




Center Independent School District

ANNUAL FINANCIAL REPORT

August 31, 2025





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**Center Independent School District
Certificate of Board**

<u>Center Independent School District</u> Name of School District	<u>Shelby</u> County	<u>210-901</u> Co.-Dist. Number
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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, 2025, at a meeting of the Board of Trustees of such school district on the 11th day of February, 2026.



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)



Carr, Riggs & Ingram, L.L.C.
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Lufkin, TX 75901

936.634.6621
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Center Independent School District
Center, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Center Independent School District ("the District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 District as of August 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles general accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements and schedule and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the schedule of required responses to selected school first indicators but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2026 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
February 11, 2026

Center Independent School District Management's Discussion and Analysis

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Center Independent School District (the District) for the year ending August 31, 2025. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$18,899,586 at August 31, 2025.
- For the fiscal year ended August 31, 2025, the District's general fund reported a total fund balance of \$11,494,370. The general fund consists of restricted fund balance of \$968,289 for the Qualified School Construction Maintenance Tax Note, Taxable Series 2011, and committed fund balance of \$2,981,129 for construction and retirement of loans and notes payable. The remaining general fund balance of \$7,544,952 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund, and the capital projects funds) reported a combined ending fund balance of \$13,283,938.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others, to whom the fiduciary resources belong. These statements include a private-purpose trust fund and a custodial fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

Center Independent School District Management's Discussion and Analysis (Continued)

Government-wide Financial Statements

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The statement of net position and the statement of activities, which appear first in the district's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

- *Governmental Activities* – The District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operations and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity. These assets do not belong to the District, but the District is responsible to properly account for them.

Center Independent School District Management's Discussion and Analysis (Continued)

The District has the following kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statement, or on the subsequent page, that explains the relationship (or differences) between them.

Fiduciary Funds - The District serves as the trustee, or *fiduciary*, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$18,899,586 at August 31. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2025.

Table 1 indicates the District's net position decreased \$2,514,223 in total from the prior year, before the prior period adjustment. The details of this decrease can be seen in *Table 2*. Total assets decreased by \$4,676,620 which was primarily due to the net result of an increase in expenses and increase in operating grants and contributions. The net increase in total liabilities of \$256,777 is the net result of GASB 101 implementation. The deferred outflows increased by \$1,840,525 and deferred inflows increased by \$62,992 due primarily to the changes in the difference between projects and actual investment earnings for OPEB. Within *Table 2* the District reported a net increase in total revenues by \$1,228,314 primarily due to an increase in state aid formula. Total expenses experienced a net increase of \$550,630 mainly due to increases in expenses for plant maintenance and food service related to payroll costs from a wage increase and depreciation expenses related to additions to depreciable capital assets.

Center Independent School District Management's Discussion and Analysis (Continued)

Table A-1
Net Position

	2025	2024	Variance
Current and other assets	\$ 16,019,971	\$ 20,150,236	\$ (4,130,265)
Capital and non-current assets	65,897,445	66,443,800	(546,355)
TOTAL ASSETS	81,917,416	86,594,036	(4,676,620)
Deferred outflows	8,091,449	6,250,924	1,840,525
Current liabilities	6,423,214	3,219,223	3,203,991
Long term liabilities	55,709,203	58,656,417	(2,947,214)
TOTAL LIABILITIES	62,132,417	61,875,640	256,777
Deferred inflows	8,976,862	8,913,870	62,992
Net Position:			
Net investment in capital assets	23,793,311	24,507,695	(714,384)
Restricted	1,789,568	3,303,300	(1,513,732)
Unrestricted	(6,683,293)	(5,755,545)	(927,748)
TOTAL NET POSITION	\$ 18,899,586	\$ 22,055,450	\$ (3,155,864)

Table A-2
Changes in Net Position

	YEAR ENDED		Variance
	2025	2024	
Revenues:			
Program Revenues:			
Charges for services	\$ 396,117	\$ 346,294	\$ 49,823
Operating grants and contributions	7,844,344	8,824,563	(980,219)
General Revenues:			
Property taxes	6,853,461	7,313,245	(459,784)
State aid - Formula	22,748,469	19,555,519	3,192,950
Investment earnings	718,058	1,405,881	(687,823)
Other	404,660	291,293	113,367
TOTAL REVENUES	38,965,109	37,736,795	1,228,314
Expenses:			
Instructional and instructional resources	20,302,659	20,235,906	66,753
Curriculum, staff development, school and instructional leadership	3,474,034	3,365,112	108,922
Guidance, social work, health, transportation	3,828,451	4,835,127	(1,006,676)
Food service	1,844,065	3,344,800	(1,500,735)
Extracurricular activities	2,021,517	1,629,199	392,318
General administration	1,761,218	1,418,315	342,903
Plant maintenance and operations, security and data processing	5,629,275	3,684,240	1,945,035
Community services	222,063	265,831	(43,768)
Debt service	2,154,593	1,662,938	491,655
Payments to other governments	-	245,777	(245,777)
TOTAL EXPENSES	41,237,875	40,687,245	550,630
INCREASE (DECREASE) IN NET POSITION	\$ (2,272,766)	\$ (2,950,450)	\$ 677,684

Center Independent School District Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2025, the District's governmental funds reported a combined fund balance of \$13,283,938 which was a \$3,122,094 decrease from a combined fund balance of \$16,406,032 at August 31, 2024. The fund balance in the general fund of \$11,494,370 was a decrease of \$1,195,579 from fund balance in the prior year. This decrease can be attributed to a decrease in property tax revenues from a decrease in property tax rates and an increase in expenditures for instruction related an increase in salaries, and plant maintenance.

The restricted fund balance for the debt service fund of \$720,357 increased by \$119,094, primarily due to the excess of debt service payments over property tax revenue and state contributions received. There was a decrease in revenues primarily due to a decrease in existing debt allotments received from the state. Debt service fund expenditures increase as a result of an increase in principal and interest payments on outstanding debt.

The fund balance for the capital projects fund decreased by \$1,966,001 due to construction costs related to covered practice facility and the event center projects. The ending fund balance in the capital projects fund of \$33,371 is primarily restricted for capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the district prepares an annual budget for the general fund, the food service special revenue fund and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2025, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. The general fund's budgeted revenues were less than actual by \$270,949 primarily due to less state program revenue partially offset by more local and intermediate revenues than anticipated. Total general fund budgeted expenditures exceeded actual expenditures by \$1,099,169.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of greater than a year and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2025, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2025, the District had a total of \$65,897,445 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$2,521,440 invested during the fiscal year ended August 31, 2025 with the major capital assets purchased being:

- Construction in progress of the event center \$1,849,415.
- Purchase of land \$127,621.
- Cafeteria - coolers, warmers, tilt skillets, serving lines \$196,862.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

Center Independent School District Management's Discussion and Analysis (Continued)

LONG-TERM DEBT

At year end, the District had \$40,663,665 in general obligation bonds, maintenance tax notes, subscriptions and leases payable outstanding versus \$41,216,356 last year.

More detailed information about the District's long-term liabilities can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The proposed budget for fiscal year 2025-2026 is \$31,048,674 which is about a 9.1 percent increase from fiscal year 2024-2025. Total budgeted revenues are \$27,559,394 with State revenues budgeted for \$21,838,677 which is 79 percent of our total revenue. Local revenues are budgeted to be \$5,420,717 which is 19 percent of total revenues. The remaining 2 percent is made up of other revenues.

The District's local taxable value is \$688,110,158, which is an increase of \$16,803,510 from last year's value of \$671,306,648.

The fiscal year 2025-2026 budget is based upon the tax rate of \$1.045. The rate consists of the maintenance and operation (M&O) rate of \$0.7575 and the interest and sinking (I&S) rate of \$0.2875, no change from the prior year.

Payroll is 91.3 percent of the total budget which leaves 8.7 percent for the remaining activities and operations of the District. The 2025-2026 budget accounts for our current projected revenue. Included in the budget is increased payroll projections.

The focus for fiscal year 2025-2026 is to invest in the areas that are identified in our District goals.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Private Road 605, Center, Texas 75935.

Center Independent School District
Statement of Net Position
Exhibit A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 13,032,309
1225	Property taxes receivable	619,941
1240	Due from other governments	2,367,721
	Capital Assets:	
1510	Land	1,594,416
1520	Buildings and improvements, net	61,648,648
1530	Furniture and equipment, net	1,689,300
1540	Leased assets, net	111,539
1550	Right of use asset, net	853,542
1000	TOTAL ASSETS	<u>81,917,416</u>
	DEFERRED OUTFLOWS	
	Deferred pension inflows	4,687,125
	Deferred OPEB inflows	3,404,324
1700	TOTAL DEFERRED OUTFLOWS	<u>8,091,449</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 90,008,865</u>
	LIABILITIES	
2110	Accounts payable	\$ 24,893
2140	Interest payable	79,573
2165	Accrued liabilities	2,170,166
2501	Due within one year	4,148,582
	Noncurrent Liabilities:	
2502	Due in more than one year	37,338,389
2516	Premium on bond issue	2,408,768
2540	Net pension liability	9,034,655
2545	Net OPEB liability	6,927,391
2000	TOTAL LIABILITIES	<u>62,132,417</u>
	DEFERRED INFLOWS	
	Deferred pension inflows	2,523,808
	Deferred OPEB inflows	6,453,054
2600	TOTAL DEFERRED INFLOWS	<u>8,976,862</u>
	NET POSITION	
3200	Net Investment in capital assets	23,793,311
3850	Restricted for Debt Service	720,357
3860	Restricted for Capital projects	33,371
3820	Restricted for state and federal grants	1,035,840
3900	Unassigned	(6,683,293)
3000	TOTAL NET POSITION	<u>18,899,586</u>
	TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 90,008,865</u>

The accompanying notes are an integral part of this statement.

Center Independent School District
Statement of Activities
Exhibit B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
			3 CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS	
	Governmental Activities:				
11	Instruction	\$ 20,079,421	\$ 164,145	\$ 3,976,640	\$ (15,938,636)
12	Instruction resources and media services	223,238	-	76	(223,162)
13	Curriculum and staff development	438,551	-	264,620	(173,931)
21	Instructional leadership	696,599	-	541,605	(154,994)
23	School leadership	2,338,884	-	274,030	(2,064,854)
31	Guidance, counseling, and evaluation services	1,739,060	-	425,698	(1,313,362)
33	Health services	292,387	-	1,621,344	1,328,957
34	Student transportation	1,797,004	-	151,549	(1,645,455)
35	Food services	1,844,065	168,988	252,852	(1,422,225)
36	Cocurricular/extracurricular activities	2,021,517	62,984	148,133	(1,810,400)
41	General administration	1,761,218	-	-	(1,761,218)
51	Plant maintenance and operations	4,497,159	-	187,797	(4,309,362)
52	Security and monitoring	527,612	-	-	(527,612)
53	Data processing	604,504	-	-	(604,504)
61	Community Services	222,063	-	-	(222,063)
71	Debt Service	2,154,593	-	-	(2,154,593)
99	Other Governmental Charges	256,457	-	-	(256,457)
TG	TOTAL GOVERNMENTAL ACTIVITIES	41,494,332	396,117	7,844,344	(33,253,871)
TP	TOTAL PRIMARY GOVERNMENT	\$ 41,494,332	\$ 396,117	\$ 7,844,344	\$ (33,253,871)
	General Revenues:				
MT	Property taxes, levied for general purposes				\$ 4,961,820
DT	Property taxes, levied for debt service				1,891,641
IE	Investment earnings				718,058
GC	Grants and contributions not restricted to specific programs				22,748,469
MI	Miscellaneous				404,660
FR	Transfers				15,000
TR	TOTAL GENERAL REVENUES				30,739,648
CN	CHANGE IN NET ASSETS				(2,514,223)
NB	Net assets - Beginning				22,055,450
PA	Prior Period Adjustment				(641,641)
NB	Net assets - Beginning, restated				21,413,809
NE	NET ASSETS - ENDING				\$ 18,899,586

The accompanying notes are an integral part of this statement.

Center Independent School District
Balance Sheet - Governmental Funds
Exhibit C-1

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND	60 CAPITAL PROJECT FUND	onmf OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	ASSETS					
1110	Cash and cash equivalents	\$ 11,423,940	\$ 844,662	\$ 10	\$ 763,697	\$ 13,032,309
1225	Taxes receivable, net	466,996	152,945	-	-	619,941
1240	Due from other governments	2,017,331	-	-	350,390	2,367,721
1260	Due from other funds	40,300	-	33,361	213,926	287,587
1000	TOTAL ASSETS	<u>\$ 13,948,567</u>	<u>\$ 997,607</u>	<u>\$ 33,371</u>	<u>\$ 1,328,013</u>	<u>\$ 16,307,558</u>
	LIABILITIES					
2110	Accounts payable	\$ 24,893	\$ -	\$ -	\$ -	\$ 24,893
2150	Other Accrued expense	467,623	-	-	-	467,623
2160	Accrued wages payable	1,520,961	-	-	125,881	1,646,842
2170	Due to other funds	-	124,305	-	163,282	287,587
2000	TOTAL LIABILITIES	<u>2,013,477</u>	<u>124,305</u>	<u>-</u>	<u>289,163</u>	<u>2,426,945</u>
	DEFERRED INFLOW					
2600	Unearned revenue	440,720	152,945	-	3,010	596,675
	TOTAL DEFERRED INFLOW	<u>440,720</u>	<u>152,945</u>	<u>-</u>	<u>3,010</u>	<u>596,675</u>
	FUND BALANCES					
	Restricted Fund Balances:					
3470	Construction	-	-	33,371	-	33,371
3480	Debt service	968,289	720,357	-	-	1,688,646
3490	Other restricted fund balance	-	-	-	1,035,840	1,035,840
	Committed Fund Balance:					
3510	Construction	1,850,000	-	-	-	1,850,000
3525	Long term debt	1,131,129	-	-	-	1,131,129
3600	Unassigned	7,544,952	-	-	-	7,544,952
3000	TOTAL FUND BALANCE	<u>11,494,370</u>	<u>720,357</u>	<u>33,371</u>	<u>1,035,840</u>	<u>13,283,938</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 13,948,567</u>	<u>\$ 997,607</u>	<u>\$ 33,371</u>	<u>\$ 1,328,013</u>	<u>\$ 16,307,558</u>

The accompanying notes are an integral part of this statement.

**Center Independent School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
Exhibit C-1R**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 13,283,938
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets net of depreciation used in governmental activities are not reported in the funds.	65,897,445
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds	596,675
Payables for debt which are not due in the current period are not reported in the funds.	(43,895,739)
Payables for interest which are not due in the current period are not reported in the funds.	(79,573)
Accrued expenses for worker's compensation claims	(55,701)
The liability for net pension is recognized in the governmental activities not in the funds.	(9,034,655)
The liability for net OPEB is recognized in the governmental activities not in the funds.	(6,927,391)
Deferred pension and OPEB inflows and outflows are deferred in the governmental activities not in the funds.	<u>(885,413)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF OF NET POSITION	<u><u>\$ 18,899,586</u></u>

The accompanying notes are an integral part of this statement.

Center Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds
Exhibit C-2

Data Control Codes		10 GENERAL FUND	50 DEBT SERVICE FUND	60 CAPITAL PROJECT FUND	onmf OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	REVENUES:					
5700	Local and Intermediate Sources	\$ 5,907,662	\$ 1,950,031	\$ 30,881	\$ 555,660	\$ 8,444,234
5800	State Program Revenues	21,846,118	481,752	-	250,273	22,578,143
5900	Federal Program Revenues	420,599	-	-	3,575,541	3,996,140
5020	Total Revenues	28,174,379	2,431,783	30,881	4,381,474	35,018,517
	EXPENDITURES:					
0011	Instruction	15,425,902	-	-	1,281,215	16,707,117
0012	Instructional Resources and Media Services	196,777	-	-	76	196,853
0013	Curriculum and Staff Development	111,743	-	-	266,869	378,612
0021	Instructional Leadership	435,095	-	-	189,317	624,412
0023	School Leadership	1,911,362	-	-	441	1,911,803
0031	Guidance, Counseling, & Evaluation Services	1,086,198	-	-	301,891	1,388,089
0033	Health Services	272,439	-	-	-	272,439
0034	Student Transportation	1,503,263	-	-	500	1,503,763
0035	Food Services	-	-	-	1,944,602	1,944,602
0036	Cocurricular/Extracurricular Activities	1,378,858	-	-	350,192	1,729,050
0041	General Administration	1,559,935	-	-	-	1,559,935
0051	Plant Maintenance and Operations	3,525,452	-	-	-	3,525,452
0052	Security and monitoring services	344,095	-	-	148,292	492,387
0053	Data processing	532,160	-	-	-	532,160
0061	Community Services	208,743	-	-	-	208,743
0071	Debt service	667,600	2,312,689	-	1,855	2,982,144
0081	Capital Outlay	218,312	-	2,003,855	-	2,222,167
0099	Other Governmental Charges	256,457	-	-	-	256,457
6030	Total Expenditures	29,634,391	2,312,689	2,003,855	4,485,250	38,436,185
1100	Excess Revenue over Expenditures	(1,460,012)	119,094	(1,972,974)	(103,776)	(3,417,668)
	Other Financing Sources					
7913	Proceeds from right to use leases and SBITAs	280,574	-	-	-	280,574
7915	Transfer In	-	-	6,973	24,168	31,141
8911	Transfer Out	(16,141)	-	-	-	(16,141)
7080	Total Other Financing Sources	264,433	-	6,973	24,168	295,574
1200	Net Change in Fund Balances	(1,195,579)	119,094	(1,966,001)	(79,608)	(3,122,094)
0100	Fund Balances - Beginning	12,689,949	601,263	1,999,372	1,115,448	16,406,032
3000	Fund Balances - Ending	\$ 11,494,370	\$ 720,357	\$ 33,371	\$ 1,035,840	\$ 13,283,938

The accompanying notes are an integral part of this statement.

Center Independent School District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Exhibit C-3

Net change in fund balances - Total governmental funds	\$ (3,122,094)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,089,324)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(71,938)
Repayment of debt costs and interest is an expenditure in the funds but is not an expense in the SOA.	1,020,474
Proceeds for SBITA and leases is not a revenue in the SOA	(280,574)
Current year change in worker's compensation plan	19,256
Current year capital outlays, and gain or loss, is an expenditure or revenue in the funds but is not in the SOA.	2,521,440
Governmental funds report district pension contributions as expenditures in the government wide statements, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(462,076)
Governmental funds report district OPEB contributions as expenditures in the government wide statements, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	950,613
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ (2,514,223)</u>

The accompanying notes are an integral part of this statement.

**Center Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds
Exhibit E-1**

	SCHOLARSHIP FUND	STUDENT ACTIVITIES FUND
ASSETS		
Cash and cash equivalents	\$ 32,201	\$ 249,450
TOTAL ASSETS	<u>\$ 32,201</u>	<u>\$ 249,450</u>
NET POSITION		
Restricted for others	\$ 32,201	\$ 249,450
NET POSITION	<u>\$ 32,201</u>	<u>\$ 249,450</u>

The accompanying notes are an integral part of this statement.

Center Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Exhibit E-2

	SCHOLARSHIP FUND	STUDENT ACTIVITIES FUND
Additions:		
Contributions	\$ 7,229	69,027
TOTAL ADDITIONS	<u>7,229</u>	<u>69,027</u>
Deductions:		
Payments to others		49,925
TOTAL DEDUCTIONS	<u>-</u>	<u>49,925</u>
EXCESS ADDITIONS OVER DEDUCTIONS	7,229	19,102
Other uses and resources		
Transfer to activity funds	(15,000)	-
TOTAL OTHER USES AND RESOURCES	<u>(15,000)</u>	<u>-</u>
NET CHANGE IN NET POSITION	(7,771)	
Net position - Beginning	60,472	230,348
Prior period adjustment	(20,500)	-
Net position - Beginning restated	<u>39,972</u>	<u>230,348</u>
NET POSITION - ENDING	<u>\$ 32,201</u>	<u>\$ 249,450</u>

The accompanying notes are an integral part of this statement.

Center Independent School District Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Center Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas (the “State”). 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 it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the district’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds. Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary fund. Separate statements for each fund category – governmental, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Center Independent School District Notes to the Financial Statements (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following governmental funds:

General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund, however the District has elected to present it as a major fund for reporting purposes due to its significance.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

Special Revenue Fund

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

Fiduciary Fund

The fiduciary fund accounts for assets held by the District in a trustee capacity or as a custodian on behalf of others. The fiduciary fund is not reflected in the government-wide financial statements because the resources of that fund are not available to support the District's own programs.

The District has the following type of fiduciary fund:

Custodial Fund

The custodial funds report resources, not in a trust, that are held by the District for other parties outside of the District. Custodial funds are accounted for using the accrual basis of accounting. This fund is used to account for the District's student activity funds.

Private-Purpose Trust Fund

The private-purpose trust fund is used to report resources held in trust. The trust fund is accounted for using the accrual basis of accounting. This fund is used to account for the District's scholarship trust fund.

Center Independent School District Notes to the Financial Statements (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using 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 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for the revenue source (within 60 days of year end). All other revenue items are considered measurable and available only when cash is received by the District.

Center Independent School District Notes to the Financial Statements (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Cash Equivalents

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

Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper

Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns 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 greater than a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is discussed in leases). Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the service capacity of the District or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

ASSET DESCRIPTION	ESTIMATED USEFUL LIVES
Buildings and improvements	20-40
Vehicles	5-15
Furniture, fixtures and equipment	5-15

Center Independent School District Notes to the Financial Statements (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows*. This separate financial statement element, *deferred inflows*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows are amortized as follows:

- Deferred outflow/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Receivable and Payables Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

Interfund Activity

Interfund activity results from loans, services provided reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidations. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "internal Balances" line of the government-wide Statement of Net Position.

Center Independent School District Notes to the Financial Statements (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund type, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

Leases

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

Key estimates and judgments related to leases include how the District determined (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Center Independent School District Notes to the Financial Statements (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation is to be taken within the same year it is 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 50 days of State sick leave upon retirement who has worked for the District for at least five years, is 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 governmental-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of the employee resignations and retirements.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Center Independent School District

Notes to the Financial Statements (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Estimates

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

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

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 Postemployment Benefits

The fiduciary net position of the TRS Texas Public School Retired Employees Group Insurance Program ("TRS-Care") 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 OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Center Independent School District Notes to the Financial Statements (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the national school breakfast and lunch program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each project, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by state law and to reflect current levels of revenue and anticipated expenditures. These amendments caused material changes in budgeted amounts.

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Center Independent School District Notes to the Financial Statements (Continued)

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Cash Deposits

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$13,313,960 and the bank balance was \$15,234,035. The District's cash deposits at August 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act (the "Act"), 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, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers' acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

The District had investments with Lone Star Investment Pool of \$7,231,500 with \$6,458,533 report within cash and cash equivalents and \$772,967 reported as restricted assets. The restricted assets are held for the purpose of funding future principal payment on debt. The financial institution that holds the deposits is the paying agent/registrar of the future principal payments on debt. Information regarding the contractual agreements related to the deposits held for future principal payment on debt is described in the long-term debt disclosures.

As of August 31, 2025, the District had the following investments:

NAME	CARRYING AMOUNT	DAYS WEIGHTED MATURITY
Lone Star Investment Pool	\$ 7,231,500	26 days
	<u>\$ 7,231,500</u>	

Interest Rate Risk: In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Center Independent School District Notes to the Financial Statements (Continued)

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Credit Risk: The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of August 31, 2025, the District's investments in the investment pool were rated 'AAA' by Standard & Poor's.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2025, demand deposit accounts were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

Custodial Credit Risk – Investments: For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

Lone Star – The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to 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 is administered by First Public, a subsidiary of the Texas Association of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of \$1.00.

Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	BEGINNING BALANCE	ADDITIONS	TRANSFERS	RETIREMENTS	ENDING BALANCE
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	\$ 1,466,795	\$ 127,621	\$ -	\$ -	\$ 1,594,416
Construction in progress	12,948,076	1,849,415	(14,797,491)	-	-
TOTAL NON-DEPRECIABLE ASSETS	14,414,871	1,977,036	(14,797,491)	-	1,594,416
Depreciable Assets:					
Buildings and improvements	77,236,980	43,052	14,797,491	-	92,077,523
Furniture and equipment	7,293,720	196,862	-	-	7,490,582
Capital Leased Assets	1,504,342	163,447	-	-	1,667,789
Right of Use Assets	157,588	141,043	-	-	298,631
TOTAL DEPRECIABLE ASSETS	86,192,630	544,404	14,797,491	-	101,534,525
Less Accumulated Depreciation:					
Buildings and improvements	(28,142,483)	(2,286,392)	-	-	(30,428,875)
Furniture and equipment	(5,246,555)	(554,727)	-	-	(5,801,282)
Capital Leased Assets	(665,585)	(148,662)	-	-	(814,247)
Right of Use Assets	(87,549)	(99,543)	-	-	(187,092)
TOTAL ACCUMULATED DEPRECIATION	(34,142,172)	(3,089,324)	-	-	(37,231,496)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 66,465,329	\$ (567,884)	\$ -	\$ -	\$ 65,897,445

Center Independent School District Notes to the Financial Statements (Continued)

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	EXPENSES
	Governmental Activities:	
11	Instruction	\$ 1,237,801
12	Instructional resources and media services	26,385
13	Curriculum and staff development	59,939
21	Instructional leadership	51,546
23	School leadership	117,621
31	Guidance, counseling, and evaluation services	110,255
33	Health services	19,948
34	Student (pupil) transportation	152,269
35	Food services	115,326
36	Cocurricular/Extracurricular Activities	159,342
41	General administration	76,817
51	Plant maintenance and operations	876,865
52	Security and monitoring	35,225
53	Data processing	36,665
61	Community Services	13,320
	TOTAL DEPRECIATION EXPENSE	<u>\$ 3,089,324</u>

Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service funds to liquidate governmental long-term liabilities.

DESCRIPTION	INTEREST RATE PAYABLE	ORIGINAL ISSUE AMOUNT	AMOUNTS OUT- STANDING 8/31/2024	ISSUED	PRIOR PERIOD ADJUSTMENT	RETIRED	AMOUNTS OUT- STANDING 8/31/2025	CURRENT AMOUNT DUE
Unlimited Tax Building Bond Series 2018	4.00%	\$ 18,270,000	\$ 17,500,000	\$ -		\$ (415,000)	\$ 17,085,000	\$ 440,000
Unlimited Tax Building Serial Bonds, Series 2019	2.00%	\$ 9,420,000	6,735,000	-		(260,000)	6,475,000	270,000
Term Bonds, Series 2019			2,200,000			-	2,200,000	-
Unlimited Tax Building Serial Bonds, Series 2022	4.00%	\$ 9,325,000	4,200,000	-		(20,000)	4,180,000	20,000
Term Bonds, Series 2022			5,090,000			-	5,090,000	-
Unlimited Tax Building Serial Bonds, Series 2023	4.00%	\$ 2,450,000	610,000	-		(55,000)	555,000	60,000
Term Bonds, Series 2023			1,815,000			-	1,815,000	-
Direct Borrowing/Placement 2011 Maintenance Tax Note	5.40 to 6.35%	\$ 5,300,000	2,345,000	-		-	2,345,000	2,345,000
Right of use assets	2.70 to 8.83%	\$ 1,234,124	721,356	144,912	37,347	(95,276)	808,339	125,147
Subscriptions payable	3.85 to 4.02%	\$ 293,251	-	135,662	72,311	(97,647)	110,326	65,129
Local leave			247,890	21,904	553,512	-	823,306	823,306
			<u>\$ 41,464,246</u>	<u>\$ 302,478</u>	<u>\$ 663,170</u>	<u>\$ (942,923)</u>	<u>\$ 41,486,971</u>	<u>\$ 4,148,582</u>

Center Independent School District Notes to the Financial Statements (Continued)

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The governmental activities' compensated absences, lease payable, net pension liability, and net OPEB liability are generally liquidated by the general fund.

QSCB Bonds Payable

The Qualified School Construction Bonds, Series 2011 Maintenance Tax Note (the "Note") require the District to make mandatory deposits into a cumulative sinking fund deposit account held by the paying agent/registrar for the Note on February 15th in each of the years starting from 2022 and ending 2026. Any interest earned from the investment of prior deposits shall be applied as a credit against a subsequent year's mandatory sinking fund amount. Such deposits and any interest earned shall be used to pay the principal of the Note upon maturity and are pledged to pay the debt service requirements on the Notes. During the fiscal year, the District's contribution to the cumulative sinking fund deposit account was \$477,000. As of August 31, 2025, the cumulative sinking fund deposit balance was \$2,049,548 and is restricted in the general fund to be used to pay the Notes when due in 2026.

The annual requirements to the separate sinking fund and to amortize debt issues outstanding for maintenance tax note at year end were as follows:

YEAR ENDING	MAINTENANCE TAX NOTE OBLIGATION - DIRECT BORROWING			
AUGUST 31,	SINKING FUND	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL
2026	\$ 477,000	\$ 74,454	\$ 551,454	\$ 2,345,000
TOTAL	\$ 477,000	\$ 74,454	\$ 551,454	\$ 2,345,000

Bonds Payable

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the debt service fund. These bonds were issued as unlimited tax refunding or school building serial/term bonds.

YEAR ENDING	BONDS		
AUGUST 31,	PRINCIPAL	INTEREST	PAYMENT
2026	\$ 790,000	\$ 1,521,989	\$ 2,311,989
2027	830,000	1,481,289	2,311,289
2028	870,000	1,438,564	2,308,564
2029	910,000	1,401,064	2,311,064
2030	940,000	1,369,239	2,309,239
2031-2035	5,230,000	6,321,879	11,551,879
2036-2040	6,270,000	5,284,484	11,554,484
2041-2045	7,690,000	3,855,038	11,545,038
2046-2050	9,485,000	2,003,078	11,488,078
2051-2052	4,385,000	177,100	4,562,100
TOTAL	\$ 37,400,000	\$ 24,853,724	\$ 62,253,724

Center Independent School District Notes to the Financial Statements (Continued)

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Leases

During the current fiscal year, the District was a lessee to various lease agreements for the acquisition and use of copiers, and a lessee to one lease agreement for the use of a building.

The future principal and interest lease payments as of August 31, 2025, were as follows:

YEAR ENDING AUGUST 31,	RIGHT OF USE ASSETS		
	PRINCIPAL	INTEREST	PAYMENT
2026	\$ 125,147	\$ 26,631	\$ 151,778
2027	118,487	19,836	138,323
2028	71,099	14,954	86,053
2029	60,190	13,139	73,329
2030	63,510	11,480	74,990
2031-2035	343,035	29,494	372,529
2036-2040	26,871	151	27,022
TOTAL	<u>\$ 808,339</u>	<u>\$ 115,685</u>	<u>\$ 924,024</u>

Interfund Transactions

The following is a summary of the District's interfund transactions for the year:

Due To Fund	Due From Fund	Amount	Purpose
General fund	Other governmental funds	\$ 287,587	Short term loan
	TOTAL	<u>\$ 287,587</u>	

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Transfers to and from other funds at August 31, 2025, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other governmental funds	\$ 16,141	Supplemental funds
Other governmental funds	Fiduciary funds	15,000	Transfer from activity to fiduciary
	TOTAL	<u>\$ 31,141</u>	

Subscriptions Payable

Subscriptions payable requirements on leases at August 31, 2025, are as follows:

YEAR ENDING AUGUST 31,	SUBSCRIPTIONS PAYABLE		
	PRINCIPAL	INTEREST	PAYMENT
2026	\$ 65,129	\$ 3,773	\$ 68,902
2027	45,197	1,817	47,014
TOTAL	<u>\$ 110,326</u>	<u>\$ 5,590</u>	<u>\$ 115,916</u>

Center Independent School District Notes to the Financial Statements (Continued)

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Prior period adjustment

The district implemented GASB 101 "Compensated Absences" in the current year. This change resulted in a prior period adjustment to reduce net position by \$553,512. Additionally, the district corrected errors in prior year right of use assets and subscriptions payable to reduce net position by \$88,129. Total reduction to net position for both was \$641,641.

Note 4: OTHER INFORMATION

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The district has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

Defined Benefit Pension Plan

Teacher Retirement System

Plan Description

The District participates in a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. The plan is administered by TRS. It is a defined benefit pension plan 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. TRS's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detailed information about TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet or by writing to TRS at 1000 Red River Street, Austin, Texas 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 the State. The pension formula is calculated using 2.3% (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 postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS's 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. Actuarial implications of the funding provided in the manner are determined by TRS's actuary.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

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 TRS during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 through 2025.

	CONTRIBUTION RATES	
	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Employer Contributions	\$ 881,017	
Member Contributions	\$ 1,643,890	
NECE On-behalf Contributions	\$ 1,145,953	

Contributors to TRS include members, employers and the State as the only nonemployer contributing entity (NECE). The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to TRS in accordance with state statutes and the General Appropriations Act (GAA).

As the NECE for public education and junior colleges, the State contributes to TRS 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 schools, junior colleges, other entities, or the State 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 sources, a privately sponsored source or from noneducational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

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

- All public schools, charter schools, charter schools, and regional educational service centers must contribute 1.8% of the member's salary beginning in the fiscal year 2023, gradually increasing to 2.0% in fiscal year 2025.
- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Investment Rate of Return	7.00%
	4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bond with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Municipal Bond Rate	
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the TPL are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions, please see the TRS actuarial valuation report dated August 31, 2024.

Discount Rate

A single discount rate of 7.00% was used to measure the TPL. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the NECE will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50% of payroll in fiscal year 2024 increasing to 9.56% in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the TRS's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS investments was applied to all period of projected benefit payments to determine the TPL.

The long-term expected rate of return on TRS investments is 7.00%. The long-term expected rate of return on TRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2024 are summarized below:

ASSET CLASS		TARGET** ALLOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN***	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS
Global Equity	U.S.A.	18%	4.0%	1.00%
	Non-U.S. Developed	13%	4.5%	0.90%
	Emerging Markets	9%	4.8%	0.70%
	Private Equity*	14%	7.0%	1.50%
Stable Value	Government Bonds	16%	2.5%	0.50%
	Absolute Return*	- %	3.6%	-
	Stable Value Hedge Funds	5%	4.1%	0.20%
	Real Estate	15%	4.9%	1.10%
Real Return	Energy, Natural Resources, and Infrastructure	6%	4.8%	0.40%
	Commodities	- %	4.4%	-
	Risk Parity	8%	4.5%	0.40%
	Risk Parity	8%	4.5%	0.40%
Risk Parity	Cash	2%	3.7%	-
	Asset Allocation Leverage	(6)%	4.4%	(0.10)%
	Inflation Expectation			2.30%
	Volatility Drag****			(0.90)%
Expected Return		100%		8.00%

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2024 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2024).

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

Discount Rate Sensitivity Analysis

The following table presents the net pension liability (NPL) of TRS using the discount rate of 7%, and what the NPL would be if it was calculated using a discount rate that is 1% point lower (6%) or 1% point higher (8%) than the current rate:

	1% DECREASE IN DISCOUNT RATE (6.00%)	DISCOUNT RATE (7.00%)	1% INCREASE IN DISCOUNT RATE (8.00%)
District proportionate share of the net pension liability	\$ 14,430,634	\$ 9,034,655	\$ 4,563,703

Pension Liability, Pension Expense, and Deferred Outflows/Inflows Related to Pensions

At August 31, 2025, the District reported a liability of \$9,034,655 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	\$ 9,034,655
State's proportionate share that is associated with the District	12,421,507
TOTAL	<u>\$ 21,456,162</u>

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

The net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the District's proportion of the collective net pension liability was 0.01479% which was an increase of 0.00085% from its proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost-sharing adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid in January of 2024. Therefore, this contingent liability was not reflected as of August 2023.

For the year ended August 31, 2025, the District recognized pension expense of \$1,484,578 and revenue of \$1,484,578 for support provided by the State.

At the measurement year ended August 31, 2024, 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:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 497,978	\$ 70,538
Changes in actuarial assumptions	466,479	62,539
Difference between projected and actual investment earnings	2,169,286	2,114,368
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	672,365	276,363
Contributions paid to TRS subsequent to the measurement date	881,017	-
TOTAL	<u>\$ 4,687,125</u>	<u>\$ 2,523,808</u>

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

\$881,017 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for fiscal year August 31, 2025. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	PENSION
YEAR ENDED	EXPENSE
AUGUST 31,	AMOUNT
2026	\$ 115,182
2027	\$ 1,097,317
2028	\$ 176,334
2029	\$ (187,479)
2030	\$ 80,946

Defined Other Postemployment Benefits Plan

Texas Public School Retired Employees Group Insurance Program

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined benefit OPEB plan with a special funding situation. TRS-Care program was established in 1986 by the Texas Legislature.

The TRS board of Trustees (the "Board") administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in a separately issued TRS Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers, and other educational districts who are members of TRS. Optional dependent coverage is available for an additional fee.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in TRS. There are no automatic postemployment benefit changes, including automatic COLAs.

The premium rates for retirees are reflected in the following table:

TRS-Care Plan Premium Rates		
January 1, 2024 - December 31, 2024		
	Medicare	Non-Medicare
Retiree*	135	200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 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 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the GAA, which is 0.75% of each active employee's pay for fiscal year 2024.

The following table shows contributions to TRS-Care by type of contributor:

	CONTRIBUTION RATES	
	2024	2025
Member	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%
Employer Contributions	\$ 209,775	
Member Contributions	\$ 129,519	
NECE On-behalf Contributions	\$ 259,769	

In addition to the employer contributions listed above, there is an additional surcharge to which all TRS employers are subject (regardless of whether they participate in TRS Care). 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 as the NECE in the amount of \$21.3 million in fiscal year 2023 provided by Rider 1 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from the amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for TRS, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

Rates of Mortality	Rates of Disability Incidence
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional actuarial methods and assumptions are as follows:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on plan-specific experience
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	Medical trend rates: 7.75% (Medicare retirees) and 7.00% (non-Medicare retirees) Prescription drug trend rate: 7.75%. The initial trend rate decreased to an ultimate rate of 4.25% over a period of 12 years.
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad Hoc Postemployment Benefit Changes	None

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. This was a decrease of 0.26% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2024 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

Sensitivity of the Net 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 (3.87%) in measuring the net OPEB liability.

	1% DECREASE IN DISCOUNT RATE (2.87%)	DISCOUNT RATE (3.87%)	1% INCREASE IN DISCOUNT RATE (4.87%)
District proportionate share of the net pension liability	\$ 8,230,064	\$ 6,927,391	\$ 5,874,811

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% DECREASE IN DISCOUNT RATE (3.25%)	DISCOUNT RATE (4.25%)	1% INCREASE IN DISCOUNT RATE (5.25%)
District proportionate share of the net pension liability	\$ 5,641,331	\$ 6,927,391	\$ 8,603,255

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

At August 31, 2025, the District reported a liability of \$6,927,391 for its proportionate share of TRS-Care'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 pension liability	\$ 6,927,391
State's proportionate share that is associated with the District	8,679,927
TOTAL	<u><u>\$ 15,607,318</u></u>

The net OPEB liability was measured as of August 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024, the employer's proportion of the collective net OPEB liability was 0.0228% compared to 0.0230% as of August 31, 2023.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

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:

1. The discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience.

There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2025, the District recognized OPEB expense of \$1,128,230 and revenue of \$1,128,230 for support provided by the State.

On August 31, 2025, the District reported its proportionate share of the TRS-Care's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 1,327,748	\$ 3,457,144
Changes in actuarial assumptions	886,624	2,260,327
Difference between projected and actual investment earnings	6,644	26,043
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	973,533	709,540
Contributions paid to TRS subsequent to the measurement date	209,775	-
TOTAL	<u>\$ 3,404,324</u>	<u>\$ 6,453,054</u>

The amount of \$209,775 for contributions made after the measurement date of the net OPEB liability but before the end of the District's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2026	\$ (921,153)
2027	\$ (607,403)
2028	\$ (731,751)
2029	\$ (580,733)
2030	\$ (347,931)
Thereafter	\$ (69,534)

Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024 and 2023, the subsidy payments received by TRS-Care on behalf of the District were \$138,087, \$98,571, and \$93,875, respectively.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2025 and terms of coverage and premiums costs are included in the contractual provisions.

Workers' Compensation

During the year ended August 31, 2025, employees of the District participated in a workers' compensation plan (the "Plan"). The Plan as authorized by Section 21.992, Texas Education Code and was documented by contractual agreements.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), acting on-behalf of the self-funded pool, is renewable September 1, 2025, and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the State in accordance with Texas Insurance Code. Reinsurance coverage was in effect for individual claims exceeding \$500,000 and for aggregate claims with a statutory limit of \$3,000,000. According to CAS, the unfunded claim benefit obligation included \$55,701 in claims that were unpaid and \$51,109 in estimated claims incurred, but not reported.

The claims liability is based on estimates of the ultimate cost of reported claims (including future claims adjustment expenses) and an estimate for claims which have been incurred but not reported based on historical experience. Changes in the claims' liability for workers' compensation benefits for the current fiscal year are summarized below:

	2025
Beginning claims liability	<u>\$ 74,957</u>
Claims incurred	73,794
Claim payments	<u>(93,050)</u>
ENDING CLAIMS LIABILITY	<u><u>\$ 55,701</u></u>

Unemployment Compensation

During the year ended August 31, 2025, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

Center Independent School District Notes to the Financial Statements (Continued)

Note 4: OTHER INFORMATION (Continued)

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and Property Program

During the year ended August 31, 2025, the District participated in the following TASB Risk Management Fund (the "Fund") programs:

Auto Liability
Auto Physical Damage
Privacy and Information Security
Property
School Liability

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the auto, liability, and property programs. The terms and limits of the stop-loss program vary by line of coverage. The fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024 are available on the TASB Risk Management Fund website and have been filed with the Texas State Board of Insurance in Austin.

Note 5: FINANCE – RELATED LEGAL AND CONTRACTUAL PROVISIONS

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosure", violations of finance-related legal and contractual provisions, if any, are reported below:

m	Function	Variance
199 General Fund	21	\$ (11,306)
240 Child Nutrition	23	\$ (441)
240 Child Nutrition	35	\$ (74,881)
240 Child Nutrition	71	\$ (1,855)

Center Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
Exhibit G-1

DATA CONTROL CODES		1 BUDGETED ORIGINAL	2 FINAL	3 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 5,548,017	\$ 5,548,017	\$ 5,907,662	\$ 359,645
5800	State program revenues	22,527,311	22,527,311	21,846,118	(681,193)
5900	Federal program revenues	370,000	370,000	420,599	50,599
5020	TOTAL REVENUES	28,445,328	28,445,328	28,174,379	(270,949)
	Expenditures:				
11	Instruction	14,948,396	15,469,278	15,425,902	43,376
12	Instructional resources and media	191,720	199,720	196,777	2,943
13	Curriculum and staff development	112,091	158,856	111,743	47,113
21	Instructional leadership	423,789	423,789	435,095	(11,306)
23	School leadership	1,899,162	1,919,162	1,911,362	7,800
31	Guidance, counseling and evaluation	947,589	1,097,589	1,086,198	11,391
33	Health services	276,347	276,347	272,439	3,908
34	Student transportation	1,645,059	1,784,065	1,503,263	280,802
36	Cocurricular/extracurricular activities	1,037,708	1,415,936	1,378,858	37,078
41	General administration	1,426,825	1,568,477	1,559,935	8,542
51	Plant maintenance and operations	3,178,165	3,800,917	3,525,452	275,465
52	Security and monitoring	357,611	364,611	344,095	20,516
53	Data Processing	556,699	590,446	532,160	58,286
61	Community Services	230,889	230,889	208,743	22,146
71	Debt service	954,808	954,808	667,600	287,208
81	Capital outlay	-	220,200	218,312	1,888
99	Other Governmental Charges	258,470	258,470	256,457	2,013
6030	TOTAL EXPENDITURES	28,445,328	30,733,560	29,634,391	1,099,169
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,288,232)	(1,460,012)	828,220
	OTHER FINANCING SOURCES				
7913	Proceeds from right to use leases and SBITAs	-	-	280,574	280,574
8911	Transfer Out	-	-	(16,141)	(16,141)
7080	TOTAL OTHER FINANCING SOURCES	-	-	264,433	264,433
1200	NET CHANGE IN FUND BALANCE	-	(2,288,232)	(1,195,579)	1,092,653
100	Fund balance - Beginning	12,689,949	12,689,949	12,689,949	-
3000	FUND BALANCE - ENDING	\$ 12,689,949	\$ 10,401,717	\$ 11,494,370	\$ 1,092,653

See independent auditor's report.

Center Independent School District
Schedule of The District's Proportionate Share of the Net Pension Liability
Teacher Retirement System
Exhibit G-2

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the NPL	0.0148%	0.0139%	0.0146%	0.0141%	0.0129%	0.0136%	0.0147%	0.0136%	0.0142%	0.0155%
District's proportionate share of the NPL	\$ 9,034,655	\$ 9,577,697	\$ 8,651,475	\$ 3,578,471	\$ 6,898,053	\$ 7,093,566	\$ 8,066,323	\$ 4,345,761	\$ 5,361,295	\$ 5,477,700
State share of the NPL associated with the district	12,421,507	14,158,502	12,797,918	6,043,294	13,068,773	12,002,096	13,561,281	8,295,006	9,991,763	9,795,156
TOTAL	<u>\$ 21,456,162</u>	<u>\$ 23,736,199</u>	<u>\$ 21,449,393</u>	<u>\$ 9,621,765</u>	<u>\$ 19,966,826</u>	<u>\$ 19,095,662</u>	<u>\$ 21,627,604</u>	<u>\$ 12,640,767</u>	<u>\$ 15,353,058</u>	<u>\$ 15,272,856</u>
District's covered-employee payroll	\$ 18,917,951	\$ 17,857,400	\$ 18,091,396	\$ 17,511,562	\$ 16,880,557	\$ 15,874,707	\$ 16,297,288	\$ 15,671,850	\$ 15,696,039	\$ 15,668,897
Proportionate share/covered payroll	47.76%	53.63%	47.82%	20.43%	40.86%	44.68%	49.49%	27.73%	34.16%	34.96%
Plan fiduciary net position/total pension liability	77.51%	73.15%	75.62%	75.54%	75.54%	75.24%	73.74%	82.17%	78.00%	78.40%

Note 1: CHANGE IN BENEFIT TERMS AND ASSUMPTIONS

Changes of Benefit Terms

See Note 8 for changes.

Changes of Assumptions

See Note 8 for changes.

See independent auditor's report.

Center Independent School District
Schedule of the District Contributions
Teacher Retirement System
Exhibit G-3

Note 1: CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 881,017	\$ 833,467	\$ 716,719	\$ 680,224	\$ 596,129	\$ 531,307	\$ 478,560	\$ 493,473	\$ 445,443	\$ 450,495
Contributions to required contribution	(881,017)	(833,467)	(716,719)	(680,224)	(596,129)	(531,307)	(478,560)	(493,473)	(445,443)	(450,495)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,925,938	\$ 18,917,951	\$ 17,857,400	\$ 18,091,396	\$ 17,511,562	\$ 16,880,557	\$ 15,874,707	\$ 16,297,288	\$ 15,671,850	\$ 15,696,039
Contributions to covered payroll	4.42%	4.41%	4.01%	3.76%	3.40%	3.15%	3.01%	3.03%	2.84%	2.87%

Changes of Benefit Terms

See Note 8 for changes.

Changes of Assumptions

See Note 8 for changes.

See independent auditor's report.

Center Independent School District
Schedule of the District's Proportionate Share of OPEB Liability and District's OPEB Contributions
Teacher Retirement System
Last Ten Fiscal Years*
Exhibit G-4

	2024	2023	2022	2021	2020	2019	2018
District's proportion of the OPEBL	0.0228%	0.0230%	0.0222%	0.0237%	0.0226%	0.0219%	0.0221%
District's proportionate share of the OPEBL	\$ 6,927,391	\$ 5,095,353	\$ 5,313,422	\$ 9,124,086	\$ 8,600,795	\$ 10,362,682	\$ 11,028,767
State share of the OPEBL associated with the district	8,679,927	6,148,326	6,481,540	12,224,242	11,557,405	13,769,688	13,755,810
TOTAL	\$ 15,607,318	\$ 11,243,679	\$ 11,794,962	\$ 21,348,328	\$ 20,158,200	\$ 24,132,370	\$ 24,784,577
District's covered-employee payroll	\$ 18,917,951	\$ 17,857,400	\$ 18,091,396	\$ 17,511,562	\$ 16,880,557	\$ 15,874,707	\$ 16,297,288
Proportionate share/covered payroll	36.62%	28.53%	29.37%	52.10%	50.95%	65.28%	67.67%
Plan fiduciary net position/total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%

	2025	2024	2023	2022	2021	2020	2019
Contractually required contribution	\$ 209,775	\$ 207,321	\$ 199,658	\$ 182,549	\$ 182,853	\$ 171,923	\$ 155,092
Contributions to required contribution	(209,775)	(207,321)	(199,658)	(182,549)	(182,853)	(67,568)	(161,670)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,925,938	\$ 18,917,951	\$ 17,857,400	\$ 18,092,396	\$ 17,511,562	\$ 16,880,557	\$ 15,874,707
Contributions to covered payroll	1.05%	1.10%	1.12%	1.01%	1.04%	1.02%	0.98%

Information provided by the Teacher Retirement System of Texas.

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

Note 1: CHANGE IN BENEFIT TERMS AND ASSUMPTIONS

See Note 9 for changes in benefit terms and assumptions.

See independent auditor's report.

Center Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds
Exhibit H-1

Data Control Codes		211 ESEA Title I	224 IDEA B Formula	225 IDEA B Preschool	240 Child Nutrition	244 Career and Technical Education	255 Title II, Part A Training	263 Title III Part A ELA
ASSETS:								
1110	Cash and Cash Equivalent	\$ (14,946)	\$ 105,448	\$ 5,581	442,700	973	\$ (3,393)	\$ 4,070
1242	Due from Other Government	123,917	23,699	1,375	121,820	-	9,602	-
1260	Due from Other Funds	-	-	-	213,926	-	-	-
1000	Total Assets	<u>\$ 108,971</u>	<u>\$ 129,147</u>	<u>\$ 6,956</u>	<u>778,446</u>	<u>973</u>	<u>\$ 6,209</u>	<u>\$ 4,070</u>
LIABILITIES:								
2160	Accrued Wages Payable	46,725	15,227	1,282	53,331	-	5,649	3,667
2170	Due to Other Funds	62,246	93,426	5,674	-	973	560	\$ 403
2600	Unearned Revenue	-	-	-	-	-	-	-
2000	Total Liabilities	<u>108,971</u>	<u>108,653</u>	<u>6,956</u>	<u>53,331</u>	<u>973</u>	<u>6,209</u>	<u>4,070</u>
FUND BALANCES:								
3490	Other restricted fund balance	-	20,494	-	725,115	-	-	-
3000	Total Fund Balance	<u>-</u>	<u>20,494</u>	<u>-</u>	<u>725,115</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 108,971</u>	<u>\$ 129,147</u>	<u>\$ 6,956</u>	<u>778,446</u>	<u>973</u>	<u>\$ 6,209</u>	<u>\$ 4,070</u>

See independent auditor's report.

Center Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds
Exhibit H-1 (Continued)

Data Control Codes		270 Title IV, Part B	289 Summer School LEP Program	397 Advanced Placement Incentives	410 State Textbook Fund	429 Rural School Technology	458 SSA Alternative Education	461 Campus Activity Fund	Special Revenue Funds (See Exhibit C-1)
	ASSETS:								
1110	Cash and Cash Equivalent	\$ 30	\$ 3,737	\$ 450	\$ -	\$ (65,250)	\$ 183,750	\$ 100,547	\$ 763,697
1242	Due from Other Government	-	4,727	-	-	65,250	-	-	350,390
1260	Due from Other Funds	-	-	-	-	-	-	-	213,926
1000	Total Assets	<u>\$ 30</u>	<u>\$ 8,464</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,750</u>	<u>\$ 100,547</u>	<u>\$ 1,328,013</u>
	LIABILITIES:								
2160	Accrued Wages Payable	-	-	-	-	-	-	-	125,881
2170	Due to Other Funds	-	-	-	-	-	-	-	163,282
2600	Unearned Revenue	-	3,010	-	-	-	-	-	3,010
2000	Total Liabilities	<u>-</u>	<u>3,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,173</u>
	FUND BALANCES:								
3490	Other restricted fund balance	30	5,454	450	-	-	183,750	100,547	1,035,840
3000	Total Fund Balance	<u>30</u>	<u>5,454</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>183,750</u>	<u>100,547</u>	<u>1,035,840</u>
4000	Total Liabilities and Fund Balances	<u>\$ 30</u>	<u>\$ 8,464</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,750</u>	<u>\$ 100,547</u>	<u>\$ 1,328,013</u>

See independent auditor's report.

Center Independent School District
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Special Revenue Governmental Funds
Exhibit H-2

Data Control Codes		211	224	225	240	244	255	263
		ESEA	IDEA B	IDEA B	Child	Career and	Title II,	Title III
		Title I	Formula	Preschool	Nutrition	Technical	Part A	Part A
						Education	Training	ELA
REVENUES:								
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 188,335	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	63,754	-	-	-
5900	Federal Program Revenues	1,031,942	578,580	23,546	1,557,090	34,529	82,531	79,035
5020	Total Revenues	1,031,942	578,580	23,546	1,809,179	34,529	82,531	79,035
EXPENDITURES:								
0011	Instruction	726,259	229,972	16,491	-	34,529	47,646	67,163
0012	Instructional Resources and Media Services	76	-	-	-	-	-	-
0013	Curriculum and Staff Development	205,405	633	200	-	-	34,885	19,928
0021	Instructional Leadership	100,202	88,115	1,000	-	-	-	-
0023	School Leadership	-	-	-	441	-	-	-
0031	Guidance, Counseling, & Evaluation Services	-	238,866	5,855	-	-	-	-
0034	Guidance, Counseling, & Evaluation Services	-	500	-	-	-	-	-
0035	Food Services	-	-	-	1,944,602	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-	-	-	-
0052	Security and monitoring services	-	-	-	-	-	-	-
0071	Debt Service	-	-	-	1,855	-	-	-
6030	Total Expenditures	1,031,942	558,086	23,546	1,946,898	34,529	82,531	87,091
1100	Excess Revenue over Expenditures	-	20,494	-	(137,719)	-	-	(8,056)
Other Financing Sources								
7915	Transfers In	-	-	-	-	-	-	8,056
7080	Total other financing sources	-	-	-	-	-	-	8,056
1200	Net Change in Fund Balances	-	20,494	-	(137,719)	-	-	-
0100	Fund Balances - Beginning	-	-	-	862,834	-	-	-
3000	Fund Balances - Ending	\$ -	\$ 20,494	\$ -	\$ 725,115	\$ -	\$ -	\$ -

See independent auditor's report.

Center Independent School District
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Special Revenue Governmental Funds
Exhibit H-2 (Continued)

Data Control Codes		270 Title IV, Part B	289 Summer School LEP Program	397 Summer School LEP Program	410 State Textbook Fund	429 Rural School Technology	458 SSA Alternative Education	461 Campus Activity Fund	Special Revenue Funds (See Exhibit C-2)
REVENUES:									
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,325	\$ 555,660
5800	State Program Revenues	-	-	-	38,150	148,369	-	-	250,273
5900	Federal Program Revenues	98,972	89,316	-	-	-	-	-	3,575,541
5020	Total Revenues	98,972	89,316	-	38,150	148,369	-	367,325	4,381,474
EXPENDITURES:									
0011	Instruction	98,942	20,874	-	38,150	1,189	-	-	1,281,215
0012	Instructional Resources and Media Services	-	-	-	-	-	-	-	76
0013	Curriculum and Staff Development	-	5,818	-	-	-	-	-	266,869
0021	Instructional Leadership	-	-	-	-	-	-	-	189,317
0023	School Leadership	-	-	-	-	-	-	-	441
0031	Guidance, Counseling, & Evaluation Services	-	57,170	-	-	-	-	-	301,891
0034	Guidance, Counseling, & Evaluation Services	-	-	-	-	-	-	-	500
0035	Food Services	-	-	-	-	-	-	-	1,944,602
0036	Cocurricular/Extracurricular Activities	-	-	-	-	-	-	350,192	350,192
0052	Security and monitoring services	-	-	-	-	148,292	-	-	148,292
0071	Debt Service	-	-	-	-	-	-	-	1,855
6030	Total Expenditures	98,942	83,862	-	38,150	149,481	-	350,192	4,485,250
1100	Excess Revenue over Expenditures	30	5,454	-	-	(1,112)	-	17,133	(103,776)
Other Financing Sources									
7915	Transfers In	-	-	-	-	1,112	-	15,000	24,168
7080	Total other financing sources	-	-	-	-	1,112	-	15,000	24,168
1200	Net Change in Fund Balances	30	5,454	-	-	-	-	32,133	(79,608)
0100	Fund Balances - Beginning	-	-	450	-	-	183,750	68,414	1,115,448
3000	Fund Balances - Ending	\$ 30	\$ 5,454	\$ 450	\$ -	\$ -	\$ 183,750	\$ 100,547	\$ 1,035,840

See independent auditor's report.

Center Independent School District
Schedule of Delinquent Taxes Receivable
Exhibit J-1

	Tax Rates		Appraised Value	Beginning	Current	Maintenance	Debt Service		Total	Total Taxes
	Maintenance	Debt Service	for tax purposes	Balance	Year's Levy	Collections	Collections	Adjustments	Ending Balances	Refunded Under Section 26.1115(c)
2016 and prior	various	various	Various	\$ 463,114		\$ 13,926	\$ 1,873	\$ (47,756)	\$ 399,559	
2017	1.1700	0.1638	\$ 524,436,655	69,487		4,027	562	(12,817)	52,081	
2018	1.1700	0.1638	\$ 525,684,302	53,628		5,111	715	(1,991)	45,811	
2019	1.1700	0.2438	\$ 534,325,963	61,763		3,521	733	(1,894)	55,615	
2020	1.0683	0.2438	\$ 553,998,629	86,118		5,054	1,153	(12,357)	67,554	
2021	1.0547	0.3025	\$ 553,060,787	99,075		8,449	2,409	(11,630)	76,587	
2022	1.0402	0.2872	\$ 590,941,537	99,823		10,302	2,846	(1,652)	85,023	
2023	0.9429	0.2875	\$ 660,463,576	127,550		1,361	407	(23,301)	102,481	
2024	0.7575	0.2875	\$ 690,507,226	230,532		(1,839)	(777)	(75,424)	157,724	
2025	0.7575	0.2875	\$ 675,294,545	-	7,056,828	4,870,178	1,848,424	(87,983)	250,243	
Total				<u>\$ 1,291,090</u>	<u>\$ 7,056,828</u>	<u>\$ 4,920,090</u>	<u>\$ 1,858,345</u>	<u>\$ (276,805)</u>	<u>\$ 1,292,678</u>	
Refunds										<u>\$ 5,932</u>

See independent auditor's report.

**Center Independent School District
National School Breakfast and Lunch Program
Budgetary Comparison Schedule
Exhibit J-2**

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 364,541	\$ 364,541	\$ 188,335	\$ (176,206)
5800	State program revenues	16,000	16,000	63,754	47,754
5900	Federal program revenues	1,249,182	1,249,182	1,557,090	307,908
5020	TOTAL REVENUES	1,629,723	1,629,723	1,809,179	179,456
	Expenditures:				
0023	School leadership	-	-	441	(441)
0035	Food services	1,629,723	1,869,721	1,944,602	(74,881)
0071	Debt service	-	-	1,855	(1,855)
6030	TOTAL EXPENDITURES	1,629,723	1,869,721	1,946,898	(77,177)
1200	NET CHANGES IN FUND BALANCES	-	(239,998)	(137,719)	102,279
0100	Fund balance - Beginning	862,834	862,834	862,834	-
3000	FUND BALANCE - ENDING	\$ 862,834	\$ 622,836	\$ 725,115	\$ 102,279

See independent auditor's report.

Center Independent School District
Debt Service Fund
Budgetary Comparison Schedule
Exhibit J-3

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 1,800,149	\$ 1,800,149	\$ 1,950,031	\$ 149,882
5800	State program revenues	513,040	513,040	481,752	(31,288)
5020	TOTAL REVENUES	2,313,189	2,313,189	2,431,783	118,594
	Expenditures:				
0071	Debt Service	2,313,189	2,313,189	2,312,689	500
	TOTAL DEBT SERVICE	2,313,189	2,313,189	2,312,689	500
6030	TOTAL EXPENDITURES	2,313,189	2,313,189	2,312,689	500
1200	NET CHANGE IN FUND BALANCE	-	-	119,094	119,094
0100	Fund balance - Beginning	-	-	601,263	-
3000	FUND BALANCE - ENDING	\$ -	\$ -	\$ 720,357	\$ 119,094

See independent auditor's report.

Center Independent School District

State Supplemental Allotment Compliance

Use of Funds Report

Exhibit J-4

DATA CONTROL CODES		<u>RESPONSES</u>
	<u>Section A: Compensatory Education Programs</u>	
	Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	<u>\$ 2,863,245</u>
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	<u>\$ 1,827,754</u>
	<u>Section B: Bilingual Education Programs</u>	
	Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	<u>\$ 414,532</u>
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25 and 35)	<u>\$ 562,610</u>

See independent auditor's report.



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

Board of Trustees
Center Independent School District
Center, Texas

Members of the Board of Trustees:

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 as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated February 11, 2026.

Report on 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 Center Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Center Independent School 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
February 11, 2026



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *UNIFORM GUIDANCE*

Board of Trustees
Center Independent School District
Center, Texas

Members of the Board:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Center Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Center Independent School District's major federal programs for the year ended August 31, 2025. Center Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Center Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Center Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Center Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
February 11, 2026

Center Independent School District
Schedule of Expenditures of Federal Awards
Exhibit K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL ALN NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES	Subrecipients
U.S. Department of Agriculture:				
Child Nutrition Cluster				
National School Breakfast Program	10.553	71402401	\$ 356,702	\$ -
National School Lunch Program	10.555	71302401	\$ 998,850	
Supply Chain Assistance Grant	10.555	71302401	100,241	-
Total Child Nutrition Cluster			<u>1,455,793</u>	<u>-</u>
Commodity Supplemental Food Program	10.565	806780706	101,297	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,557,090</u>	<u>-</u>
U.S. Department of Education:				
Special Education Cluster				
Special Education Grants to States	84.027	256600011879046000	578,580	-
Special Education Preschool Grants	84.173	256610011879046000	23,546	-
Total Special Education Cluster			<u>602,126</u>	<u>-</u>
Title I Grants to Local Educational Agencies	84.010	25610101187904	1,031,942	-
Rural Education	84.358	2569600187904	98,972	-
Supporting Effective Instruction State Grants	84.367	25694501187904	82,531	-
Student Support and Academic Enrichment Program	84.424A	25680101187904	83,862	-
21-22 Perkins V: Strengthening CTE for 21st Century	84.048A	25420006210901	34,529	-
LEP Summer School	84.369A	69552302	5,454	-
Title III, Part A - ELA and Language Enhancement	84.365	256710012110901	79,035	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,018,451</u>	<u>-</u>
U.S. Department of Education:				
Federal Oil and Gas Royalty	15.427	N/A	55,221	
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>55,221</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,630,762</u>	<u>\$ -</u>
Reconciliation for Exhibit C-2				
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,630,762	
Other Federal Programs:				
School Health and Related Services	93.778	N/A	184,052	
Qualified School Construction Bonds Subsidy	N/A	N/A	181,326	
TOTAL FEDERAL REVENUE PER EXHIBIT C-2			<u>\$ 3,996,140</u>	

Center Independent School District

Notes to Schedule of Expenditures of Federal Awards

Note 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: INDIRECT COST RATE

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

Note 4: SUBRECIPIENTS

The District did not provide any federal awards to subrecipients during the fiscal year ending August 31, 2025. Accordingly, there are no amounts included in the SEFA that represent payments to subrecipients.

Center Independent School District Schedule of Findings, Questioned Costs, and Corrective Action

A. Summary of the Auditor's Results

Type of report on financial statements	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance which is material to the basic financial statement	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None
Type of report on compliance with major programs:	<u>Unmodified</u>
Findings and questioned costs for Federal awards as defined in Section 200.516, Uniform Guidance	None
Dollar threshold considered between Type A and Type B Federal programs:	<u>\$750,000</u>
Low-risk auditee statement	The District was classified as a low-risk auditee in the context of Uniform Guidance
Major Federal programs	84.010 Title I

B. Findings related to the financial statements which are required to be reported in Accordance with Generally Accepted Auditing Standards.

NONE

C. Findings and Questioned Costs for Federal Award

NONE

Corrective Action Plan

NONE

Center Independent School District Summary Schedule of Prior Audit Findings

Prior Audit Findings

Finding 2024-001:

Lack of documented approval of bank reconciliations

Status: RESOLVED

Management updated procedures to implement a formal approval process

Center Independent School District

Schedule of Required Responses to Selected School First Indicators

Exhibit L-1

DATA CONTROL CODES		RESPONSES
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	<p>Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)</p> <p>Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ _____