

CENTER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2017

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

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CERTIFICATE OF BOARD

Center Independent School District
Name of School District

Shelby
County

210-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the _____ of January, 2018.

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)

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

Independent Auditor's Report

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

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center Independent School District (the District) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center Independent School District as of August 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-13, budgetary comparison information on page 50, schedule of the District's proportionate share of the net pension liability (TRS) on page 51, and schedule of District contributions to TRS on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Center Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center Independent School District's internal control over financial reporting and compliance.



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

December 20, 2017

CENTER INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the management of Center Independent School District, (the "District") discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District's governmental activities exceeded its liabilities at the close of the most recent period by \$29,160,879 (net position). Of this amount, \$5,773,527 unrestricted net position may be used to meet the District's ongoing obligations.
- At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,789,537. The General Fund reported an ending fund balance this year of \$9,976,682.

USING THIS ANNUAL REPORT

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

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

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

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's funds can be divided into these two categories:

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As of August 31, 2017, the District's assets exceeded liabilities by \$29,160,879, of which \$21,543,718 of the total net position represents the investment in capital assets less any related debt used to acquire those assets that are still outstanding, \$1,843,634 of the total net position represents resources that are subject to restrictions on how they may be used and the remaining balance of total net position of \$5,773,527 represents the unrestricted net position, which is the part of the net position that can be used to finance day-to-day operations without constraints established by debt, or other legal requirements. Net position of the District's governmental activities increased from \$28,502,877 to \$29,160,879.

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

Table I
Center Independent School District
NET POSITION

	Governmental Activities 2017	Governmental Activities 2016	Total % Change
Current and other assets	\$ 12,915,342	\$ 13,410,164	-3.69%
Capital assets	32,687,569	31,940,171	2.34%
Total assets	45,602,911	45,350,335	0.56%
Deferred outflows of resources	2,430,485	2,951,812	-17.66%
Other liabilities	1,605,264	1,296,380	23.83%
Long-term liabilities outstanding	11,442,345	12,617,583	-9.31%
TRS net pension liability	5,361,295	5,477,700	-2.13%
Total liabilities	18,408,904	19,391,663	-5.07%
Deferred inflows of resources	463,613	407,607	13.74%
Net Position:			
Net investment in capital assets	21,543,718	19,697,515	9.37%
Restricted	1,843,634	1,171,587	57.36%
Unrestricted	5,773,527	7,633,775	-24.37%
Total net position	\$ 29,160,879	\$ 28,502,877	2.31%

Table II
Center Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2017	Governmental Activities 2016	Total % Change
Revenues:			
Program Revenues:			
Charges for services	\$ 489,666	\$ 521,489	-6.10%
Operating grants and contributions	4,581,954	4,480,225	2.27%
General Revenues:			
Property taxes-General purposes	6,164,354	6,452,961	-4.47%
Property taxes-Debt service	863,411	896,574	-3.70%
Grants & contributions not restricted	17,992,880	17,543,233	2.56%
Investments earnings	109,874	109,189	0.63%
Other general revenues	174,573	176,679	-1.19%
Gain on sale of capital assets	-	800	-100.00%
Total Revenues	<u>30,376,712</u>	<u>30,181,150</u>	<u>0.65%</u>
Expenses:			
Instruction	15,633,094	15,561,767	0.46%
Instructional Resources and Media Services	348,557	360,523	-3.32%
Curriculum and Staff Development	683,335	690,405	-1.02%
Instructional and School Leadership	1,678,244	1,721,600	-2.52%
Guidance, Counseling and Evaluation Services	936,725	963,467	-2.78%
Social Work and Health Services	255,774	257,525	-0.68%
Student (Pupil) Transportation	1,612,424	1,627,921	-0.95%
Food Services	1,818,285	1,817,118	0.06%
Cocurricular/Extracurricular Activities	1,620,478	1,265,136	28.09%
General Administration	1,170,538	1,121,331	4.39%
Plant Maintenance and Operations	2,519,828	2,548,631	-1.13%
Security and Monitoring Services	273,138	197,516	38.29%
Data Processing Services	380,284	391,327	-2.82%
Community Services	61,431	55,750	10.19%
Debt Service - Interest on Long Term Debt	442,024	626,735	-29.47%
Debt Service - Bond Issuance Cost and Fees	1,700	104,198	-98.37%
Payments to Fiscal Agents/Member Districts of SSA	93,587	103,238	-9.35%
Other Intergovernmental Charges	189,264	191,221	-1.02%
Total Expenses	<u>29,718,710</u>	<u>29,605,409</u>	<u>0.38%</u>
Increase (Decrease) in Net Position	658,002	575,741	14.29%
Net Position Beginning of Year	<u>28,502,877</u>	<u>27,927,136</u>	<u>2.06%</u>
Net Position End of Year	<u>29,160,879</u>	<u>28,502,877</u>	<u>2.31%</u>

The District increased net position by \$658,002. The total cost of all governmental activities was \$29,718,710. The amount of these activities that our taxpayers paid for through property taxes was \$7,027,765 or 23.65%. The District's total revenues increased by \$195,562 or .65%, while total expenses increased by \$113,301 or .38%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,789,537, a current fiscal year decrease of (\$802,546). Approximately 48.05% of the combined ending fund balance constitutes *unassigned fund balance*. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending because it has already been restricted (a) for state fund grants 100,000 (b) to pay debt service \$1,568,084 (c) for food services \$0 and (d) for SSA-Alternative Education \$131,771. Fund balance has been committed (a) for construction \$2,056,970 and (b) for retirement of loans or notes payable \$3,132,712.

The combined fund balance of the District decreased by (\$802,546) during the current fiscal year. The District's total revenues increased by \$568,130 or 1.9%. State program revenues increased by \$1,125,087. The District's total expenditures increased by \$520,471 or 1.7%. The students attended 14 days of school in August 2017 for the 2017-2018 school year. The students attended 8 days of school in August 2016 for the 2016-2017 school year. This resulted in a timing difference in the recognition of state revenue of \$645,822.

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,800,000 while the total fund balance was \$9,976,682. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 16.01% of the total General Fund expenditures, while total fund balance represents 42.03% of that same amount. The net decrease in fund balance during the current fiscal year in the General Fund was (\$576,030). The District's General Fund transferred \$1,884,744 to the Capital Projects Fund and \$84,916 to food services during the current fiscal year.

The Debt Service Fund has a total fund balance of \$481,084, all of which is restricted for the payment of debt service. The net increase in fund balance during the current fiscal year in the Debt Service Fund was \$102,565.

The Capital Projects Fund has a total fund balance of \$200,000, all of which is committed for construction. The net decrease in fund balance during the current fiscal year in the Capital Projects Fund was (\$333,008). The District's General Fund transferred \$1,884,744 to the Capital Projects Fund to fund capital project expenditures for the current year.

Other funds composed of the special revenue funds have a total fund balance of \$131,771. The fund balance is restricted for food services \$0 and restricted for SSA – Alternative Education of \$131,771. The net increase in fund balance during the current fiscal year in other funds was \$3,927. The District's General Fund transferred \$84,916 to food services for the deficiency of revenues over expenditures.

THE DISTRICT'S FUNDS

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

Table III
Center Independent School District
NET CHANGES IN FUND BALANCES

	Governmental Funds 2017	Governmental Funds 2016	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 7,803,037	\$ 8,164,071	\$ (361,034)	-4.4%
State Program Revenues	18,810,395	17,685,308	1,125,087	6.4%
Federal Program Revenues	3,575,136	3,771,059	(195,923)	-5.2%
Total Revenues	30,188,568	29,620,438	568,130	1.9%
Expenditures:				
Instruction	14,487,151	14,246,945	240,206	1.7%
Instructional resources & media services	324,551	334,453	(9,902)	-3.0%
Curriculum and instructional staff development	621,225	638,406	(17,181)	-2.7%
Instructional leadership	284,519	297,572	(13,053)	-4.4%
School leadership	1,259,238	1,277,103	(17,865)	-1.4%
Guidance, counseling and evaluation services	864,882	884,501	(19,619)	-2.2%
Health services	236,051	235,266	785	0.3%
Student (Pupil) transportation	1,511,340	1,396,238	115,102	8.2%
Food services	1,708,146	1,718,496	(10,350)	-0.6%
Extracurricular activities	1,646,412	1,186,190	460,222	38.8%
General administration	1,084,758	1,037,709	47,049	4.5%
Facilities maintenance & operations	2,407,948	2,404,708	3,240	0.1%
Security and monitoring services	251,980	180,978	71,002	39.2%
Data processing services	355,623	365,610	(9,987)	-2.7%
Community services	55,724	51,067	4,657	9.1%
Debt services	1,542,528	1,704,388	(161,860)	-9.5%
Facilities acquisition & construction	2,066,187	2,216,554	(150,367)	-6.8%
Payments to fiscal agent/member of SSA	93,587	103,238	(9,651)	-9.3%
Other intergovernmental charges	189,264	191,221	(1,957)	-1.0%
Total Expenditures	30,991,114	30,470,643	520,471	1.7%
Excess (Deficiency) of Revenues Over (Under) Expenditures	(802,546)	(850,205)	47,659	5.6%
Other Financing Sources (Uses):				
Other Financing Sources	1,969,660	8,941,948	(6,972,288)	-78.0%
Other Financing (Uses)	(1,969,660)	(8,838,150)	6,868,490	77.7%
Total Other Financing Sources (Uses)	-	103,798	(103,798)	100.0%
Net Change in Fund Balances	(802,546)	(746,407)	(56,139)	-7.5%
Fund Balance - Beginning of Year	11,592,083	12,338,490	(746,407)	-6.0%
Fund Balance - End of Year	\$ 10,789,537	\$ 11,592,083	\$ (802,546)	-6.9%

BUDGETARY HIGHLIGHTS

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

General Fund:

Increase in local and intermediate revenue sources	10,320
Increase in state program revenues	1,154,810
(Increase) in instruction expenditures	(1,190,360)
(Increase) in instructional resources and media services expenditures	(48,573)
(Increase) in curriculum and instructional staff expenditures	(12)
(Increase) in instructional leadership expenditures	(57,076)
(Increase) in school leadership expenditures	(76,083)
(Increase) in guidance, counseling and evaluation expenditures	(41,875)
(Increase) in health services expenditures	(17,454)
Decrease in student (pupil) transportation expenditures	11,797
(Increase) in cocurricular/extracurricular expenditures	(241,752)
(Increase) in general administration expenditures	(77,400)
(Increase) in facilities maintenance and operations expenditures	(55,250)
(Increase) in security and monitoring services expenditures	(36,251)
(Increase) in data processing expenditures	(8,845)
(Increase) in community services	(6,400)
(Increase) in other financing uses - transfers out	(2,480,287)
	<u>(3,160,691)</u>

Food Service Fund:

Increase in state program revenues	8,781
(Increase) in food services expenditures	(61,181)
Increase in other financing sources - transfers in	52,400
	<u>-</u>

Debt Service Fund:

(Increase) in debt service - principal	<u>(700)</u>
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had \$32,687,569 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, athletics, administration, and maintenance. Capital asset additions of \$2,451,321 less depreciation expense of \$1,703,923 accounted to a net increase of \$747,398 from the prior year.

The District purchased playground equipment, bus, band truck, 2 washers and dryers, wall storage unit, floral display cooler, fencing and completed additional renovations at the Middle School during the current year.

In April 2016, the District signed a construction contract in the amount of \$1,153,415 with Berry & Clay Company as the Construction Manager At-Risk for additional tennis courts. Change orders increased the contract amount by 5,523 for a total contract amount of \$1,158,938. In the prior year, the project was reflected as construction in progress in the amount of \$718,433. In the current year, the District incurred additional construction costs of \$508,809 and completed the construction project at a total cost of \$1,227,242.

In April 2016, the District signed a construction contract in the amount of \$1,244,932 with Berry & Clay Company as the Construction Manager At-Risk for an agriculture science building annex. Change orders decreased the contract amount by (\$12,369) for a total contract amount of \$1,232,563. The District incurred \$1,287,607 of construction costs, including engineering fees, to complete the project during the year ended August 31, 2017.

In June 2017, the District signed a construction contract in the amount of \$274,234 with Berry & Clay Company as the Construction Manager At-Risk for 2017 Campus Renovations, including CHS Culinary Kitchen and CHS Field House Renovation. In the current year, the District incurred \$219,771 of the construction contract costs and \$20,318 of engineering fees. The total construction costs of \$240,089.

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

Debt

On February 23, 2011, the District borrowed \$5,300,000 in a Qualified School Construction Maintenance Tax Note (QSCB), Taxable Series 2011 for the repair, renovation and major improvement projects that were approved by TEA for the QSCB Program. In the governmental fund financial statements, maintenance tax note obligations of the District current requirements for principal and interest expenditures are accounted for in the General Fund. During the year ended August 31, 2017 the District paid \$0 in principal \$308,478 in interest. During the year ended August 31, 2017, the District received \$274,129 in credit payments to issuers of qualified bonds from the United States Treasury. The federal revenue has been accounted for in the General Fund in Federal Program revenues of \$274,129.

At year-end the District had \$5,670,000 in bonds outstanding versus \$6,706,753 last year. State existing debt allotment funds will pay approximately 33.4% of the annual bond payment for the life of the bonds. The remainder will be paid by a debt service tax levy. A successful bond election for the amount of \$9,650,000 was voted on May 12, 2007. The District issued \$9,647,209 of Unlimited Tax School Building Bonds, Series 2007 in July 2007. The District increased the I & S tax rate for the 2008 fiscal year by \$0.0265 in order to pay down the debt in 15 years or the year 2022. The District paid the first interest payment on the new bond issue in August 2007 which enabled the new bond issue to become eligible for EDA funding in the next biennium which further reduces the financial liability for the District. The tax rate levied for the 2017 fiscal year to finance the remaining payment of principal and interest bonds outstanding was \$0.1638.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The proposed budget for 2016-2017 is \$22,261,717 which is a .65% increase over last year's budget of \$22,117,132. Total revenues are \$22,261,717. State revenue of \$15,815,931, is 71% of our total revenue, local revenue of \$5,945,786 is 27% and other revenue of \$500,000 is 2%.

Our local taxable value is \$508,186,800, which is a decrease of \$36,080,020 lower than last year's values of \$544,266,820. The majority of the decrease is directly related to the continued drop in mineral value which is referred to as oil and gas.

The 2016-17 budget is based upon the tax rate of \$1.3338. The rate consists of the M&O rate of \$1.1700 and the I&S rate of \$0.1638. This is also the same rate that we have adopted the past five years.

Payroll cost is 76.19 percent of the total budget with 23.81 per cent for remaining activities and operations of the district. The 2016-17 budget increase is directly related to salary increases that were implemented for the 2016-17 school year. We will continue our focus to bring employee compensation to the market level of other districts within our wealth and population.

The focus for 2016-17 is to continue to invest in the areas that were identified by stakeholders as needing improvements. The areas identified were extra-curricular programs and facilities located on the middle and high school campuses. The improvements to the Middle School were completed during this past school year and improvements remain in process for the High School campus. In addition, we will be addressing additional space for the CATE ag-science department located at Center High School. An additional facility to accommodate much needed space for the increasing enrollment for that program is now under construction.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,055,686
1120 Current Investments	2,001,755
1220 Property Taxes Receivable (Delinquent)	1,096,246
1230 Allowance for Uncollectible Taxes	(551,566)
1240 Due from Other Governments	2,267,997
1267 Due from Fiduciary Funds	45,224
Capital Assets:	
1510 Land	598,299
1520 Buildings and Improvements, Net	30,275,225
1530 Furniture and Equipment, Net	1,573,956
1580 Construction in Progress	240,089
1000 Total Assets	45,602,911
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding, Net	168,313
1705 Deferred Outflow Related to TRS	2,262,172
1700 Total Deferred Outflows of Resources	2,430,485
LIABILITIES	
2110 Accounts Payable	384,080
2140 Accrued Interest Payable	24,139
2160 Accrued Wages Payable	1,137,618
2180 Due to Other Governments	26,445
2200 Accrued Expenses	28,478
2300 Unearned Revenue	4,504
Noncurrent Liabilities	
2501 Due Within One Year	1,075,000
2502 Due in More Than One Year	10,367,345
2540 Net Pension Liability (District's Share)	5,361,295
2000 Total Liabilities	18,408,904
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	463,613
2600 Total Deferred Inflows of Resources	463,613
NET POSITION	
3200 Net Investment in Capital Assets	21,543,718
3820 Restricted for Federal and State Programs	231,771
3850 Restricted for Debt Service	1,611,863
3900 Unrestricted	5,773,527
3000 Total Net Position	\$ 29,160,879

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

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Data Control Codes	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	1	3	4		6
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Gov. Governmental Activities
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11 Instruction	\$ 15,633,094	\$ 236,324	\$ 2,197,503	\$	(13,199,267)
12 Instructional Resources and Media Services	348,557	-	11,722		(336,835)
13 Curriculum and Staff Development	683,335	-	506,414		(176,921)
21 Instructional Leadership	306,785	-	9,780		(297,005)
23 School Leadership	1,371,459	-	68,226		(1,303,233)
31 Guidance, Counseling and Evaluation Services	936,725	-	117,325		(819,400)
33 Health Services	255,774	-	13,845		(241,929)
34 Student (Pupil) Transportation	1,612,424	-	60,714		(1,551,710)
35 Food Services	1,818,285	194,042	1,399,816		(224,427)
36 Extracurricular Activities	1,620,478	59,250	34,389		(1,526,839)
41 General Administration	1,170,538	-	38,473		(1,132,065)
51 Facilities Maintenance and Operations	2,519,828	50	50,995		(2,468,783)
52 Security and Monitoring Services	273,138	-	14,398		(258,740)
53 Data Processing Services	380,284	-	8,931		(371,353)
61 Community Services	61,431	-	49,423		(12,008)
72 Debt Service - Interest on Long Term Debt	442,024	-	-		(442,024)
73 Debt Service - Bond Issuance Cost and Fees	1,700	-	-		(1,700)
93 Payments related to Shared Services Arrangements	93,587	-	-		(93,587)
99 Other Intergovernmental Charges	189,264	-	-		(189,264)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 29,718,710	\$ 489,666	\$ 4,581,954		(24,647,090)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes				6,164,354
DT	Property Taxes, Levied for Debt Service				863,411
GC	Grants and Contributions not Restricted				17,992,880
IE	Investment Earnings				109,874
MI	Miscellaneous Local and Intermediate Revenue				174,573
TR	Total General Revenues				25,305,092
CN	Change in Net Position				658,002
NB	Net Position - Beginning				28,502,877
NE	Net Position--Ending			\$	29,160,879

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

CENTER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS				
1110	Cash and Cash Equivalents	\$ 7,334,819	\$ 631,834	\$ 76,782
1120	Investments - Current	2,001,755	-	-
1220	Property Taxes - Delinquent	956,592	139,654	-
1230	Allowance for Uncollectible Taxes (Credit)	(479,830)	(71,736)	-
1240	Receivables from Other Governments	2,013,271	-	-
1260	Due from Other Funds	200,529	-	503,797
1000	Total Assets	<u>\$ 12,027,136</u>	<u>\$ 699,752</u>	<u>\$ 580,579</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ 380,579
2160	Accrued Wages Payable	1,048,040	-	-
2170	Due to Other Funds	504,047	124,305	-
2180	Due to Other Governments	-	26,445	-
2200	Accrued Expenditures	21,605	-	-
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>1,573,692</u>	<u>150,750</u>	<u>380,579</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	476,762	67,918	-
2600	Total Deferred Inflows of Resources	<u>476,762</u>	<u>67,918</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	100,000	-	-
3480	Retirement of Long-Term Debt	1,087,000	481,084	-
Committed Fund Balance:				
3510	Construction	1,856,970	-	200,000
3525	Retirement of Loans or Notes Payable	3,132,712	-	-
3600	Unassigned Fund Balance	3,800,000	-	-
3000	Total Fund Balances	<u>9,976,682</u>	<u>481,084</u>	<u>200,000</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,027,136</u>	<u>\$ 699,752</u>	<u>\$ 580,579</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	12,251	\$	8,055,686
	-		2,001,755
	-		1,096,246
	-		(551,566)
	254,726		2,267,997
	13,923		718,249
<u>\$</u>	<u>280,900</u>	<u>\$</u>	<u>13,588,367</u>
\$	3,501	\$	384,080
	89,578		1,137,618
	44,673		673,025
	-		26,445
	6,873		28,478
	4,504		4,504
	<u>149,129</u>		<u>2,254,150</u>
	-		544,680
	-		544,680
	131,771		231,771
	-		1,568,084
	-		2,056,970
	-		3,132,712
	-		3,800,000
	<u>131,771</u>		<u>10,789,537</u>
<u>\$</u>	<u>280,900</u>	<u>\$</u>	<u>13,588,367</u>

CENTER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

Total Fund Balances - Governmental Funds	\$ 10,789,537
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$52,219,066 and the accumulated depreciation was (\$20,278,895). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, these long-term liabilities totaled (\$12,617,583). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	19,322,588
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase net position.	3,511,321
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$5,361,295), a Deferred Resource Inflow related to TRS in the amount of (\$463,613) and a Deferred Resource Outflow related to TRS in the amount of \$2,262,172. This amounted to a decrease in net position in the amount of (\$3,562,736).	(3,562,736)
4 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,703,923)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	804,092
19 Net Position of Governmental Activities	\$ 29,160,879

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

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 6,711,286	\$ 884,331	\$ 118
5800 State Program Revenues	17,758,117	452,284	-
5900 Federal Program Revenues	662,694	-	-
5020 Total Revenues	25,132,097	1,336,615	118
EXPENDITURES:			
Current:			
0011 Instruction	13,048,582	-	-
0012 Instructional Resources and Media Services	324,551	-	-
0013 Curriculum and Instructional Staff Development	114,340	-	-
0021 Instructional Leadership	284,519	-	-
0023 School Leadership	1,259,238	-	-
0031 Guidance, Counseling and Evaluation Services	789,533	-	-
0033 Health Services	236,051	-	-
0034 Student (Pupil) Transportation	1,511,340	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,501,861	-	144,551
0041 General Administration	1,078,855	-	-
0051 Facilities Maintenance and Operations	2,384,364	-	7,132
0052 Security and Monitoring Services	251,980	-	-
0053 Data Processing Services	355,623	-	-
0061 Community Services	6,301	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	1,060,000	-
0072 Interest on Long Term Debt	308,478	172,350	-
0073 Bond Issuance Cost and Fees	-	1,700	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	2,066,187
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	93,587	-	-
0099 Other Intergovernmental Charges	189,264	-	-
6030 Total Expenditures	23,738,467	1,234,050	2,217,870
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,393,630	102,565	(2,217,752)
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	1,884,744
8911 Transfers Out (Use)	(1,969,660)	-	-
7080 Total Other Financing Sources (Uses)	(1,969,660)	-	1,884,744
1200 Net Change in Fund Balances	(576,030)	102,565	(333,008)
0100 Fund Balance - September 1 (Beginning)	10,552,712	378,519	533,008
3000 Fund Balance - August 31 (Ending)	\$ 9,976,682	\$ 481,084	\$ 200,000

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

		Total	
Other		Governmental	
Funds		Funds	
\$	207,302	\$	7,803,037
	599,994		18,810,395
	2,912,442		3,575,136
	3,719,738		30,188,568
	1,438,569		14,487,151
	-		324,551
	506,885		621,225
	-		284,519
	-		1,259,238
	75,349		864,882
	-		236,051
	-		1,511,340
	1,708,146		1,708,146
	-		1,646,412
	5,903		1,084,758
	16,452		2,407,948
	-		251,980
	-		355,623
	49,423		55,724
	-		1,060,000
	-		480,828
	-		1,700
	-		2,066,187
	-		93,587
	-		189,264
	3,800,727		30,991,114
	(80,989)		(802,546)
	84,916		1,969,660
	-		(1,969,660)
	84,916		-
	3,927		(802,546)
	127,844		11,592,083
\$	131,771	\$	10,789,537

CENTER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ (802,546)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase net position.	3,511,321
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,703,923)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	57,073
Current year changes due to GASB 68 increased revenues in the amount of \$445,443 but also increased expenditures in the amount of (\$849,366). The net effect on the change in the ending net position was a decrease in the amount of (\$403,923).	(403,923)
Change in Net Position of Governmental Activities	\$ 658,002

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

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 46,650	\$ 174,641
Total Assets	<u>46,650</u>	<u>\$ 174,641</u>
LIABILITIES		
Due to Other Funds	-	\$ 45,224
Due to Student Groups	-	129,417
Total Liabilities	<u>-</u>	<u>\$ 174,641</u>
NET POSITION		
Restricted for Scholarships	<u>46,650</u>	
Total Net Position	<u>\$ 46,650</u>	

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

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 7,599
Total Additions	<u>7,599</u>
DEDUCTIONS:	
Other Operating Costs	<u>3,400</u>
Total Deductions	<u>3,400</u>
Change in Net Position	4,199
 Total Net Position - September 1 (Beginning)	 <u>42,451</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 46,650</u></u>

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

**CENTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017**

Note A. Summary of Significant Accounting Policies

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

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

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

1. Reporting Entity

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

2. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

4. Fund Accounting

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

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

Governmental Fund Type:

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

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

Fiduciary Fund Types:

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

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

5. Cash Equivalents

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

6. Investments

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

7. Inventories

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

8. Asset Capitalization and Useful Lives

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

9. Compensated Absences

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

10. Long-Term Debt

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

11. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements of financial position (The government-wide Statement of Net Position and governmental funds Balance Sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

12. Fund Equity

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

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

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

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

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

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

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

13. Workers' Compensation Plan

For the year ended August 31, 2017, the District was a member of Deep East Texas Self Insurance Fund, a public entity risk pool, for workers' compensation insurance coverage. The Fund reinsures through commercial companies for claims in excess of \$750,000 per occurrence retention level. If the assets of the Fund were exhausted, members would be liable for their portion of the Fund liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. As of the most recent audit, the Fund stated that it has adequate assets to more than cover 100% of the liability, so there would be no contingency. Because the premiums paid by the District are expected to be the total payment and a risk has been transferred to the Fund, the payments are accounted for as expenditures.

14. Risk Management - Claims and Judgments

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

15. Restricted Assets

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

16. Functions

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

17. Data Control Codes

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

18. Estimates and Assumptions

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

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

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

One element of the reconciliation explains that capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$52,219,066 and the accumulated depreciation was (\$20,278,895). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period therefore are not reported as liabilities in the funds. At the beginning of the year, these long-term liabilities totaled (\$12,617,583). The net effect of including the beginning balances for capital assets (net of accumulated depreciation) and long-term debt in the governmental activities is to increase net position by \$19,322,588.

Another element of the reconciliation explains that current year capital outlays and long-term debt principal payments are reflected as expenditures in the fund financial statements, but are shown as increases in capital assets and reductions in long-term debt in the government-wide statement. This element affects both the balance of net position and the changes in net position. The net effect of including the current year capital outlay additions of \$2,451,321 and long-term debt principal payments of \$1,060,000 is to increase net position by \$3,511,321.

Another element of the reconciliation explains that items related to debit is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$5,361,295), a Deferred Resource Inflow related to TRS in the amount of (\$463,613) and a Deferred Resource Outflow related to TRS in the amount of \$2,262,172. This amounted to a decrease in net position in the amount of (\$3,562,736).

Another element of the reconciliation explains that current year depreciation expense is not reflected as expenditures in the fund financial statements, but is shown as increases in accumulated depreciation in the government-wide statement of net position. This element affects both the balance of net position and the changes in net position. The net effect of including the current year depreciation expense is to decrease assets by (\$1,703,923).

The final element of the reconciliation describes various other assets and liabilities recognitions, reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting. The details for this element are as follows:

	Amount	Adjustments to Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Uncollected taxes (assumed collectible) from prior year levy	203,954	
Uncollected taxes (assumed collectible) from current year levy	340,726	
Total Adjustments to Revenue and Unavailable Revenue		544,680
<u>Adjustments to Long-Term Debt</u>		
Decrease in compensated absences liability	19,428	
Interest accrued on bonds payable for current year	(24,139)	
Interest accreted on CAB bonds for current year	(23,247)	
Amortization of note premium/discount for current year	(3,159)	
Amortization of bond premium/discount for current year	122,216	
Deferred charge for refunding bonds, beginning balance	225,319	
Amortization of deferred charge for refunding bonds for current year	(57,006)	
Total Adjustments to Long-Term Debt		259,412
Net Adjustments to Net Position - Increase		804,092

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

Another element of the reconciliation explains that current year capital outlays and long-term debt principal payments are reflected as expenditures in the fund financial statements, but are shown as increases in capital assets and reductions in long-term debt in the government-wide statement. This element affects both the balance of net position and the changes in net position. The net effect of including the current year capital outlay additions of \$2,451,321 and long-term debt principal payments of \$1,060,000 is to increase net position by \$3,511,321.

Another element of the reconciliation explains that the implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date caused the change in ending net position to increase in the amount of \$445,443. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed and de-expended caused a decrease in the change in net position of (\$849,366). The impact of all of these is to decrease the change in net position by (\$403,923).

Another element of the reconciliation explains that current year depreciation expense is not reflected as expenditures in the fund financial statements, but is shown as increases in accumulated depreciation in the government-wide statement of net position. This element affects both the balance of net position and the changes in net position. The net effect of including the current year depreciation expense is to decrease assets by (\$1,703,923).

The final element of the reconciliation describes various other assets and liabilities recognitions, reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.

The details for this element are as follows:

	<u>Amount</u>	<u>Changes in Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Uncollected taxes (assumed collectible) from prior year levy	(341,885)	
Uncollected taxes (assumed collectible) from current year levy	<u>340,726</u>	
Total Adjustments to Revenue and Unavailable Revenue		(1,159)
 <u>Adjustments to Long-Term Debt</u>		
Decrease in compensated absences liability	19,428	
Interest accrued on bonds payable for current year	(24,139)	
Interest accrued on bonds payable for prior year	24,139	
Interest accreted on CAB bonds for current year	(23,247)	
Amortization of note premium/discount for current year	(3,159)	
Amortization of bond premium/discount for current year	122,216	
Amortization of deferred charge for refunding bonds for current year	<u>(57,006)</u>	
Total Adjustments to Long-Term Debt		<u>58,232</u>
 Net Adjustments to Changes in Net Position - Increase		<u><u>57,073</u></u>

Note C. Stewardship, Compliance and Accountability

Budgetary Data

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

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

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

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

Significant budget amendments during the year were as follows:

General Fund:

Increase in local and intermediate revenue sources	10,320
Increase in state program revenues	1,154,810
(Increase) in instruction expenditures	(1,190,360)
(Increase) in instructional resources and media services expenditures	(48,573)
(Increase) in curriculum and instructional staff expenditures	(12)
(Increase) in instructional leadership expenditures	(57,076)
(Increase) in school leadership expenditures	(76,083)
(Increase) in guidance, counseling and evaluation expenditures	(41,875)
(Increase) in health services expenditures	(17,454)
Decrease in student (pupil) transportation expenditures	11,797
(Increase) in cocurricular/extracurricular expenditures	(241,752)
(Increase) in general administration expenditures	(77,400)
(Increase) in facilities maintenance and operations expenditures	(55,250)
(Increase) in security and monitoring services expenditures	(36,251)
(Increase) in data processing expenditures	(8,845)
(Increase) in community services	(6,400)
(Increase) in other financing uses - transfers out	(2,480,287)
	<u>(3,160,691)</u>

Food Service Fund:

Increase in state program revenues	8,781
(Increase) in food services expenditures	(61,181)
Increase in other financing sources - transfers in	52,400
	<u>-</u>

Debt Service Fund:

(Increase) in debt service - principal	<u>(700)</u>
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Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. The District has a negative budget variance in the General Fund, Function 11 – Instruction in the amount of (\$19,934), and also in Function 36 – Extracurricular activities in the amount of (\$79,422). The District erroneously budgeted Function 36 – Extracurricular activities expenditure in Function 35 – Transportation expenditures. The negative balance is immaterial and the District has adequate funds to cover the current year expenditures. In addition, the board approved all expenditures and total budgeted expenditures exceeded actual expenditures by \$368,784.

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

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

	8/31/2017
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	-
Nonappropriated Budget Funds	<u>131,771</u>
All Nonmajor Governmental Special Revenue Funds	<u>131,771</u>

Note D. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits:

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

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

The captions and amounts of cash and cash equivalents on the balance sheet and statement of fiduciary net position at August 31, 2017 consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Balance Sheet Total	Fiduciary Funds
Cash in Bank	4,555,696	265,175	57,990	12,251	4,891,112	108,223
Investment Pools	2,779,123	366,659	18,792	-	3,164,574	113,068
Total	7,334,819	631,834	76,782	12,251	8,055,686	221,291

The District's cash deposits at August 31, 2017 and during the entire year were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

As of August 31, 2017, Center Independent School District had the following investment pools and investments:

Investment Type	Investment Maturities (in years)					
	Book Value	Fair Value*	Less than 1	1-5	6-10	More than 10
Lone Star Liquidity Plus Fund ***	3,277,642	3,277,642	3,277,642	-	-	-
Federal Home Loan Bank	2,001,755	2,001,755	-	2,001,755	-	-
Total	5,279,397	5,279,397	3,277,642	2,001,755	-	-

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

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

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

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

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

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

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; public funds investment pools; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States rated not less than A or its equivalent issued by national recognized statistical rating organizations (NRSROs). As of August 31, 2017, the District's investments in public funds investment pools were rated AAA by Standard & Poor's.

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

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

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

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

Note E. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll on January 1, 2016 upon which the levy for the 2017 fiscal year was based was \$524,436,665. The tax rates levied for the year ended August 31, 2016, to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.1700 and \$0.1638 per \$100 per valuation respectively, for a total of \$1.3338 per \$100 valuation.

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

Note F. Delinquent Taxes Receivable

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

Note G. Disaggregation of Receivables and Payables

Receivables at August 31, 2017, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Total Receivables
Governmental Activities:				
General Fund	956,592	2,013,271	200,529	3,170,392
Debt Service Fund	139,654	-	-	139,654
Capital Projects	-	-	503,797	503,797
Nonmajor Governmental Funds (Special Revenue)	-	254,726	13,923	268,649
Total - Governmental Activities	<u>1,096,246</u>	<u>2,267,997</u>	<u>718,249</u>	<u>4,082,492</u>
Amounts not scheduled for collection during the subsequent year	<u>(551,566)</u>	<u>-</u>	<u>-</u>	<u>(551,566)</u>

Payables at August 31, 2017, were as follows:

	Accounts	Salaries/ Benefits	Due to Other Funds	Other Governments	Total Payables
Governmental Activities:					
General Fund	-	1,069,645	504,047	-	1,573,692
Debt Service Fund	-	-	124,305	26,445	150,750
Capital Projects Fund	380,579	-	-	-	380,579
Nonmajor Governmental Funds (Special Revenue)	3,501	96,451	44,673	-	144,625
Total - Governmental Activities	<u>384,080</u>	<u>1,166,096</u>	<u>673,025</u>	<u>26,445</u>	<u>2,249,646</u>

Note H. Interfund Receivables and Payables

Interfund balances at August 31, 2017 consisted of the following individual fund balances:

	Receivables (Due From)	Payables (Due To)
General Fund:		
Due from/to Nonmajor Governmental Fund - Special Revenue	31,000	250
Due from/to Debt Service	124,305	-
Due from/to Capital Project	-	503,797
Due from/to Fiduciary Fund - Student Activity Fund	45,224	-
	<u>200,529</u>	<u>504,047</u>
Nonmajor Governmental Fund - Special Revenue:		
Due from/to General Fund	250	31,000
Due from/to Nonmajor Governmental Fund - Special Revenue	13,673	13,673
	<u>13,923</u>	<u>44,673</u>
Debt Service:		
Due from/to General Fund	-	124,305
Capital Project:		
Due from/to General Fund	503,797	-
Fiduciary Fund-Student Activity Fund:		
Due from/to General Fund	-	45,224
	<u>718,249</u>	<u>718,249</u>

Note I. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2017, was as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Land	598,299	-	-	598,299
Building and Improvements	46,275,703	1,826,098	718,433	48,820,234
Furniture and Equipment	4,626,631	385,134	-	5,011,765
Construction in Progress	718,433	240,089	(718,433)	240,089
Totals at Historic Cost	<u>52,219,066</u>	<u>2,451,321</u>	<u>-</u>	<u>54,670,387</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	17,160,455	1,384,554	-	18,545,009
Furniture and Equipment	3,118,440	319,369	-	3,437,809
Total Accumulated Depreciation	<u>20,278,895</u>	<u>1,703,923</u>	<u>-</u>	<u>21,982,818</u>
Governmental Activities:				
Land	598,299	-	-	598,299
Building and Improvements, Net	29,115,248	441,544	718,433	30,275,225
Furniture and Equipment, Net	1,508,191	65,765	-	1,573,956
Construction in Progress	718,433	240,089	(718,433)	240,089
Capital Assets, Net	<u>31,940,171</u>	<u>747,398</u>	<u>-</u>	<u>32,687,569</u>

The District purchased playground equipment, bus, band truck, 2 washers and dryers, wall storage unit, floral display cooler, fencing and completed additional renovations at the Middle School during the current year.

In April 2016, the District signed a construction contract in the amount of \$1,153,415 with Berry & Clay Company as the Construction Manager At-Risk for additional tennis courts. Change orders increased the contract amount by \$5,523 for a total contract amount of \$1,158,938. In the prior year, the project was reflected as construction in progress in the amount of \$718,433. In the current year, the District incurred additional construction costs of \$508,809 and completed the construction project at a total cost of \$1,227,242.

In April 2016, the District signed a construction contract in the amount of \$1,244,932 with Berry & Clay Company as the Construction Manager At-Risk for an agriculture science building annex. Change orders decreased the contract amount by (\$12,369) for a total contract amount of \$1,232,563. The District incurred \$1,287,607 of construction costs, including engineering fees, to complete the project during the year ended August 31, 2017.

In June 2017, the District signed a construction contract in the amount of \$274,234 with Berry & Clay Company as the Construction Manager At-Risk for 2017 Campus Renovations, including CHS Culinary Kitchen and CHS Field House Renovation. In the current year, the District incurred \$219,771 of the construction contract costs and \$20,318 of engineering fees. The total construction costs of \$240,089.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Instruction	871,510
Instructional Resources and Media Services	19,524
Curriculum and Instructional Staff Development	37,371
Instructional Leadership	17,116
School Leadership	75,752
Guidance, Counseling and Evaluation Services	52,029
Health Services	14,200
Student (Pupil) Transportation	171,406
Food Services	102,757
Cocurricular/Extracurricular Activities	92,672
General Administration	65,256
Plant Maintenance and Operations	144,427
Security and Monitoring Services	15,158
Data Processing Services	21,393
Community Services	3,352
Total Depreciation Expense - Governmental Activities	<u><u>1,703,923</u></u>

Note J. Maintenance Tax Note Obligation

On February 23, 2011, the District borrowed \$5,300,000 in a Qualified School Construction Maintenance Tax Note (QSCB), Taxable Series 2011. The District submitted an application including repair, renovation and major improvement projects that were approved by TEA for the QSCB Program. In the governmental fund financial statements, maintenance tax note obligations of the District current requirements for principal and interest expenditures are accounted for in the General Fund in Functions 71, 72 and 73– Debt Service for payment of principal, interest and fees, respectively. During the year ended August 31, 2017, the District paid \$0 in principal and \$308,478 in interest. During the year ended August 31, 2017, the District received \$274,129 in credit payments to issuers of qualified bonds from the United States Treasury. The federal revenue has been accounted for in the General Fund in Federal Program Revenues of \$274,129. The District was also required by the annual debt covenant to restrict \$467,000 as restricted fund balance for retirement of long-term debt. This payment is made annually to a separate sinking fund. The total amount of \$1,087,000 is restricted for retirement of long-term debt at August 31, 2017.

In the government-wide financial statements, indebtedness of the Districts is reflected in the Statement of Net Position. Premium/discount on issuance of debt, net of accumulated amortization, totaled \$18,685 at August 31, 2017. Amortization expense of \$3,159 is reflected in the Statement of Activities for the year ended August 31, 2017.

A summary of changes in Maintenance Tax Note Obligations for the year ended August 31, 2017 is as follows:

<u>Purpose</u>	<u>Stated Interest Rate</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 8/31/2017</u>
Qualified School Construction Maintenance Tax Notes, Taxable Series 2011 due in 2 installments on Feb. 15, 2021 and Feb. 15, 2026	5.4% - 6.35%	5,300,000	5,300,000	-	-	5,300,000
			5,300,000	-	-	5,300,000

Maintenance Tax Note Obligations requirements are as follows:

Maintenance Tax Note Obligations				
<u>Year Ended August 31</u>	<u>Sinking Fund</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Principal</u>
2018	467,000	308,478	775,478	-
2019	467,000	308,478	775,478	-
2020	467,000	308,478	775,478	-
2021	467,000	228,693	695,693	2,955,000
2022	467,000	148,908	615,908	-
2023-2026	1,878,000	521,178	2,399,178	2,345,000
	4,213,000	1,824,213	6,037,213	5,300,000

Note K. Bonds Payable and Debt Service Requirements

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

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

In the governmental fund financial statements, the District's current requirements for principal, interest and fees expenditures are accounted for in the Debt Service Fund Functions 71, 72 and 73, respectively. During the year ended August 31, 2017, the District paid \$1,060,000 in principal, \$172,350 interest and \$1,700 in fees.

In the government-wide financial statements, bonded indebtedness of the District is reflected in the statement of Net Position. Premium/discount on issuance of bonds, net of accumulated amortization, totaled \$360,849 at August 31, 2017. Amortization credit to interest expense of \$122,816 is reflected in the Statement of Activities for the year ended August 31, 2017. The deferred charge for refunding bonds, net of accumulated amortization, totaled \$168,313 at August 31, 2017. Amortization expense of \$57,006 is reflected in the Statement of Activities for the year ended August 31, 2017.

In the government-wide financial statements, interest of \$23,247 was accreted on the Series 2007 capital appreciation bonds for the year ended August 31, 2017. The accumulated accreted interest is a liability to the District and is recorded as an increase in bonds payable in the government-wide financial statements. Amortization expense is reflected in the Statement of Activities for the year ended August 31, 2017.

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

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2017.

A summary of changes in bonded indebtedness for the year ended August 31, 2017 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2016	Issuance/ Accretion	Retired	Amounts Outstanding 8/31/2017
Unlimited Tax School Bldg Bonds, Series 2007						
Capital Appreciation Bonds, due in annual installments February 15, 2010 through February 15, 2017	-	672,121	1,016,753 (a)	23,247 (b) (c)	672,121 367,879	-
Unlimited Tax Refunding Bonds, Series 2016	2-5%	5,690,000	5,690,000	-	20,000	5,670,000
Current Interest Bonds, due in annual installments February 15, 2017 through February 15, 2022						
			6,706,753	23,247	1,060,000	5,670,000

(a) Accretion of interest on Capital Appreciation Bonds of \$23,247

(b) Principal payment on Capital Appreciation Bonds of \$672,121

(c) Payment of accreted interest on Capital Appreciation Bonds of \$367,879

Debt service requirements are as follows:

Year Ended August 31	General Obligation Bonds		
	Principal	Interest	Total Requirements
2018	1,075,000	161,400	1,236,400
2019	1,095,000	139,700	1,234,700
2020	1,125,000	111,875	1,236,875
2021	1,165,000	71,700	1,236,700
2022	1,210,000	24,200	1,234,200
	5,670,000	508,875	6,178,875

Note L. Accumulated Sick Leave Benefits Payable

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

Balance September 1, 2016	149,609
Additions	-
Deductions	<u>(19,428)</u>
Balance August 31, 2017	<u>130,181</u>

Note M. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Maintenance Tax Note Obligation	5,300,000	-	-	5,300,000	-
Premium/Discount on Debt Issuance	(21,844)	3,159	-	(18,685)	-
General Obligation Bonds	6,706,753	23,247	1,060,000	5,670,000	1,075,000
Premium/Discount on Debt Issuance	483,065		122,216	360,849	-
Total Bonds and Notes Payable	<u>12,467,974</u>	<u>26,406</u>	<u>1,182,216</u>	<u>11,312,164</u>	<u>1,075,000</u>
Other Liabilities:					
Compensated Absences	149,609	-	19,428	130,181	-
Net Pension Liability	<u>5,477,700</u>	<u>334,372</u>	<u>450,777</u>	<u>5,361,295</u>	<u>-</u>
Total Other Liabilities	<u>5,627,309</u>	<u>334,372</u>	<u>470,205</u>	<u>5,491,476</u>	<u>-</u>
Total Governmental Activities Long-term Liabilities	<u>18,095,283</u>	<u>360,778</u>	<u>1,652,421</u>	<u>16,803,640</u>	<u>1,075,000</u>

Note N. Defined Benefit Pension Plan (TRS)

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

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

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2016	2017
Member (Employees)	7.2%	7.7%
Employer (District)	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%
2017 CISD Member Contributions		1,206,734
2017 CISD Employer Contributions		445,443
2017 CISD NECE On-Behalf Contributions		846,171
2016 CISD NECE On-Behalf Contributions		841,777

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

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

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
CISD's proportionate share of the net pension liability	8,297,479	5,361,295	2,870,818

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, Center ISD reported a liability of \$5,361,295 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Center ISD. The amount recognized by Center ISD as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Center ISD were as follows:

District's proportionate share of the collective net pension liability	\$ 5,361,295
State's proportionate share that is associated with the District	<u>9,991,763</u>
Total	<u>\$ 15,353,058</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0141876%, which was an increase (decrease) of (0.0013086%) from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2017, Center ISD recognized pension expense of \$1,036,907 and revenue of \$1,036,907 for support provided by the State.

At August 31, 2017, Center ISD reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 84,064	\$ 160,085
Changes in actuarial assumptions	163,403	148,608
Difference between projected and actual investment earnings	453,984	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,115,278	154,920
Total as of August 31, 2016 measurement date	\$ 1,816,729	\$ 463,613
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	445,443	-
Total	\$ 2,262,172	\$ 463,613

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

Year ended August 31:	Pension Expense Amount
2018	242,702
2019	242,702
2020	532,275
2021	220,452
2022	129,605
Thereafter	(14,620)
	<u>\$ 1,353,116</u>

Note O. School District Retiree Health Plan (TRS)

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

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

Contribution rates and amounts are shown in the table below for fiscal years 2017-2015.

Contribution Rates and Contribution Amounts

Active Member			State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$101,867	1.00%	\$147,209	0.55%	\$86,195
2016	0.65%	\$102,024	1.00%	\$146,951	0.55%	\$86,328
2015	0.65%	\$101,848	1.00%	\$144,572	0.55%	\$86,179

Note P. Medicare Part D (TRS)

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

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

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Center Independent School District's employees were \$73,334 for the year ended August 31, 2017. State Contributions for Medicare Part D made on behalf of Center Independent School District's employees were \$46,323 for the year ended August 31, 2016. State Contributions for Medicare Part D made on behalf of Center Independent School District's employees were \$46,006 for the year ended August 31, 2015.

Note Q. Health Care Coverage

During the year ended August 31, 2017, employees of Center Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$225 per month, which includes the \$75 which is reimbursed by the state, per employee to the Plan. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and will be administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Aetna as the health plan administrator and Caremark as the pharmacy benefits manager for TRS-ActiveCare.

Note R. Due From/To Other Governments

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

Due from/to other governments at August 31, 2017 consisted of the following:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
Governmental Activities:			
<u>Due From Other Governments:</u>			
General Fund	2,013,271	-	2,013,271
Nonmajor Governmental Funds (Special Revenue)	31,032	223,694	254,726
	<u>2,044,303</u>	<u>223,694</u>	<u>2,267,997</u>
<u>Due to Other Governments:</u>			
Debt Service Fund	26,445	-	26,445

Note S. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2017 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Governmental Funds Total</u>
Net uncollected tax revenue	476,762	67,918	544,680
	<u>476,762</u>	<u>67,918</u>	<u>544,680</u>

Note T. Commitments and Contingencies

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

Grant Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note U. Transfer In and Transfer Out

	Transfer In	Transfer Out
General Fund:		
Transfer (out) to Nonmajor Governmental Funds (Special Revenue)	-	(84,916)
Transfer (out) to Capital Projects Fund	-	(1,884,744)
	-	(1,969,660)
Nonmajor Governmental Funds (Special Revenue):		
Transfer in from General Fund	84,916	-
Capital Projects Fund:		
Transfer in from General Fund	1,884,744	-
	1,969,660	(1,969,660)

The General Fund transferred \$1,884,744 to the Capital Projects Fund for construction projects.

The General Fund transferred \$84,916 to the Food Service Fund for the deficiency of revenues over expenditures.

Note V. Revenue from Local and Intermediate Sources

<u>Revenue Sources</u>	<u>Government Fund Types</u>					<u>Fund</u>
	<u>General</u>	<u>Debt</u>	<u>Capital</u>	<u>Nonmajor</u>		<u>Private</u>
	<u>Fund</u>	<u>Service</u>	<u>Projects</u>	<u>Funds</u>	<u>Total</u>	<u>Purpose</u>
		<u>Fund</u>	<u>Fund</u>			<u>Trust Funds</u>
Property taxes and tax-related income	6,296,734	878,957	-	-	7,175,691	-
Tuition and fees	68,047	-	-	-	68,047	-
Investment income	103,872	5,374	118	510	109,874	284
Gifts and bequests	-	-	-	-	-	7,315
Rent	50	-	-	-	50	-
Food service activity	-	-	-	194,042	194,042	-
Co-curricular	59,250	-	-	-	59,250	-
Campus activity fund local revenue	165,007				165,007	
Other local and intermediate sources	13,467				13,467	
Miscellaneous - other local sources	4,859	-	-	12,750	17,609	-
	6,711,286	884,331	118	207,302	7,803,037	7,599

Note W. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Federal Oil and Gas Royalty	15.427	5,015
Qualified School Construction Bonds	N/A	274,129
School Health and Related Services (SHARS)	N/A	383,550
		<u>662,694</u>

Note X. Shared Service Arrangements

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

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

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

Shared Services Arrangements payments were as follows for the year ended August 31, 2017.

General Fund - Function 93:	
SSA - Alternative Education	89,193
SSA - UIL	4,394
Total SSA payments	<u>93,587</u>

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

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

	<u>Percentage</u>	<u>Fund 458 SSA Alternative Education</u>
Funds received current year:		
Center ISD	42.49%	89,193
San Augustine ISD	11.76%	24,682
Shelbyville ISD	13.32%	27,966
Joaquin ISD	11.35%	23,832
Timpson ISD	9.82%	20,619
Tenaha ISD	9.86%	20,702
Excelsior ISD	<u>1.39%</u>	<u>2,925</u>
Total SSA funds received	<u>100.00%</u>	<u>209,919</u>
TRS on behalf revenue		<u>9,861</u>
Total state program revenues		<u>219,780</u>

Note Y. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through December 20, 2017, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CENTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,000,542	\$ 6,010,862	\$ 6,711,286	\$ 700,424
5800	State Program Revenues	15,939,931	17,094,741	17,758,117	663,376
5900	Federal Program Revenues	321,244	321,244	662,694	341,450
5020	Total Revenues	22,261,717	23,426,847	25,132,097	1,705,250
EXPENDITURES:					
Current:					
0011	Instruction	11,838,288	13,028,648	13,048,582	(19,934)
0012	Instructional Resources and Media Services	289,768	338,341	324,551	13,790
0013	Curriculum and Instructional Staff Development	156,671	156,683	114,340	42,343
0021	Instructional Leadership	229,112	286,188	284,519	1,669
0023	School Leadership	1,198,616	1,274,699	1,259,238	15,461
0031	Guidance, Counseling and Evaluation Services	770,090	811,965	789,533	22,432
0033	Health Services	219,543	236,997	236,051	946
0034	Student (Pupil) Transportation	1,764,996	1,753,199	1,511,340	241,859
0036	Extracurricular Activities	1,180,687	1,422,439	1,501,861	(79,422)
0041	General Administration	1,008,496	1,085,896	1,078,855	7,041
0051	Facilities Maintenance and Operations	2,408,983	2,464,233	2,384,364	79,869
0052	Security and Monitoring Services	217,154	253,405	251,980	1,425
0053	Data Processing Services	351,835	360,680	355,623	5,057
0061	Community Services	-	6,400	6,301	99
Debt Service:					
0072	Interest on Long Term Debt	308,478	308,478	308,478	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	125,000	125,000	93,587	31,413
0099	Other Intergovernmental Charges	194,000	194,000	189,264	4,736
6030	Total Expenditures	22,261,717	24,107,251	23,738,467	368,784
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(680,404)	1,393,630	2,074,034
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(2,480,287)	(1,969,660)	510,627
1200	Net Change in Fund Balances	-	(3,160,691)	(576,030)	2,584,661
0100	Fund Balance - September 1 (Beginning)	10,552,712	10,552,712	10,552,712	-
3000	Fund Balance - August 31 (Ending)	\$ 10,552,712	\$ 7,392,021	\$ 9,976,682	\$ 2,584,661

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-6

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0141876%	0.0154962%	0.009616%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,361,295	\$ 5,477,700	\$ 2,568,567
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,991,763	9,795,156	8,269,759
Total	<u>\$ 15,353,058</u>	<u>\$ 15,272,856</u>	<u>\$ 10,838,326</u>
District's Covered-Employee Payroll	\$ 15,696,039	\$ 15,668,897	\$ 14,804,755
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	34.16%	34.96%	17.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

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

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

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

EXHIBIT G-7

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

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

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

CENTER INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Changes of benefit terms

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

Changes of assumptions

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

COMBINING SCHEDULES

CENTER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		211	212	224
		ESEA I, A Improving Basic Program	ESEA Title I Part C Migrant	IDEA - Part B Formula
ASSETS				
1110	Cash and Cash Equivalents	\$ (8,272)	\$ (35)	\$ (5,525)
1240	Receivables from Other Governments	79,277	35	35,260
1260	Due from Other Funds	-	-	-
1000	Total Assets	<u>\$ 71,005</u>	<u>\$ -</u>	<u>\$ 29,735</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	37,461	-	27,486
2170	Due to Other Funds	30,000	-	-
2200	Accrued Expenditures	3,544	-	2,249
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>71,005</u>	<u>-</u>	<u>29,735</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 71,005</u>	<u>\$ -</u>	<u>\$ 29,735</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI
\$ -	\$ (87,654)	\$ -	\$ (120)	\$ (2,599)	\$ -	\$ -	\$ -
2,714	95,576	-	4,597	6,235	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,714</u>	<u>\$ 7,922</u>	<u>\$ -</u>	<u>\$ 4,477</u>	<u>\$ 3,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,675	7,774	-	4,064	3,298	-	-	-
-	-	-	-	-	-	-	-
39	148	-	413	338	-	-	-
-	-	-	-	-	-	-	-
<u>2,714</u>	<u>7,922</u>	<u>-</u>	<u>4,477</u>	<u>3,636</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,714</u>	<u>\$ 7,922</u>	<u>\$ -</u>	<u>\$ 4,477</u>	<u>\$ 3,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CENTER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		410 State Textbook Fund	427 Other State Special Revenue Funds	428 High School Allotment	429 Other State Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 4,504	\$ (1,650)	\$ (28,423)	\$ 3,291
1240	Receivables from Other Governments	-	1,750	22,110	7,172
1260	Due from Other Funds	-	3,400	8,418	2,105
1000	Total Assets	<u>\$ 4,504</u>	<u>\$ 3,500</u>	<u>\$ 2,105</u>	<u>\$ 12,568</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 3,500	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	2,105	12,568
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	4,504	-	-	-
2000	Total Liabilities	<u>4,504</u>	<u>3,500</u>	<u>2,105</u>	<u>12,568</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,504</u>	<u>\$ 3,500</u>	<u>\$ 2,105</u>	<u>\$ 12,568</u>

458 SSA Alternative Education	Total Nonmajor Governmental Funds
\$ 138,734	\$ 12,251
-	254,726
-	13,923
<u>\$ 138,734</u>	<u>\$ 280,900</u>
\$ 1	\$ 3,501
6,820	89,578
-	44,673
142	6,873
-	4,504
<u>6,963</u>	<u>149,129</u>
131,771	131,771
<u>131,771</u>	<u>131,771</u>
<u>\$ 138,734</u>	<u>\$ 280,900</u>

CENTER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
	REVENUES:			
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	725,273	16,397	492,287
5020	Total Revenues	725,273	16,397	492,287
	EXPENDITURES:			
	Current:			
0011	Instruction	203,227	16,357	415,445
0013	Curriculum and Instructional Staff Development	477,111	-	2,566
0031	Guidance, Counseling and Evaluation Services	-	-	74,276
0035	Food Services	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0061	Community Services	44,935	40	-
6030	Total Expenditures	725,273	16,397	492,287
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI
\$ -	\$ 207,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	9,870	-	-	-	-	-	1,500
46,476	1,388,517	33,556	97,133	55,571	51,407	5,825	-
46,476	1,605,689	33,556	97,133	55,571	51,407	5,825	1,500
46,346	-	32,613	96,739	44,303	51,407	5,825	1,500
-	-	-	394	11,268	-	-	-
130	-	943	-	-	-	-	-
-	1,708,146	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
46,476	1,708,146	33,556	97,133	55,571	51,407	5,825	1,500
-	(102,457)	-	-	-	-	-	-
-	84,916	-	-	-	-	-	-
-	(17,541)	-	-	-	-	-	-
-	17,541	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CENTER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		410 State Textbook Fund	427 Other State Special Revenue Funds	428 High School Allotment	429 Other State Special Revenue Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	284,824	10,717	31,535	41,768
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>284,824</u>	<u>10,717</u>	<u>31,535</u>	<u>41,768</u>
EXPENDITURES:					
Current:					
0011	Instruction	284,824	-	31,535	33,541
0013	Curriculum and Instructional Staff Development	-	11,767	-	3,779
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0035	Food Services	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0061	Community Services	-	-	-	4,448
6030	Total Expenditures	<u>284,824</u>	<u>11,767</u>	<u>31,535</u>	<u>41,768</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,050)	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	(1,050)	-	-
0100	Fund Balance - September 1 (Beginning)	-	1,050	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

458 SSA Alternative Education	Total Nonmajor Governmental Funds
\$ -	\$ 207,302
219,780	599,994
-	2,912,442
219,780	3,719,738
174,907	1,438,569
-	506,885
-	75,349
-	1,708,146
5,903	5,903
16,452	16,452
-	49,423
197,262	3,800,727
22,518	(80,989)
-	84,916
22,518	3,927
109,253	127,844
\$ 131,771	\$ 131,771

REQUIRED T.E.A. SCHEDULES

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.193800	464,612,742
2010	1.040000	0.193800	547,797,131
2011	1.170000	0.063800	512,712,919
2012	1.170000	0.163800	595,359,274
2013	1.170000	0.163800	591,614,327
2014	1.170000	0.163800	591,684,360
2015	1.170000	0.163800	601,696,128
2016	1.170000	0.163800	556,143,966
2017 (School year under audit)	1.170000	0.163800	524,436,665
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 319,530	\$ -	\$ 12,886	\$ 2,400	\$ (112,172)	\$ 192,072
29,371	-	1,934	360	(986)	26,090
46,545	-	2,369	441	(670)	43,064
52,592	-	5,471	298	(661)	46,161
70,793	-	7,481	1,049	(731)	61,532
98,585	-	13,400	1,876	(1,485)	81,824
111,976	-	15,811	2,199	3,348	97,314
155,827	-	26,935	3,760	1,697	126,828
257,040	-	80,459	11,243	(15,916)	149,422
-	6,994,936	6,000,143	838,406	115,551	271,938
<u>\$ 1,142,258</u>	<u>\$ 6,994,936</u>	<u>\$ 6,166,890</u>	<u>\$ 862,033</u>	<u>\$ (12,025)</u>	<u>\$ 1,096,246</u>

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FOOD SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 276,259	\$ 276,259	\$ 207,302	\$ (68,957)
5800 State Program Revenues	8,630	17,411	9,870	(7,541)
5900 Federal Program Revenues	1,370,891	1,370,891	1,388,517	17,626
5020 Total Revenues	1,655,780	1,664,561	1,605,689	(58,872)
EXPENDITURES:				
0035 Food Services	1,655,780	1,716,961	1,708,146	8,815
6030 Total Expenditures	1,655,780	1,716,961	1,708,146	8,815
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(52,400)	(102,457)	(50,057)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	52,400	84,916	32,516
1200 Net Change in Fund Balances	-	-	(17,541)	(17,541)
0100 Fund Balance - September 1 (Beginning)	17,541	17,541	17,541	-
3000 Fund Balance - August 31 (Ending)	\$ 17,541	\$ 17,541	\$ -	\$ (17,541)

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 833,350	\$ 833,350	\$ 884,331	\$ 50,981
5800	State Program Revenues	400,000	400,000	452,284	52,284
5020	Total Revenues	1,233,350	1,233,350	1,336,615	103,265
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	692,121	692,821	1,060,000	(367,179)
0072	Interest on Long Term Debt	540,229	540,229	172,350	367,879
0073	Bond Issuance Cost and Fees	1,000	1,000	1,700	(700)
6030	Total Expenditures	1,233,350	1,234,050	1,234,050	-
1200	Net Change in Fund Balances	-	(700)	102,565	103,265
0100	Fund Balance - September 1 (Beginning)	378,519	378,519	378,519	-
3000	Fund Balance - August 31 (Ending)	\$ 378,519	\$ 377,819	\$ 481,084	\$ 103,265

FEDERAL AWARDS SECTION

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

Independent Auditor's Report

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center Independent School District (the District) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

December 20, 2017

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

Independent Auditor's Report

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

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Center Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Center Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Center Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Center Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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



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

December 20, 2017

**CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Center Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Center Independent School District was disclosed during the audit.
- d. No significant deficiencies or material weaknesses relating to the audit of the major federal award program is reported in the report on internal control over compliance required by Uniform Guidance.
- e. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
- f. No audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under Section 510(a) of Uniform Guidance.
- g. The program tested as major programs was:

IDEA – Part B, Formula	CFDA# 84.027
IDEA – Part B, Preschool	CFDA# 84.173
ESEA, Title II, Part A, Teacher/Principal Training	CFDA# 84.367A

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

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

No findings required to be reported.

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

No findings required to be reported.

**CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017**

There were no prior year audit findings or questioned costs.

**CENTER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017**

There were no current year audit findings or questioned costs.

CENTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF INTERIOR			
<u>Passed Through Shelby County Texas</u>			
Federal Oil and Gas Royalty	15.427	N/A	\$ 5,015
Total Passed Through Shelby County Texas			5,015
TOTAL U. S. DEPARTMENT OF INTERIOR			5,015
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17-6101101210901	646,209
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-6101101210901	79,064
Total CFDA Number 84.010A			725,273
ESEA, Title I, Part C - Migratory Children	84.011	17-615001210901	16,397
*IDEA - Part B, Formula	84.027	17-6600012109016600	457,352
*IDEA - Part B, Formula	84.027	18-6600012109016600	34,935
Total CFDA Number 84.027			492,287
*IDEA - Part B, Preschool	84.173	17-6610012109016610	43,762
*IDEA - Part B, Preschool	84.173	18-6610012109016610	2,714
Total CFDA Number 84.173			46,476
Total Special Education Cluster (IDEA)			538,763
Career and Technical - Basic Grant	84.048	17-420006210901	33,556
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	17-696001210901	51,407
Title III, Part A - English Language Acquisition	84.365A	17-671001210901	51,934
Title III, Part A - English Language Acquisition	84.365A	18-671001210901	3,637
Total CFDA Number 84.365A			55,571
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17-694501210901	92,656
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	18-694501210901	4,477
Total CFDA Number 84.367A			97,133
Summer School LEP	84.369A	69551602	5,825
Total Passed Through State Department of Education			1,523,925
TOTAL U.S. DEPARTMENT OF EDUCATION			1,523,925
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program - Cash Assistance	10.553	N/A	310,111
*School Breakfast Program - Non-Cash Assistance	10.553	N/A	31,544
Total CFDA Number 10.553			341,655
*National School Lunch Program - Cash Assistance	10.555	N/A	950,207
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	96,655
Total CFDA Number 10.555			1,046,862
Total Child Nutrition Cluster			1,388,517
Total Passed Through the State Department of Agriculture			1,388,517
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,388,517
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,917,457

*Clustered Programs as required by Compliance Supplement April 2017

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**CENTER INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017**

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted or committed to specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Uniform Guidance Compliance Statement.
4. Nonmonetary assistance received from the Commodity Supplemental Food Program is recorded at fair market value of the commodities received and disbursed. The revenues and expenses are reported in the Food Service Special Revenue Fund.
5. According to AAG-SLB Appendix D, Questions and Answers, most Medicaid arrangements between the states and providers are contracts for services and not Federal assistance. Therefore, they should not appear on the Schedule of Federal Awards.

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

General Fund	662,694
Special Revenue Fund	<u>2,912,442</u>
Sub-total	3,575,136
Less Medicaid Arrangements Payments	
School Health & Related Services (SHARS)	(383,550)
Less Qualified School Construction Bonds	<u>(274,129)</u>
Total Federal Program Expenditures	<u>2,917,457</u>