroll cost is 74.69 percent of the total budget which leaves 25.31 percent for the remaining activities and operations of the district. The 2019-20 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. In addition, the additional state funds received through HB3 will enable our District to increase salaries for all employees.

The focus for 2019-20 is to invest in the areas that are identified in our district goals.

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, 2019

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 27,774,918
1120 Current Investments	2,001,746
1220 Property Taxes - Delinquent	1,116,531
1230 Allowance for Uncollectible Taxes	(678,132)
1240 Due from Other Governments	1,858,499
1267 Due from Fiduciary Funds	49,150
1290 Other Receivables, Net	42,930
Capital Assets:	
1510 Land	915,194
1520 Buildings and Improvements, Net	27,872,959
1530 Furniture and Equipment, Net	1,370,336
1580 Construction in Progress	4,070,337
1000 Total Assets	66,394,468
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	68,723
1705 Deferred Outflow Related to TRS Pension	4,410,919
1706 Deferred Outflow Related to TRS OPEB	1,151,653
1700 Total Deferred Outflows of Resources	5,631,295
LIABILITIES	
2110 Accounts Payable	375,146
2140 Accrued Interest Payable	57,185
2160 Accrued Wages Payable	1,265,939
2180 Due to Other Governments	874,445
2200 Accrued Expenses	34,953
2300 Unearned Revenue	11,950
Noncurrent Liabilities:	
2501 Due Within One Year	1,125,000
2502 Due in More Than One Year	28,578,246
2540 Net Pension Liability (District's Share)	8,066,323
2545 Net OPEB Liability (District's Share)	11,028,767
2000 Total Liabilities	51,417,954
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	691,435
2606 Deferred Inflow Related to TRS OPEB	3,487,562
2600 Total Deferred Inflows of Resources	4,178,997
NET POSITION	
3200 Net Investment in Capital Assets	4,737,227
3820 Restricted for Federal and State Programs	130,015
3850 Restricted for Debt Service	2,315,593
3860 Restricted for Capital Projects	16,897,447
3900 Unrestricted	(7,651,470)
3000 Total Net Position	\$ 16,428,812

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, 2019

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 15,565,811	\$ 276,857	\$ 2,450,697	\$ (12,838,257)
12 Instructional Resources and Media Services	358,320	-	20,928	(337,392)
13 Curriculum and Instructional Staff Development	872,492	-	602,694	(269,798)
21 Instructional Leadership	673,177	-	52,229	(620,948)
23 School Leadership	1,521,676	-	129,919	(1,391,757)
31 Guidance, Counseling and Evaluation Services	1,192,260	-	350,533	(841,727)
32 Social Work Services	7,569	-	-	(7,569)
33 Health Services	244,741	-	20,928	(223,813)
34 Student (Pupil) Transportation	1,680,578	-	98,533	(1,582,045)
35 Food Services	1,780,817	226,427	1,403,757	(150,633)
36 Extracurricular Activities	1,451,048	58,820	59,781	(1,332,447)
41 General Administration	957,249	-	48,708	(908,541)
51 Facilities Maintenance and Operations	2,557,680	-	87,639	(2,470,041)
52 Security and Monitoring Services	394,446	-	99,784	(294,662)
53 Data Processing Services	514,108	-	54,842	(459,266)
61 Community Services	158,811	-	48,891	(109,920)
72 Debt Service - Interest on Long-Term Debt	1,110,657	-	-	(1,110,657)
73 Debt Service - Bond Issuance Cost and Fees	1,459	-	-	(1,459)
93 Payments Related to Shared Services Arrangements	88,326	-	-	(88,326)
99 Other Intergovernmental Charges	189,669	-	-	(189,669)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 31,320,894	\$ 562,104	\$ 5,529,863	(25,228,927)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	6,245,061
DT	Property Taxes, Levied for Debt Service	1,296,568
GC	Grants and Contributions not Restricted	17,666,972
IE	Investment Earnings	771,159
MI	Miscellaneous Local and Intermediate Revenue	136,165
S2	Special Item-Refund of Prior Year Tax Collections	(115,022)
TR	Total General Revenues & Special Items	<u>26,000,903</u>
CN	Change in Net Position	771,976
NB	Net Position - Beginning	<u>15,656,836</u>
NE	Net Position--Ending	<u>\$ 16,428,812</u>

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

CENTER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 9,818,103	\$ 457,115	\$ 17,469,258
1120 Investments - Current	2,001,746	-	-
1220 Property Taxes - Delinquent	964,998	151,533	-
1230 Allowance for Uncollectible Taxes	(586,750)	(91,382)	-
1240 Due from Other Governments	1,548,746	-	-
1260 Due from Other Funds	323,619	-	-
1290 Other Receivables	42,930	-	-
1000 Total Assets	<u>\$ 14,113,392</u>	<u>\$ 517,266</u>	<u>\$ 17,469,258</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ 371,811
2160 Accrued Wages Payable	1,166,461	-	-
2170 Due to Other Funds	63,011	124,305	-
2180 Due to Other Governments	833,262	41,183	-
2200 Accrued Expenditures	26,689	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>2,089,423</u>	<u>165,488</u>	<u>371,811</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	378,248	60,151	-
2600 Total Deferred Inflows of Resources	<u>378,248</u>	<u>60,151</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	16,897,447
3480 Retirement of Long-Term Debt	2,021,000	291,627	-
Committed Fund Balance:			
3510 Construction	1,743,406	-	200,000
3525 Retirement of Loans or Notes Payable	3,306,985	-	-
3600 Unassigned Fund Balance	4,574,330	-	-
3000 Total Fund Balances	<u>11,645,721</u>	<u>291,627</u>	<u>17,097,447</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 14,113,392</u>	<u>\$ 517,266</u>	<u>\$ 17,469,258</u>

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

Other Funds	Total Governmental Funds
\$ 30,442	\$ 27,774,918
-	2,001,746
-	1,116,531
-	(678,132)
309,753	1,858,499
63,011	386,630
-	42,930
<u>\$ 403,206</u>	<u>\$ 32,503,122</u>
\$ 3,335	\$ 375,146
99,478	1,265,939
150,164	337,480
-	874,445
8,264	34,953
11,950	11,950
<u>273,191</u>	<u>2,899,913</u>
-	438,399
<u>-</u>	<u>438,399</u>
130,015	130,015
-	16,897,447
-	2,312,627
-	1,943,406
-	3,306,985
-	4,574,330
<u>130,015</u>	<u>29,164,810</u>
<u>\$ 403,206</u>	<u>\$ 32,503,122</u>

CENTER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	29,164,810
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 \$55,135,954 and the accumulated depreciation was (\$23,460,115). 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, these long-term liabilities totaled (\$31,025,194). 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.		650,645
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 2019 capital outlays and debt principal payments is to increase net position.		5,202,935
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 included a deferred resource outflow in the amount of \$4,410,919, a deferred resource inflow in the amount of (\$691,435) and a net pension liability in the amount of (\$8,066,323). This resulted in a (decrease) in net position.		(4,346,839)
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 \$1,151,653, a deferred resource inflow in the amount of (\$3,487,562), and a net OPEB liability in the amount of (\$11,028,767). This resulted in a (decrease) in net position.		(13,364,676)
5 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(1,554,948)
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 increase net position.		676,885
19 Net Position of Governmental Activities	\$	16,428,812

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, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 7,028,139	\$ 1,334,120	\$ 461,159
5800 State Program Revenues	17,465,962	482,063	-
5900 Federal Program Revenues	735,682	-	-
5020 Total Revenues	<u>25,229,783</u>	<u>1,816,183</u>	<u>461,159</u>
EXPENDITURES:			
Current:			
0011 Instruction	12,568,240	-	-
0012 Instructional Resources and Media Services	326,051	-	-
0013 Curriculum and Instructional Staff Development	164,582	-	-
0021 Instructional Leadership	594,514	-	-
0023 School Leadership	1,340,194	-	-
0031 Guidance, Counseling and Evaluation Services	782,292	-	-
0033 Health Services	222,840	-	-
0034 Student (Pupil) Transportation	1,625,387	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,320,484	-	-
0041 General Administration	862,970	-	-
0051 Facilities Maintenance and Operations	2,374,264	-	-
0052 Security and Monitoring Services	283,683	-	-
0053 Data Processing Services	439,198	-	-
0061 Community Services	99,279	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	1,095,000	-
0072 Interest on Long-Term Debt	308,478	1,063,242	-
0073 Bond Issuance Cost and Fees	-	1,459	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	3,862,513
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	88,326	-	-
0099 Other Intergovernmental Charges	189,669	-	-
6030 Total Expenditures	<u>23,590,451</u>	<u>2,159,701</u>	<u>3,862,513</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,639,332</u>	<u>(343,518)</u>	<u>(3,401,354)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(49,597)	-	-
8949 Other (Uses)	(115,022)	-	-
7080 Total Other Financing Sources (Uses)	<u>-(164,619)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	1,474,713	(343,518)	(3,401,354)
0100 Fund Balance - September 1 (Beginning)	<u>10,171,008</u>	<u>635,145</u>	<u>20,498,801</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 11,645,721</u>	<u>\$ 291,627</u>	<u>\$ 17,097,447</u>

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

Other Funds	Total Governmental Funds
\$ 227,672	\$ 9,051,090
536,781	18,484,806
3,150,523	3,886,205
<u>3,914,976</u>	<u>31,422,101</u>
1,241,522	13,809,762
-	326,051
595,216	759,798
-	594,514
-	1,340,194
277,524	1,059,816
-	222,840
-	1,625,387
1,676,625	1,676,625
-	1,320,484
5,570	868,540
28,285	2,402,549
73,678	357,361
31,435	470,633
40,185	139,464
-	1,095,000
-	1,371,720
-	1,459
-	3,862,513
-	88,326
-	189,669
<u>3,970,040</u>	<u>33,582,705</u>
<u>(55,064)</u>	<u>(2,160,604)</u>
49,597	49,597
-	(49,597)
-	(115,022)
<u>49,597</u>	<u>(115,022)</u>
(5,467)	(2,275,626)
<u>135,482</u>	<u>31,440,436</u>
<u>\$ 130,015</u>	<u>\$ 29,164,810</u>

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, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (2,275,626)
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 2019 capital outlays and debt principal payments is to increase net position.	5,202,935
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.	(1,554,948)
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 increase net position.	220,461
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 \$478,560. 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 cause a decrease in net position totaling (\$493,473). 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 (\$656,881). The net result is a (decrease) in the change in net position.	(671,794)
GASB 75 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 \$155,092. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEN liability. This cause a decrease in net position totaling (\$152,311). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by (\$151,833). The net result is a (decrease) in the change in net position.	(149,052)
Change in Net Position of Governmental Activities	\$ 771,976

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, 2019

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 45,396	\$ 188,168
Total Assets	<u>45,396</u>	<u>\$ 188,168</u>
LIABILITIES		
Due to Other Funds	-	\$ 49,150
Due to Student Groups	-	139,018
Total Liabilities	<u>-</u>	<u>\$ 188,168</u>
NET POSITION		
Restricted for Scholarships	45,094	
Restricted for Other Purposes	302	
Total Net Position	<u>\$ 45,396</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, 2019

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 8,347
Total Additions	<u>8,347</u>
DEDUCTIONS:	
Other Operating Costs	<u>9,500</u>
Total Deductions	<u>9,500</u>
Change in Net Position	(1,153)
Total Net Position - September 1 (Beginning)	<u>46,549</u>
Total Net Position - August 31 (Ending)	<u>\$ 45,396</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, 2019**

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.

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 or 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, 2019, 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 \$1,000,000 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 levies	296,667	
Uncollected taxes (assumed collectible) from current year levy	<u>141,732</u>	
Total Adjustments to Revenue and Unavailable Revenue		438,399
<u>Adjustments to Long-Term Debt</u>		
(Increase) in compensated absences liability	(569)	
Interest accrued on bonds payable for current year	(57,185)	
Amortization of note premium/discount for current year	(7,242)	
Amortization of bond premium/discount for current year	99,063	
Amortization of bond premium/discount for current year	135,696	
Deferred charge for refunding bonds, beginning balance	114,929	
Amortization of deferred charge for refunding bonds for current year	<u>(46,206)</u>	
Total Adjustments to Long-Term Debt		<u>238,486</u>
Net Adjustments to Net Position - Increase		<u><u>676,885</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>		
Taxes collected from prior year levies	(181,765)	
Uncollected taxes (assumed collectible) from current year levy	<u>141,732</u>	
Total Adjustments to Revenue and Unavailable Revenue		(40,033)
<u>Adjustments to Long-Term Debt</u>		
(Increase) in compensated absences liability	(569)	
Interest accrued on bonds payable for current year	(57,185)	
Interest accrued on bonds payable for prior year	136,937	
Amortization of note premium/discount for current year	(7,242)	
Amortization of bond premium/discount for current year	99,063	
Amortization of bond premium/discount for current year	135,696	
Amortization of deferred charge for refunding bonds for current year	<u>(46,206)</u>	
Total Adjustments to Long-Term Debt		<u>260,494</u>
Net Adjustments to Changes in Net Position - Increase		<u><u>220,461</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. However, the expenditures for the Food Service Fund exceeded budgetary guidelines in Function 35 by (\$97,969). Significant budget amendments during the year were as follows:

General Fund:

Increase in local and intermediate revenue sources	195,000
Increase in state program revenues	944,373
(Increase) in instruction expenditures	(465,136)
(Increase) in instructional resources and media services expenditures	(16,142)
Decrease in curriculum and instructional staff expenditures	39,500
(Increase) in instructional leadership expenditures	(72,000)
(Increase) in school leadership expenditures	(71,363)
Decrease in guidance, counseling and evaluation expenditures	21,991
(Increase) in health services expenditures	(12,052)
(Increase) in student (pupil) transportation	(267,783)
(Increase) in cocurricular/ extracurricular expenditures	(249,144)
(Increase) in general administration expenditures	(84,327)
(Increase) in facilities maintenance and operations expenditures	(3,937)
(Increase) in security and monitoring services expenditures	(84,604)
(Increase) in data processing expenditures	(147,913)
(Increase) in community services	(7,146)
(Increase) in other financing uses - transfers out	(50,000)
(Increase) in other financing uses- refund of prior year tax collections	(115,023)
	<u>(445,706)</u>

Food Service Fund:

Increase in federal program revenues	87,427
(Increase) in food service expenditures	(117,427)
Increase in other financing sources - transfers in	50,000
	<u>20,000</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:

	8/31/2019
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	-
Nonappropriated Budget Funds	<u>130,015</u>
All Nonmajor Governmental Special Revenue Funds	<u>130,015</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, 2019 consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Balance Sheet Total	Fiduciary Funds
Cash in Bank	4,564,064	115,649	273,977	30,442	4,984,132	119,521
Investment Pools	5,254,039	341,466	17,195,281	-	22,790,786	114,043
Total	<u>9,818,103</u>	<u>457,115</u>	<u>17,469,258</u>	<u>30,442</u>	<u>27,774,918</u>	<u>233,564</u>

The District's cash deposits at August 31, 2019 were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. During the Christmas break, there were 5 days that were not covered due to the maturing of a Federal Home Loan Bank investment deposited to cash.

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, 2019, 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 ***	22,904,829	22,904,829	22,904,829	-	-	-
Federal Home Loan Bank	2,001,746	2,001,746	2,001,746	-	-	-
Total	24,906,575	24,906,575	24,906,575	-	-	-

*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 72, 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, 2019, 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, 2018 upon which the levy for the 2019 fiscal year was based was \$534,324,963. The tax rates levied for the year ended August 31, 2019, to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.1700 and \$0.2438 per \$100 per valuation respectively, for a total of \$1.4138 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, 2019, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other Receivables	Total Receivables
Governmental Activities:					
General Fund	964,998	1,548,746	323,619	42,930	2,880,293
Debt Service Fund	151,533	-	-	-	151,533
Nonmajor Governmental Funds (Special Revenue)	-	309,753	63,011	-	372,764
Total - Governmental Activities	<u>1,116,531</u>	<u>1,858,499</u>	<u>386,630</u>	<u>42,930</u>	<u>3,404,590</u>
Amounts not scheduled for collection during the subsequent year	<u>(678,132)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(678,132)</u>

Payables at August 31, 2019, 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	-	1,193,150	63,011	833,262	2,089,423
Debt Service Fund	-	-	124,305	41,183	165,488
Capital Projects Fund	371,811	-	-	-	371,811
Nonmajor Governmental Funds (Special Revenue)	3,335	107,742	150,164	-	261,241
Total - Governmental Activities	<u>375,146</u>	<u>1,300,892</u>	<u>337,480</u>	<u>874,445</u>	<u>2,887,963</u>

Note H. Interfund Receivables and Payables

Interfund balances at August 31, 2019 consisted of the following individual fund balances:

	<u>Receivables (Due From)</u>	<u>Payables (Due To)</u>
General Fund:		
Due from/to Nonmajor Governmental Fund - Special Revenue	150,164	63,011
Due from/to Debt Service	124,305	-
Due from/to Fiduciary Fund - Student Activity Fund	49,150	-
	<u>323,619</u>	<u>63,011</u>
Nonmajor Governmental Fund - Special Revenue:		
Due from/to General Fund	63,011	150,164
Debt Service:		
Due from/to General Fund	-	124,305
Fiduciary Fund-Student Activity Fund:		
Due from/to General Fund	-	49,150
	<u>386,630</u>	<u>386,630</u>

Note I. Capital Asset Activity

The District purchased two buses, two used trucks, a CATE cutting table, and a turf sweeper in the current year.

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 prior year, the District incurred architect fees in the amount of \$207,824 to plan the new construction. In the current year, the District signed a construction contract with Berry & Clay, Inc. in the amount of \$645,006 for the Elementary Canopy and Drive project. With change orders of (\$36,096), the amount of the contract totaled \$608,910. The District signed a construction contract with Berry & Clay, Inc. in the amount of \$7,998,692 for additions to the Moffett Campus. The District also signed a contract with E3 Integral Solutions in the amount of \$1,207,423 for an Energy Conservation Project. The District also incurred costs for security upgrades. In the current year, the District incurred costs totaling \$3,862,513 for all of the projects. Total construction in progress is \$4,070,337 at August 31, 2019.

Capital asset activity for the District for the year ended August 31, 2019, was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Land	915,194		-	915,194
Building and Improvements	49,073,625			49,073,625
Furniture and Equipment	4,939,311	245,422	(6,396)	5,178,337
Construction in Progress	207,824	3,862,513		4,070,337
Totals at Historic Cost	<u>55,135,954</u>	<u>4,107,935</u>	<u>(6,396)</u>	<u>59,237,493</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	19,970,825	1,229,841	-	21,200,666
Furniture and Equipment	3,489,290	325,107	(6,396)	3,808,001
Total Accumulated Depreciation	<u>23,460,115</u>	<u>1,554,948</u>	<u>(6,396)</u>	<u>25,008,667</u>
Governmental Activities:				
Land	915,194	-	-	915,194
Building and Improvements, Net	29,102,800	(1,229,841)	-	27,872,959
Furniture and Equipment, Net	1,450,021	(79,685)	-	1,370,336
Construction in Progress	207,824	3,862,513	-	4,070,337
Capital Assets, Net	<u>31,675,839</u>	<u>2,552,987</u>	<u>-</u>	<u>34,228,826</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	748,858
Instructional Resources and Media Services	17,681
Curriculum and Instructional Staff Development	41,201
Instructional Leadership	32,239
School Leadership	72,674
Guidance, Counseling and Evaluation Services	57,470
Health Services	12,084
Student (Pupil) Transportation	180,374
Food Services	90,918
Cocurricular/Extracurricular Activities	71,606
General Administration	47,098
Plant Maintenance and Operations	130,282
Security and Monitoring Services	19,379
Data Processing Services	25,521
Community Services	7,563
Total Depreciation Expense - Governmental Activities	<u>1,554,948</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, 2019, the District paid \$0 in principal and \$308,478 in interest. During the year ended August 31, 2019, the District received \$267,958 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 \$267,958. 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 \$2,021,000 is restricted for retirement of long-term debt at August 31, 2019.

The summary of changes in Maintenance Tax Note Obligations for the year ended August 31, 2019 is as follows:

<u>Purpose</u>	<u>Stated Interest Rate</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 8/31/2019</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>
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	467,000	148,908	615,908	-
2025-2026	944,000	223,361	1,167,361	2,345,000
	3,279,000	1,207,256	4,486,256	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 \$8,282 at August 31, 2019. Amortization expense of \$7,242 is reflected in the Statement of Activities for the year ended August 31, 2019.

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%.

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. The bond issue consisted of \$18,270,000 of Current Interest Bonds (CIB) maturing annually beginning February 15, 2023 through February 15, 2048. The stated interest rate ranges between 4.0% through 5.0 %.

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, 2019, the District paid \$1,095,000 in principal, \$1,063,242 interest and \$1,459 in fees.

A summary of changes in bonded indebtedness for the year ended August 31, 2019 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2018	Issuance/ Accretion	Retired	Amounts Outstanding 8/31/2019
Unlimited Tax Refunding Bonds, Series 2016 Current Interest Bonds, due in annual installments February 15, 2017 through February 15, 2022	2-5%	5,690,000	4,595,000	-	1,095,000	3,500,000
Unlimited Tax School Building Bonds, Series 2018 Current Interest Bonds, due in annual installments February 15, 2023 through February 15, 2048	4-5%	18,270,000	18,270,000	-	-	18,270,000
			<u>22,865,000</u>	<u>-</u>	<u>1,095,000</u>	<u>21,770,000</u>

Debt service requirements are as follows:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total Requirements
August 31			
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	395,000	823,875	1,218,875
2025-2029	2,305,000	3,795,650	6,100,650
2030-2034	2,860,000	3,242,400	6,102,400
2035-2039	3,495,000	2,605,100	6,100,100
2040-2044	4,420,000	1,679,250	6,099,250
2045-2048	4,420,000	455,750	4,875,750
	<u>21,770,000</u>	<u>16,210,425</u>	<u>37,980,425</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 \$2,498,604 at August 31, 2019. Amortization credit to interest expense of \$234,759 is reflected in the Statement of Activities for the year ended August 31, 2019.

The deferred charge for refunding bonds, net of accumulated amortization, totaled \$68,723 at August 31, 2019. Amortization expense of \$46,206 is reflected in the Statement of Activities for the year ended August 31, 2019.

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, 2019.

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, 2018	142,355
Additions	569
Deductions	<u>-</u>
Balance August 31, 2019	<u>142,924</u>

Note M. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Maintenance Tax Note Obligation	5,300,000	-	-	5,300,000	-
Premium/Discount on Debt Issuance	(15,524)	7,242	-	(8,282)	-
General Obligation Bonds	22,865,000	-	1,095,000	21,770,000	1,125,000
Premium/Discount on Debt Issuance	2,733,363	-	234,759	2,498,604	-
Total Bonds and Notes Payable	30,882,839	7,242	1,329,759	29,560,322	1,125,000
Other Liabilities:					
Compensated Absences	142,355	569	-	142,924	-
Net Pension Liability	4,345,761	4,214,243	493,681	8,066,323	-
Net OPEB Liability	9,426,350	1,754,793	152,376	11,028,767	-
Total Other Liabilities	13,914,466	5,969,605	646,057	19,238,014	-
Total Governmental Activities					
Long-term Liabilities	<u>44,797,305</u>	<u>5,976,847</u>	<u>1,975,816</u>	<u>48,798,336</u>	<u>1,125,000</u>

Note N. Defined Benefit Pension Plan

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 in the plan 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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contribution Rates		
	<u>2018</u>	<u>2019</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	1,255,155	1,222,812
CISD Employer Contributions	493,473	478,560
CISD NECE On-Behalf Contributions	848,459	829,471

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 role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, 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, 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, from non-educational and general, or local fund

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 or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (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 rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2018	3.69%. 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 GOAA Index."
Last year ending August 31 Projection period (100) years	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate. The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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, 2018 are summarized below:

Asset Class	Target Allocation* %	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	0.0%
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	-	-
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectations			2.3%
Volatility Drag***			-0.7%
Total	100%		7.2%

* Target allocations are based on the FY2016 policy model.

** Capital market assumptions come from Aon Hewitt (2017 Q4)

***The volatility drag results from the conversion between arithmetic and geometric mean returns.

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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
CISD's proportionate share of the net pension liability	12,174,015	8,066,323	4,740,902

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, the District reported a liability of \$8,066,323 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District 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 the District were as follows:

District's proportionate share of the collective net pension liability	\$ 8,066,323
State's proportionate share that is associated with the District	13,561,281
Total	<u>\$21,627,604</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.014654737%, which was an increase of 0.010634518% from its proportion measurement as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in Net Pension Liability.

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, 2019, the District recognized pension expense of \$2,492,559 and revenue of \$1,342,205 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 50,279	\$ 197,916
Changes in actuarial assumptions	2,908,298	90,884
Difference between projected and actual investment earnings	-	153,053
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	973,782	249,582
Total as of August 31, 2018 measurement date	\$ 3,932,359	\$ 691,435
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	478,560	-
Total as of fiscal year end 2019	\$ 4,410,919	\$ 691,435

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

Year ended August 31:	Pension Expense Amount
2020	868,833
2021	546,743
2022	453,629
2023	501,967
2024	514,401
Thereafter	355,351
	<u>\$3,240,924</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.

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 a retiree with and without Medicare coverage.

TRS- Care Monthly for Retirees
January 1, 2018 through December 31, 2018

		<u>Medicare</u>		<u>Non-Medicare</u>
Retiree*	\$	135	\$	200
Retiree and Spouse		529		689
Retiree* and Children		468		408
Retiree and Family		1,020		999
<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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% 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.

	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
CISD's FY Member Contributions	105,953	103,225
CISD's FY Employer Contributions	152,311	155,092
Measurement Year NECE On-behalf Contributions	145,469	189,783

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 hiring a TRS retiree, employers are required to pay 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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Methods and Assumptions. The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

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 that was rolled forward to August 31, 2018:

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, rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%. Sourced from 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, 2018
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	8.50%
Ad-hoc post-employment benefit changes	None

Discount Rate: A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. 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.

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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
CISD's proportionate share of the Net OPEB Liability	13,128,023	11,028,767	9,368,121

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2019, the District reported a liability of \$11,028,767 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	\$11,028,767
State's proportionate share that is associated with the District	<u>13,755,810</u>
Total	<u><u>\$24,784,577</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective Net OPEB Liability was 0.022088054% which was an increase of 0.000411432% from its proportion measured as of August 31, 2017.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	9,159,571	11,028,767	13,490,540

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

For the year ended August 31, 2019, the District recognized OPEB expense of \$804,498 and revenue of \$500,354 for support provided by the State.

At August 31, 2019, 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	\$ 585,256	\$ 174,050
Changes in actuarial assumptions	184,040	3,313,512
Net Difference between projected and actual investment earnings	1,929	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	225,336	-
Total as of August 31, 2018 measurement date	996,561	3,487,562
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	155,092	-
Total as of August 31, 2019 fiscal year-end	\$ 1,151,653	\$ 3,487,562

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
2020	\$ (406,034)
2021	(406,034)
2022	(406,034)
2023	(406,398)
2024	(406,607)
Thereafter	(459,894)
	<u>\$ (2,491,001)</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 2019-2017.

Contribution Rates and Contribution Amounts

Active Member			State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2019	0.65%	\$103,225	1.25%	\$198,510	0.75%	\$119,106
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

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 \$52,222 for the year ended August 31, 2019. 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.

Note R. Health Care Coverage

During the year ended August 31, 2019, employees of Center Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$250 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 S. 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, 2019 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, 2019 consisted of the following:

Fund	State Entitlements	Federal Grants	Other	Total
Governmental Activities:				
<u>Due From Other Governments:</u>				
General Fund	1,548,746	-		1,548,746
Nonmajor Governmental Funds (Special Revenue)	-	299,565	10,188	309,753
	1,548,746	299,565	10,188	1,858,499
 <u>Due to Other Governments:</u>				
General Fund	833,262	-		833,262
Debt Service Fund	41,183	-	-	41,183
	874,445	-	-	874,445

Note T. Unearned Revenue

Unearned revenue at August 31, 2019 consisted of the following:

	Other Funds
Food Service Revenue	5,707
State Instructional Materials	6,243
	11,950

Note U. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2019 consisted of the following:

	General Fund	Debt Service Fund	Governmental Funds Total
Net uncollected tax revenue	378,248	60,151	438,399
	378,248	60,151	438,399

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, 2019 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)	-	(49,597)
Nonmajor Governmental Funds (Special Revenue):		
Transfer in from General Fund	<u>49,597</u>	<u>-</u>
	<u>49,597</u>	<u>(49,597)</u>

The General Fund transferred \$49,597 to the Food Service Fund for the deficiency of revenues over expenditures.

Note X. Other Financial Uses

The General Fund reflected \$115,022 in other financial uses to record amounts refunded to taxpayers as a result of court decisions involving tax rates, taxable value and/or levies, if such decision were rendered after the fiscal year of disputed property tax collections, including related penalties and/or interest.

Note Y. Revenue from Local and Intermediate Sources

Revenue Sources	Government Fund Types				Total	Fund
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds		Private Purpose Trust Funds
Property taxes and tax-related income	6,356,083	1,309,940	-	-	7,666,023	-
Tuition and fees	106,202	-	-	-	106,202	-
Investment income	284,925	24,180	461,159	895	771,159	1,018
Gifts and bequests	-	-	-	-	-	7,329
Food service activity	-	-	-	196,748	196,748	-
Co-curricular	58,821	-	-	-	58,821	-
Campus activity fund local revenue	191,067	-	-	-	191,067	-
Other local and intermediate sources	26,229	-	-	30,029	56,258	-
Miscellaneous - other local sources	4,812	-	-	-	4,812	-
	<u>7,028,139</u>	<u>1,334,120</u>	<u>461,159</u>	<u>227,672</u>	<u>9,051,090</u>	<u>8,347</u>

Note Z. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Federal Oil and Gas Royalty	15.427	65,707
Qualified School Construction Bonds	N/A	267,958
School Health and Related Services (SHARS)	N/A	402,017
		<u>735,682</u>

Note AA. 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, 2019.

General Fund - Function 93:

SSA - Alternative Education	79,275
SSA - UIL	9,051
Total SSA payments	<u>88,326</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:

	<u>Percentage</u>	<u>Fund 458 SSA Alternative Education</u>
Funds received current year:		
Center ISD	42.35%	79,275
San Augustine ISD	12.75%	23,867
Shelbyville ISD	12.22%	22,874
Joaquin ISD	11.58%	21,677
Timpson ISD	10.19%	19,075
Tenaha ISD	9.40%	17,596
Excelsior ISD	1.51%	2,826
Total SSA funds received	<u>100.00%</u>	<u>187,190</u>
TRS on behalf revenue		<u>9,922</u>
Total state program revenues		<u>197,112</u>

Note AB. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through December 20, 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, 2019

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	\$ 6,067,134	\$ 6,262,134	\$ 7,028,139	\$ 766,005
5800 State Program Revenues	16,028,242	16,972,615	17,465,962	493,347
5900 Federal Program Revenues	500,000	500,000	735,682	235,682
5020 Total Revenues	22,595,376	23,734,749	25,229,783	1,495,034
EXPENDITURES:				
Current:				
0011 Instruction	12,242,512	12,707,648	12,568,240	139,408
0012 Instructional Resources and Media Services	312,021	328,163	326,051	2,112
0013 Curriculum and Instructional Staff Development	235,360	195,860	164,582	31,278
0021 Instructional Leadership	524,245	596,245	594,514	1,731
0023 School Leadership	1,274,666	1,346,029	1,340,194	5,835
0031 Guidance, Counseling and Evaluation Services	824,502	802,511	782,292	20,219
0033 Health Services	223,725	235,777	222,840	12,937
0034 Student (Pupil) Transportation	1,407,855	1,675,638	1,625,387	50,251
0036 Extracurricular Activities	1,076,203	1,325,347	1,320,484	4,863
0041 General Administration	818,155	902,482	862,970	39,512
0051 Facilities Maintenance and Operations	2,420,346	2,424,283	2,374,264	50,019
0052 Security and Monitoring Services	202,043	286,647	283,683	2,964
0053 Data Processing Services	312,969	460,882	439,198	21,684
0061 Community Services	93,296	100,442	99,279	1,163
Debt Service:				
0072 Interest on Long-Term Debt	308,478	308,478	308,478	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	125,000	125,000	88,326	36,674
0099 Other Intergovernmental Charges	194,000	194,000	189,669	4,331
6030 Total Expenditures	22,595,376	24,015,432	23,590,451	424,981
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(280,683)	1,639,332	1,920,015
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(50,000)	(49,597)	403
8949 Other (Uses)	-	(115,023)	(115,022)	1
7080 Total Other Financing Sources (Uses)	-	(165,023)	(164,619)	404
1200 Net Change in Fund Balances	-	(445,706)	1,474,713	1,920,419
0100 Fund Balance - September 1 (Beginning)	10,171,008	10,171,008	10,171,008	-
3000 Fund Balance - August 31 (Ending)	\$ 10,171,008	\$ 9,725,302	\$ 11,645,721	\$ 1,920,419

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.014654737%	0.013591285%	0.014187632%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,066,323	\$ 4,345,761	\$ 5,361,295
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	13,561,281	8,295,006	9,991,763
Total	<u>\$ 21,627,604</u>	<u>\$ 12,640,767</u>	<u>\$ 15,353,058</u>
District's Covered Payroll	\$ 16,297,288	\$ 15,671,850	\$ 15,696,039
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	49.49%	27.73%	34.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 2018 for year 2019, 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 five 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."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0154962%		0.009616%
\$	5,477,700	\$	2,568,567
	9,795,156		8,269,759
<u>\$</u>	<u>15,272,856</u>	<u>\$</u>	<u>10,838,326</u>
\$	15,668,897	\$	14,804,755
	34.96%		17.35%
	78.43%		83.25%

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 478,560	\$ 493,473	\$ 445,443
Contribution in Relation to the Contractually Required Contribution	(478,560)	(493,473)	(445,443)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 15,874,707	\$ 16,297,288	\$ 15,671,850
Contributions as a Percentage of Covered Payroll	3.01%	3.03%	2.84%

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 years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

	2016	2015
\$	450,495	\$ 458,850
	(450,495)	(458,850)
\$	-	\$ -
\$	15,696,039	\$ 15,668,897
	2.87%	2.93%

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.022088054%	0.21676622%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 11,028,767	\$ 9,426,350
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	13,755,810	12,167,530
Total	<u>\$ 24,784,577</u>	<u>\$ 21,593,880</u>
District's Covered Payroll	\$ 16,297,288	\$ 15,671,850
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	67.67%	60.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	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 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years 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 2019

	2019	2018
Contractually Required Contribution	\$ 155,092	\$ 152,311
Contribution in Relation to the Contractually Required Contribution	(155,092)	(152,311)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 15,874,707	\$ 16,297,288
Contributions as a Percentage of Covered Payroll	0.98%	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, 2019**

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

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

Changes of benefit

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventative drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the system to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in Assumptions

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

- Adjustments were made for retirees that were known to have discontinued health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

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.

COMBINING SCHEDULES

CENTER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

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	\$ (18,036)	\$ (2,140)	\$ (71,408)	\$ (1,162)
1240 Due from Other Governments	55,628	2,140	112,613	1,162
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 37,592</u>	<u>\$ -</u>	<u>\$ 41,205</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ 3,335	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	30,882	-	37,950	-
2170 Due to Other Funds	-	-	-	-
2200 Accrued Expenditures	3,375	-	3,255	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>37,592</u>	<u>-</u>	<u>41,205</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>\$ 37,592</u>	<u>\$ -</u>	<u>\$ 41,205</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	287 Emergency Impact Aid	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ (3,959)	\$ (8,012)	\$ -	\$ -	\$ -	\$ (38)
102,331	-	9,662	10,236	-	-	-	5,793
63,011	-	-	-	-	-	-	-
<u>\$ 165,342</u>	<u>\$ -</u>	<u>\$ 5,703</u>	<u>\$ 2,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,755</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,297	-	5,177	2,019	-	-	-	5,220
150,164	-	-	-	-	-	-	-
174	-	526	205	-	-	-	535
5,707	-	-	-	-	-	-	-
<u>165,342</u>	<u>-</u>	<u>5,703</u>	<u>2,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,755</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 165,342</u>	<u>\$ -</u>	<u>\$ 5,703</u>	<u>\$ 2,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,755</u>

CENTER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

Data Control Codes	385 Visually Impaired SSVI	410 State Instructional Materials	427 State Funded NIBRS	429 Other State Special Revenue Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 6,243	\$ -	\$ -
1240 Due from Other Governments	-	-	-	-
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 6,243</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	-	-	-	-
2200 Accrued Expenditures	-	-	-	-
2300 Unearned Revenue	-	6,243	-	-
2000 Total Liabilities	<u>-</u>	<u>6,243</u>	<u>-</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>\$ -</u>	<u>\$ 6,243</u>	<u>\$ -</u>	<u>\$ -</u>

458 SSA Alternative Education	Total Nonmajor Governmental Funds
\$ 128,954	\$ 30,442
10,188	309,753
-	63,011
<u>\$ 139,142</u>	<u>\$ 403,206</u>
\$ -	\$ 3,335
8,933	99,478
-	150,164
194	8,264
-	11,950
<u>9,127</u>	<u>273,191</u>
<u>130,015</u>	<u>130,015</u>
<u>130,015</u>	<u>130,015</u>
<u>\$ 139,142</u>	<u>\$ 403,206</u>

CENTER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

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	716,909	16,393	649,191	27,739
5020 Total Revenues	716,909	16,393	649,191	27,739
EXPENDITURES:				
Current:				
0011 Instruction	133,549	15,724	445,870	1,449
0013 Curriculum and Instructional Staff Development	543,175	669	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	203,321	26,290
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	40,185	-	-	-
6030 Total Expenditures	716,909	16,393	649,191	27,739
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	287 Emergency Impact Aid	289 Other Federal Special Revenue Funds
\$ 227,672	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,786	-	-	-	-	-	-	-
1,389,570	32,387	105,750	74,848	44,667	5,007	40,149	47,913
1,627,028	32,387	105,750	74,848	44,667	5,007	40,149	47,913
-	32,387	78,532	66,444	44,667	5,007	40,149	-
-	-	27,218	8,404	-	-	-	-
-	-	-	-	-	-	-	47,913
1,676,625	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,676,625	32,387	105,750	74,848	44,667	5,007	40,149	47,913
(49,597)	-	-	-	-	-	-	-
49,597	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CENTER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	385 Visually Impaired SSVI	410 State Instructional Materials	427 State Funded NIBRS	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	1,980	238,475	73,678	15,750
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,980</u>	<u>238,475</u>	<u>73,678</u>	<u>15,750</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,980	207,040	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	15,750
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	73,678	-
0053 Data Processing Services	-	31,435	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>1,980</u>	<u>238,475</u>	<u>73,678</u>	<u>15,750</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
\$ -	\$ 227,672
197,112	536,781
-	3,150,523
197,112	3,914,976
<hr/>	
168,724	1,241,522
-	595,216
-	277,524
-	1,676,625
5,570	5,570
28,285	28,285
-	73,678
-	31,435
-	40,185
202,579	3,970,040
<hr/>	
(5,467)	(55,064)
<hr/>	
-	49,597
<hr/>	
(5,467)	(5,467)
<hr/>	
135,482	135,482
<hr/>	
\$ 130,015	\$ 130,015

REQUIRED T.E.A. SCHEDULES

CENTER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
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	1.170000	0.163800	525,684,302
2019 (School year under audit)	1.170000	0.243800	534,324,963
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 248,849	\$ -	\$ 5,378	\$ 1,001	\$ (7,076)	\$ 235,394
42,018	-	2,689	147	(68)	39,114
57,831	-	5,101	715	(73)	51,942
74,071	-	21,585	3,022	22,044	71,508
87,548	-	9,817	1,365	(73)	76,293
113,198	-	7,025	981	(947)	104,245
122,156	-	12,119	1,693	(945)	107,399
164,130	-	28,845	4,031	(15,946)	115,308
235,481	-	69,925	9,771	(29,434)	126,351
-	7,554,286	6,124,262	1,272,190	31,142	188,976
<u>\$ 1,145,283</u>	<u>\$ 7,554,286</u>	<u>\$ 6,286,746</u>	<u>\$ 1,294,916</u>	<u>\$ (1,376)</u>	<u>\$ 1,116,531</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, 2019

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	\$ 219,806	\$ 219,806	\$ 227,672	\$ 7,866
5800 State Program Revenues	8,600	8,600	9,786	1,186
5900 Federal Program Revenues	1,232,823	1,320,250	1,389,570	69,320
5020 Total Revenues	1,461,229	1,548,656	1,627,028	78,372
EXPENDITURES:				
Current:				
0035 Food Services	1,461,229	1,578,656	1,676,625	(97,969)
6030 Total Expenditures	1,461,229	1,578,656	1,676,625	(97,969)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(30,000)	(49,597)	(19,597)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	50,000	49,597	(403)
1200 Net Change in Fund Balances	-	20,000	-	(20,000)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 20,000	\$ -	\$ (20,000)

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, 2019

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	\$ 1,311,245	\$ 1,311,245	\$ 1,334,120	\$ 22,875
5800 State Program Revenues	547,118	547,118	482,063	(65,055)
5020 Total Revenues	<u>1,858,363</u>	<u>1,858,363</u>	<u>1,816,183</u>	<u>(42,180)</u>
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,095,000	1,095,000	1,095,000	-
0072 Interest on Long-Term Debt	1,063,242	1,063,242	1,063,242	-
0073 Bond Issuance Cost and Fees	49,237	49,237	1,459	47,778
6030 Total Expenditures	<u>2,207,479</u>	<u>2,207,479</u>	<u>2,159,701</u>	<u>47,778</u>
1200 Net Change in Fund Balances	(349,116)	(349,116)	(343,518)	5,598
0100 Fund Balance - September 1 (Beginning)	<u>635,145</u>	<u>635,145</u>	<u>635,145</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 286,029</u>	<u>\$ 286,029</u>	<u>\$ 291,627</u>	<u>\$ 5,598</u>

**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, 2019, and the related notes to the financial statements, which collectively compromise the District's basic financial statements, and have issued our report thereon dated December 20, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

Center Independent School District's Response to Finding

Center Independent School District's response to the finding identified in the audit is described in the accompanying schedule of findings and responses. Center Independent School District's response was not subject to the auditing procedure applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

December 20, 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, 2019. 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, 2019.

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

December 20, 2019

**CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019**

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. One instance 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:
 - ESEA, Title I, Part A, Improving Basic Programs CFDA # 84.010A
- 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.

2019-001 Expenditures Exceeded Budgetary Guidelines – Food Service

Condition: Expenditures for the Food Service Fund exceeded budgetary guidelines in Function 35 by (\$97,969).

Criteria: Expenditures should not exceed budgetary guidelines set by the governing body.

Cause and Effect: Although management budgeted and amended the budget as needs changed, there were additional costs incurred in August 2019 that were not budgeted properly.

Recommendation: The District should review all year end transactions closely to ascertain their effects on budgeted expenditures and properly amend the budget in the future.

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, 2019**

There were no prior year audit findings or questioned costs.



Center Independent School District

Superintendent, Dr. James Hockenberry

**CENTER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019**

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

2019-001 Expenditures Exceeded Budgetary Guidelines

Action: The District will review and amend budgetary amounts as deemed necessary in the future.

Contact Person: Betty McDaniel, Business Manager

Anticipated Completion Date: Immediately

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
<u>Passed Through Shelby County</u>			
Federal Oil and Gas Royalty	15.427	N/A	\$ 65,707
Total Passed Through Shelby County			<u>65,707</u>
TOTAL U.S. DEPARTMENT OF INTERIOR			<u>65,707</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19-610101210901	666,215
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20-610101210901	50,694
Total CFDA Number 84.010A			<u>716,909</u>
ESEA, Title I, Part C - Migratory Children	84.011	19-615001210901	16,393
*IDEA - Part B, Formula	84.027	18-6600012109016600	119,386
*IDEA - Part B, Formula	84.027	19-6600012109016600	475,805
*IDEA - Part B, Formula	84.027	20-6600012109016600	54,000
Total CFDA Number 84.027			<u>649,191</u>
*IDEA - Part B, Preschool	84.173	18-6610012109016610	12,156
*IDEA - Part B, Preschool	84.173	19-6610012109016610	15,583
Total CFDA Number 84.173			<u>27,739</u>
Total Special Education Cluster (IDEA)			<u>676,930</u>
Career and Technical - Basic Grant	84.048	19-420006210901	32,387
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	19-696001210901	44,667
Title III, Part A - English Language Acquisition	84.365A	19-671001210901	72,624
Title III, Part A - English Language Acquisition	84.365A	20-671001210901	2,224
Total CFDA Number 84.365A			<u>74,848</u>
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	19-694501210901	100,047
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	20-694501210901	5,703
Total CFDA Number 84.367A			<u>105,750</u>
LEP Summer School	84.369	69551802	5,007
Emergency Impact Aid	84.938	51271901	40,149
Title IV, Part A, Subpart 1	84.424A	19-680101210901	42,159
Title IV, Part A, Subpart 1	84.424A	20-680101210901	5,754
Total CFDA Number 84.424A			<u>47,913</u>
Total Passed Through State Department of Education			<u>1,760,953</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,760,953</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program - Cash Assistance	10.553	N/A	347,956
*School Breakfast Program - Non-Cash Assistance	10.553	N/A	41,986
Total CFDA Number 10.553			<u>389,942</u>
*National School Lunch Program - Cash Assistance	10.555	N/A	891,664
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	107,964
Total CFDA Number 10.555			<u>999,628</u>
Total Child Nutrition Cluster			<u>1,389,570</u>

CENTER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total Passed Through the State Department of Agriculture			1,389,570
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,389,570</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,216,230</u>

*Clustered Programs as required by Compliance Supplement 2019

**CENTER INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

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	735,682
Special Revenue Fund	<u>3,150,523</u>
Sub -total	3,886,205
Less Medicaid Arrangements Payments	
School Health & Related Services (SHARS)	(402,017)
Less Qualified School Construction Bonds	<u>(267,958)</u>
Total Federal Program Expenditures	<u><u>3,216,230</u></u>