

CLEBURNE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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CLEBURNE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board	1
	Independent Auditors' Report	2
	Management's Discussion and Analysis	5
	<u>Basic Financial Statements</u>	
	Government-wide Statements:	
A-1	Statement of Net Position	14
B-1	Statement of Activities	15
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	16
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances	18
C-4	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	20
E-2	Statement of Changes in Fiduciary Net Position	21
	Notes to the Financial Statements	22
	<u>Required Supplementary Information</u>	
G-1	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund	59
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability	60
G-3	Schedule of the District Contributions Teacher Retirement System	61
G-4	Schedule of the District's Proportionate Share of the Net OPEB Liability Teacher Retirement System	62
G-5	Schedule of the District's OPEB Contributions Teacher Retirement System	63
	Notes to Required Supplementary Information	64
	<u>Combining Statements</u>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	65
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	68
	Private Purpose Trust Funds:	
H-3	Combining Statement of Net Position	71
H-4	Combining Statement of Revenues, Expenses and Changes in Net Position	74
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes Receivable	77
J-3	Fund Balance and Cash Flow Calculation Worksheet (Unaudited)	79
J-4	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – National Breakfast and Lunch Program	80
J-5	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Debt Service Fund	81

CLEBURNE INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<u>Federal Awards Section</u>	
	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	82
	Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	84
K-1	Schedule of Expenditures of Federal Awards	86
	Notes to Schedule of Expenditures of Federal Awards	87
	Schedule of Findings and Questioned Costs	89
	Summary Schedule of Prior Audit Findings	90

CERTIFICATE OF THE BOARD

Cleburne Independent School District
Name of School District

Johnson
County

126-903
Co. – District 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 June 30, 2018, at a meeting of the board of trustees of such school district on the 12th day of November, 2018.

Signature of Board Secretary

Signature of Board President

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

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cleburne Independent School District
Cleburne, Texas

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 Cleburne Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Cleburne Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Cleburne Independent School District's 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.

Auditors' 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 auditors' judgement, 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 Cleburne Independent School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2018 the District adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and pension and OPEB information 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 in 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 Cleburne Independent School District's basic financial statements. The combining nonmajor fund financial statements, required TEA schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, required TEA schedules and the 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 nonmajor fund financial statements, required TEA schedules and the Schedules of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Exhibit J-3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018 on our consideration of the Cleburne Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 Cleburne Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 12, 2018

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CLEBURNE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

As management of the Cleburne Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2018. Please read this narrative in conjunction with the independent auditors' report and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The net position of the District at the close of its fiscal year was \$25,672,236, a net increase of \$11,982,326 from operations over last year. Unrestricted net position of (\$16,958,001) may be used to meet the District's ongoing obligations to citizens and creditors. Net Investment in Capital Assets is \$37,554,592. The remaining \$5,075,645 is restricted for Federal and State Programs, Debt Service, Capital Projects and Campus Activities.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$106,475,941 a net decrease of \$45,188,138 over the prior year. The General Fund increased by \$665,036 from current year operations. Other funds had a decrease of \$45,853,174 from current year operations. This is primarily the result of the Capital Projects Fund being reduced by \$46,572,655 from current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$21,420,583 or 38% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$23,412,358, or 48% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

- Government-wide financial statements - These statements provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information on all of the District's assets, deferred outflows/inflows, liabilities, and deferred inflows of resources with the difference being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information on all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (government activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable.

Fund financial statements – These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All the funds of the District can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – these financial 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.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services. The District has no proprietary funds.
- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's operations.
- Notes to the financial statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management's Discussion and Analysis is required supplementary information under governmental accounting standards. The "Combining Schedules" for nonmajor funds contain even more information about the District's individual funds. The "Required Texas Education Agency Schedules" and "Reports on Internal Controls, Compliance and Federal Awards" contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the statement of net position (Table 1) and the statement of activities (Table 2) of the District's governmental activities.

TABLE 1
NET POSITION

	Governmental Activities	
	2018	2017
Assets:		
Current and other assets	\$ 108,971,512	\$ 107,050,974
Long-term investments	13,123,145	52,949,525
Capital assets	<u>121,053,707</u>	<u>74,941,801</u>
Total assets	<u>243,148,364</u>	<u>234,942,300</u>
Deferred Outflows of Resources:		
Deferred charges for refunding	1,781,491	1,953,889
Teach Retirement System	<u>5,009,543</u>	<u>6,565,233</u>
Total deferred outflows of resources	<u>6,791,034</u>	<u>8,519,122</u>
Liabilities:		
Long-term liabilities	195,389,020	179,037,481
Other liabilities	<u>16,966,230</u>	<u>9,742,534</u>
Total liabilities	<u>212,355,250</u>	<u>188,780,015</u>
Deferred Inflows of Resources:		
Teacher Retirement System	<u>11,911,912</u>	<u>897,016</u>
Net position:		
Net investment in capital assets	37,554,592	34,529,632
Restricted	5,075,645	4,685,996
Unrestricted	<u>(16,958,001)</u>	<u>14,568,763</u>
Total net position	<u>\$ 25,672,236</u>	<u>\$ 53,784,391</u>

The District's governmental activities net position increased by a net of \$11,982,326 from operations, as previously discussed. However, the implementation of Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* contributed to the overall decrease in governmental activities net position from \$53,784,391 to \$25,672,236. Due to this new accounting standard, the District reduced the beginning balance of net position by \$40,094,481. A large portion of net position, \$37,554,592, or 146%, reflects the District's net investment in capital assets (e.g., land, buildings, furniture and equipment, and accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$5,075,645 or 20%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets, (\$16,958,001), may be used to meet the District's ongoing obligations.

TABLE 2
CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues:		
Charges for services	\$ 2,017,500	\$ 1,747,212
Operating grants and contributions	(1,453,930)	10,247,288
General revenues:		
Maintenance and operations taxes	28,658,006	27,690,272
Debt service taxes	11,210,933	10,835,687
State aid - formula grants	24,675,519	21,299,765
Grants and contributions not restricted	-	5,700
Investment earnings	1,599,793	940,093
Miscellaneous local & intermediate revenue	222,407	207,991
Total revenues	<u>66,930,228</u>	<u>72,974,008</u>
EXPENSES		
Instruction	25,745,641	36,450,227
Instructional resources and media services	428,040	532,968
Curriculum and staff development	1,102,754	1,074,071
Instructional leadership	670,003	809,877
School leadership	2,369,331	3,087,141
Guidance, counseling, and evaluation services	1,483,366	1,769,800
Social work services	860	4,190
Health services	459,174	620,189
Student transportation	1,839,457	2,030,627
Food service	2,822,727	3,420,750
Extracurricular activities	2,310,015	2,339,523
General administration	2,059,077	1,577,109
Facilities maintenance and operations	6,176,440	7,925,558
Security and monitoring services	657,690	643,250
Data processing services	975,589	947,236
Community services	5,507	74,044
Interest on long-term debt	5,227,231	4,636,555
Bond issuance cost and fees	4,026	-
Payments related to shared services arrangements	67,312	86,088
Other governmental changes	543,662	537,277
	<u>54,947,902</u>	<u>68,566,480</u>
Increase/(Decrease) in net position before inflows/outflows and special items	11,982,326	4,407,528
NET POSITION, BEGINNING	53,784,391	49,376,863
PRIOR PERIOD ADJUSTMENT	(40,094,481)	-
NET POSITION, ENDING	<u>\$ 25,672,236</u>	<u>\$ 53,784,391</u>

Governmental Revenue by Source

	Governmental Activities	
	2018	2017
Program Revenues:		
Charges for services	3.0%	2.5%
Operating grants and contributions	(2.2%)	14.0%
General Revenues:		
Maintenance & operating taxes	42.8%	37.9%
Debt Service taxes	16.8%	14.8%
State aid - formula grants	36.9%	29.2%
All others	2.7%	1.6%
Total Revenues	100.0%	100.0%

Governmental Expenses by Function

	Governmental Activities	
	2018	2017
Instruction	46.85%	53.16%
Instructional resources and media services	0.78%	0.78%
Curriculum and staff development	2.01%	1.57%
Instructional leadership	1.22%	1.18%
School leadership	4.31%	4.50%
Guidance, counseling, and evaluation services	2.70%	2.58%
Social work services	0.00%	0.01%
Health services	0.84%	0.90%
Student transportation	3.35%	2.96%
Food service	5.14%	4.99%
Extracurricular activities	4.20%	3.41%
General administration	3.75%	2.30%
Facilities maintenance and operations	11.24%	11.56%
Security and monitoring services	1.20%	0.94%
Data processing services	1.78%	1.38%
Community services	0.01%	0.11%
Interest on long-term debt	9.51%	6.76%
Bond issuance costs and fees	0.01%	-
Payments related to shared services arrangements	0.12%	0.13%
Other governmental changes	0.99%	0.78%
	100.00%	100.00%

The District's net position increased by a net of \$11,982,326, or 22% from current fiscal year operations as shown below.

- 1) Total net change in Fund Balances – Governmental Funds – (\$45,188,138)
- 2) Capital outlays and long-term debt principal – \$52,346,014
- 3) Depreciation – (\$3,630,760)
- 4) GASB 68 adjustments – (\$505,008)
- 5) Other miscellaneous adjustments – \$940,961
- 6) GASB 75 adjustments – \$8,019,257

The District is required under GASB 68 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan. The required entries to record the effects of GASB 68 and GASB 71, an amendment to GASB 68, are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and is discussed in greater detail in the notes to the financial statements.

The District is required under GASB 75 to report its proportionate share of the unfunded liability associated with TRS-Care. The required entries to record the effects of GASB 75 are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and is discussed in greater detail in the notes to the financial statements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balance 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.

The District’s governmental funds reported a combined ending fund balance of \$106,475,941, a net decrease of \$45,188,138 over last year’s combined fund balance. Unassigned fund balance is \$21,420,583, or 20%, and is available for spending at the District’s discretion. The remainder of fund balance is not available for discretionary spending because it is classified as nonspendable, restricted or committed for the following items:

Nonspendable fund balance:	
Inventories -	
National Breakfast & Lunch Program	\$ 80,826
Total inventories	<u>80,826</u>
Prepaid items -	
General Fund	<u>92,423</u>
Total prepaid items	<u>92,423</u>
Restricted fund balance:	
Federal or state funds grant restrictions -	
National Breakfast & Lunch Program	1,148,742
Other State Special Revenue Funds	<u>751</u>
Total federal or state funds grant restriction	<u>\$ 1,149,493</u>
Capital acquisition & contractual obligations -	
Capital Projects Fund	74,540,501
Retirement of long-term debt - Debt Service fund	5,799,952
Committed fund balance:	
Other committed fund balance - Campus Activity funds	609,476
Assigned fund balance:	
Other assigned fund balance - Subsequent year's budget	2,782,687

The General Fund is the chief operating fund of the District. At the end of the current fiscal the General Fund’s unassigned fund balance was \$21,420,583 or 88% while the total fund balance was \$24,295,693. The total fund balance increased by \$665,036 from current year operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District’s budget several times. These budget amendments fall into three categories:

1. Amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we originally estimated).
2. Major amendments were in Function 51, Facilities Maintenance and Operations for unanticipated maintenance expenditures not include original budget.
3. Amendments to Function 81, Facilities Acquisition and Construction for the purchase of a local gym facility to be used by the District’s Information Technology department.

The District’s actual General Fund balance of \$24,295,693 differs from the General Fund’s budgetary fund balance of \$20,809,020. The difference of \$3,486,673 is primarily due to actual revenues exceeding budgeted revenues by \$765,554 and actual expenditures being \$2,721,119 less than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$121,053,707 (net of accumulated depreciation) for a net increase of \$46,111,906 or 62% from last year. The increase is due to preliminary costs associated with new facilities. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

More detail information about the District's capital assets are presented in the notes to the financial statements.

	Capital Assets	
	2018	2017
Land	\$ 2,905,636	\$ 2,868,886
Construction-in-progress	53,333,562	4,385,880
Buildings and improvements	118,563,723	118,130,011
Furniture and equipment	14,900,956	14,623,356
Less depreciation	(68,650,170)	(65,066,332)
Totals	<u>\$ 121,053,707</u>	<u>\$ 74,941,801</u>

Debt Service

At year-end, the District had \$172,550,215 in long-term debt, consisting of \$138,514,126 in outstanding general obligation bonds, accreted interest of \$382,574, premium on bonds of \$23,403,200 and net pension liability of \$12,729,108, versus \$163,479,214 last year for an decrease of \$4,807,091. In addition, the District had a net OPEB liability of \$22,838,805.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2019, the District experienced a slight increase in the tax base of approximately .35%. Single family residences and real property, and farm and ranch improvements showed net increases of approximately 9.0% relative to the prior year amounts respectively and individually. Despite these increases, declines in tax base attributable to minerals and related gas sector businesses offset were the main contributors to the overall decrease in the total tax base. The current year funding does not provide sufficient resources necessary to adopt a budget in which budgeted revenue exceeds budgeted expenditures, however, the fund balance position of the district is sufficient to ensure that operations can be maintained at the current level and the district remain financially strong.

Next Year's Budget and Rates

The District's elected and appointed officials considered many factors when setting the fiscal year 2019 budget and tax rate. In preparing the 2019 budget, the goal of the Board of Trustees was to adopt a budget that meets the District's educational goals for successful education of its students, provides for a marketable salary for district employees, and to provide sufficient resources to address aging facilities. The general fund budget, as presented and approved, resulted in a budgetary deficit of approximately \$2.7 million, primarily due to the decline in revenue as a result of the decline in the tax base.

For the 2019 fiscal year, the District's budgeted revenue is projected to increase approximately \$900 thousand from the 2018 revenue due to the modest increase in tax base. Budgeted expenditures included increases in salaries for all employees of the district. Enrollment assumptions used in calculating state revenue for the 2018-2019 operating budget did not anticipate any increase in enrollment from the 2017-2018 final enrollment figures.

By adopting a general fund budget deficit for the 2019 fiscal year, the District plans to decrease fund balance on an annual operating year. The year-end fund balance for the 2018 fiscal year ended June 30, 2018, and the beginning fund balance for the 2019 fiscal year in the general fund is \$23.3 million, which is approximately 36.7% of the 2019 annual budgeted operating expenditures. The total, approved budgeted expenses is \$60.7 million for the 2019 fiscal year. With ongoing changes and developments in the accountability standards established by the State of Texas, the District will continue to monitor expenditures and to ensure programmatic requirements and compliance are met.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The 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 information, contact the Superintendent's Office, at Cleburne Independent School District, 505 N. Ridgeway, Suite 100, Cleburne, Texas 76033.

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BASIC FINANCIAL STATEMENTS

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CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

Data Control Codes	1 <u>Primary Government</u> Governmental Activities
ASSETS	
1110 Cash and cash equivalents	\$ 58,466,648
1120 Current investments	39,824,603
1220 Delinquent property taxes receivables	2,690,504
1230 Allowance for uncollectible taxes	(1,431,198)
1240 Due from other governments	9,093,995
1250 Accrued interest	147,880
1267 Due from fiduciary funds	5,831
1300 Inventories	80,826
1410 Prepayments	92,423
1910 Long-term investments	13,123,145
Capital assets:	
1510 Land	2,905,636
1520 Buildings, net	61,189,038
1530 Furniture and equipment, net	3,625,471
1580 Construction in progress	53,333,562
1000 Total assets	<u>243,148,364</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred change for refunding	1,781,491
1705 Deferred outflow related to NPL	4,692,447
1706 Deferred outflow related to OPEB	317,096
1700 Total deferred outflows of resources	<u>6,791,034</u>
LIABILITIES	
2110 Accounts payable	7,745,514
2140 Interest payable	2,253,726
2150 Payroll deductions and withholdings	626,352
2160 Accrued wages payable	5,521,083
2180 Due to other governments	747,313
2200 Accrued expenses	21,996
2300 Unearned revenue	50,246
Noncurrent liabilities:	
2501 Due within one year	4,255,000
2502 Due in more than one year	155,566,107
2540 Net pension liability	12,729,108
2545 Net OPEB liability	22,838,805
2000 Total liabilities	<u>212,355,250</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred inflow related to NPL	2,358,397
2606 Deferred inflow related to OPEB	9,553,515
2600 Total deferred inflows of resources	<u>11,911,912</u>
NET POSITION	
3200 Net investment in capital assets	37,554,592
Restricted for:	
3820 Federal and state programs	845,892
3850 Debt service	3,696,509
3870 Campus activities	533,244
3900 Unrestricted	(16,958,001)
3000 Total net position	<u>\$ 25,672,236</u>

The accompanying notes are an integral part of this financial statement.

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CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expenses)
			3 Charges for Services	4 Operating Grants and Contributions	6 Revenue Changes in Net Position Primary Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$ 25,745,641	\$ 117,928	\$(2,660,353)	\$(28,288,066)
12	Instructional resources and media services	428,040	-	(68,188)	(496,228)
13	Curriculum and staff development	1,102,754	-	51,486	(1,051,268)
21	Instructional leadership	670,003	-	(118,112)	(788,115)
23	School leadership	2,369,331	-	(522,830)	(2,892,161)
31	Guidance, counseling, and evaluation services	1,483,366	-	366,831	(1,116,535)
32	Social work services	860	-	810	(50)
33	Health services	459,174	-	(92,694)	(551,868)
34	Student transportation	1,839,457	-	(212,002)	(2,051,459)
35	Food service	2,822,727	740,756	2,589,461	507,490
36	Extracurricular activities	2,310,015	1,034,339	(206,459)	(1,482,135)
41	General administration	2,059,077	-	(239,085)	(2,298,162)
51	Facilities maintenance and operations	6,176,440	124,477	(427,478)	(6,479,441)
52	Security and monitoring services	657,690	-	(96)	(657,786)
53	Data processing services	975,589	-	(99,212)	(1,074,801)
61	Community services	5,507	-	4,571	(936)
72	Interest on long-term debt	5,227,231	-	170,213	(5,057,018)
73	Bond issuance costs and fees	4,026	-	-	(4,026)
93	Payments related to shared services arrangements	67,312	-	9,207	(58,105)
99	Other governmental changes	543,662	-	-	(543,662)
TG	Total governmental activities	\$ 54,947,902	\$ 2,017,500	\$(1,453,930)	(54,384,332)
Data Control Codes					
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				28,658,006
DT	Property taxes, levied for debt service				11,210,933
SF	State aid - formula grants				24,675,519
IE	Investment earnings				1,599,793
MI	Miscellaneous local and intermediate revenue				222,407
TR	Total general revenues				66,366,658
CN	Change in net position				11,982,326
NB	Net position, beginning				53,784,391
PA	Prior period adjustments				(40,094,481)
NE	Net position, ending				\$ 25,672,236

The accompanying notes are an integral part of this financial statement.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes	10 General Fund	211 ESEA I, A Improving Basic Program	522 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS						
1110 Cash and cash equivalents	\$ 21,696,819	\$ 1,417,317	\$ 5,683,042	\$ 28,177,669	\$ 1,491,801	\$ 58,466,648
1120 Current investments	-	-	-	39,824,603	-	39,824,603
1220 Property taxes - delinquent	2,179,300	-	511,204	-	-	2,690,504
1230 Allowance for uncollectible taxes	(1,159,266)	-	(271,932)	-	-	(1,431,198)
1240 Due from other governments	7,030,574	1,081,994	-	-	981,427	9,093,995
1250 Accrued interest	-	-	-	147,880	-	147,880
1260 Due from other funds	3,008,923	-	17,264	176,106	880,695	4,082,988
1300 Inventories	-	-	-	-	80,826	80,826
1410 Prepayments	92,423	-	-	-	-	92,423
1910 Long-term investments	-	-	-	13,123,145	-	13,123,145
1000 Total assets	<u>32,848,773</u>	<u>2,499,311</u>	<u>5,939,578</u>	<u>81,449,403</u>	<u>3,434,749</u>	<u>126,171,814</u>
LIABILITIES						
2110 Accounts payable	752,375	-	-	6,908,697	84,442	7,745,514
2150 Payroll deductions and withholdings	529,959	31,349	-	205	64,839	626,352
2160 Accrued wages	4,953,424	185,739	-	-	381,920	5,521,083
2170 Due to other funds	784,919	2,282,223	-	-	1,010,015	4,077,157
2180 Due to other governments	743,821	-	-	-	3,492	747,313
2200 Accrued expenditures/expenses	21,996	-	-	-	-	21,996
2300 Unearned revenue	-	-	-	-	50,246	50,246
2000 Total liabilities	<u>7,786,494</u>	<u>2,499,311</u>	<u>-</u>	<u>6,908,902</u>	<u>1,594,954</u>	<u>18,789,661</u>
DEFERRED INFLOWS OF RESOURCES						
2601 Unavailable revenue - property taxes	766,586	-	139,626	-	-	906,212
2600 Total deferred inflows of resources	<u>766,586</u>	<u>-</u>	<u>139,626</u>	<u>-</u>	<u>-</u>	<u>906,212</u>
FUND BALANCES						
Nonspendable:						
3410 Inventories	-	-	-	-	80,826	80,826
3430 Prepaid items	92,423	-	-	-	-	92,423
Restricted for:						
3450 Federal and state programs	-	-	-	-	1,149,493	1,149,493
Capital acquisitions						
3470 and contractual obligations	-	-	-	74,540,501	-	74,540,501
3480 Debt service	-	-	5,799,952	-	-	5,799,952
Assigned for:						
3490 Other	2,782,687	-	-	-	-	2,782,687
Committed for:						
3545 Other	-	-	-	-	609,476	609,476
3600 Unassigned	21,420,583	-	-	-	-	21,420,583
3000 Total fund balances	<u>24,295,693</u>	<u>-</u>	<u>5,799,952</u>	<u>74,540,501</u>	<u>1,839,795</u>	<u>106,475,941</u>
4000 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,848,773</u>	<u>\$ 2,499,311</u>	<u>\$ 5,939,578</u>	<u>\$ 81,449,403</u>	<u>\$ 3,434,749</u>	<u>\$ 126,171,814</u>

The accompanying notes are an integral part of this financial statement.

CLEBURNE INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total fund balances - governmental funds	\$ 106,475,941
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 \$135,160,042 and the accumulated depreciation was \$61,955,619. 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. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(86,583,524)
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase net position.	52,221,459
3 Included in the items related to debt is the recognition of the District's proportionate share of net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$4,692,447, a deferred resource inflow in the amount of \$2,358,397, and a net pension liability in the amount of \$12,729,108. This resulted in a decrease to net position.	(10,395,058)
4 Included in the items related to debt is the recognition of the District's proportionate share of net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$317,096, a deferred resource inflow in the amount of \$9,553,515, and a net OPEB liability in the amount of \$22,838,805. This resulted in a decrease to net position.	(32,075,224)
5 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,630,760)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(<u>340,598</u>)
19 Net position of governmental activities	\$ <u><u>25,672,236</u></u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General	211 ESEA I, A Improving Basic Program	522 Debt Service Fund	60 Capital Projects	98 Other Governmental	98 Total Governmental Funds
REVENUES						
5700 Local and intermediate sources	\$ 29,548,351	\$ -	\$ 11,288,054	\$ 1,225,746	\$ 1,623,892	\$ 43,686,043
5800 State programs	27,463,270	-	170,213	-	468,203	28,101,686
5900 Federal programs	<u>771,265</u>	<u>1,585,736</u>	<u>-</u>	<u>-</u>	<u>4,394,652</u>	<u>6,751,653</u>
5020 Total revenues	<u>57,782,886</u>	<u>1,585,736</u>	<u>11,458,267</u>	<u>1,225,746</u>	<u>6,486,747</u>	<u>78,539,382</u>
EXPENDITURES						
Current:						
0011 Instruction	32,990,571	1,536,933	-	730,479	1,489,883	36,747,866
0012 Instructional resources and media services	530,240	3,910	-	-	1,702	535,852
0013 Curriculum and staff development	1,223,996	16,036	-	-	177,296	1,417,328
0021 Instructional leadership	1,013,582	-	-	-	688	1,014,270
0023 School leadership	3,429,347	14,302	-	-	27,090	3,470,739
Guidance, counseling, and evaluation services	1,512,279	1,034	-	-	595,344	2,108,657
0032 Social work services	50	810	-	-	-	860
0033 Health services	666,189	1,916	-	-	-	668,105
0034 Student transportation	1,972,108	5,095	-	-	-	1,977,203
0035 Food service	102,783	-	-	-	3,285,997	3,388,780
0036 Extracurricular activities	2,170,912	-	-	-	510,177	2,681,089
0041 General administration	1,942,831	-	-	254,287	-	2,197,118
0051 Facilities maintenance and operations	7,096,153	-	-	88,177	19,746	7,204,076
0052 Security and monitoring services	351,479	-	-	81,794	12,988	446,261
0053 Data processing services	1,071,460	-	-	-	-	1,071,460
0061 Community services	1,292	5,700	-	-	-	6,992
Debt service:						
0071 Principal on long-term debt	-	-	4,955,000	-	-	4,955,000
0072 Interest on long-term debt	-	-	6,149,046	-	-	6,149,046
0073 Bond issuance costs and fees	-	-	4,026	-	-	4,026
Capital outlay						
0081 Facilities acquisition and construction	431,604	-	-	46,643,664	-	47,075,268
Intergovernmental:						
Payments to fiscal agent/member districts of SSA						
0093	67,312	-	-	-	-	67,312
0099 Other intergovernmental charges	<u>543,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>543,662</u>
6030 Total expenditures	<u>57,117,850</u>	<u>1,585,736</u>	<u>11,108,072</u>	<u>47,798,401</u>	<u>6,120,911</u>	<u>123,730,970</u>
1100 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>665,036</u>	<u>-</u>	<u>350,195</u>	<u>(46,572,655)</u>	<u>365,836</u>	<u>(45,191,588)</u>
OTHER FINANCING SOURCES (USES)						
7912 Sale of real or personal property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,450</u>	<u>3,450</u>
7080 Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,450</u>	<u>3,450</u>
1200 NET CHANGE IN FUND BALANCES	<u>665,036</u>	<u>-</u>	<u>350,195</u>	<u>(46,572,655)</u>	<u>369,286</u>	<u>(45,188,138)</u>
0100 FUND BALANCES, BEGINNING	<u>23,630,657</u>	<u>-</u>	<u>5,449,757</u>	<u>121,113,156</u>	<u>1,470,509</u>	<u>151,664,079</u>
3000 FUND BALANCES, ENDING	<u>\$ 24,295,693</u>	<u>\$ -</u>	<u>\$ 5,799,952</u>	<u>\$ 74,540,501</u>	<u>\$ 1,839,795</u>	<u>\$ 106,475,941</u>

The accompanying notes are an integral part of this financial statement.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$(45,188,138)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase to change in net position.	52,346,014
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 the change in net position.	(3,630,760)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,179,578. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$1,093,347. Finally, the proportionate share of the TRS pension expense in the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$591,239. The net result is a decrease in the change in net position.	(505,008)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$313,523. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$226,276. Finally, the proportionate share of the TRS OPEB expense in the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$(7,932,010). The net result is an increase in the change in net position.	8,019,257
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, eliminating interfund transactions, 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 the change in net position.	<u>940,961</u>
Change in net position of governmental activities	<u>\$ 11,982,326</u>

The accompanying notes are an integral part of this financial statement.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trusts	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 1,926,235	\$ 244,844
Investments	1,483,836	-
Due from other funds	10	-
Other receivables	<u>4,400</u>	<u>-</u>
Total assets	<u>3,414,481</u>	<u>244,844</u>
LIABILITIES		
Short-term debt payable	-	166,700
Due to other funds	5,827	14
Due to student groups	<u>-</u>	<u>78,130</u>
Total liabilities	<u>5,827</u>	<u>\$ 244,844</u>
NET POSITION		
Restricted for scholarships	<u>3,408,654</u>	
Total net position	<u>\$ 3,408,654</u>	

The accompanying notes are an integral part of this financial statement.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trusts</u>
ADDITIONS	
Local and intermediate sources	\$ <u>255,600</u>
Total additions	<u>255,600</u>
DEDUCTIONS	
Scholarships awarded	<u>58,298</u>
Total deductions	<u>58,298</u>
Change in Net Position	197,302
TOTAL NET POSITION - Beginning	<u>3,211,352</u>
TOTAL NET POSITION - Ending	<u>\$ 3,408,654</u>

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CLEBURNE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cleburne Independent School District (the “District”) substantially comply with the rules prescribed by the Texas Education Agency (the “Agency”) *Financial Accountability System Resource Guide* (the “Resource Guide”). These accounting policies conform to accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) applicable to governments.

In accordance with the Resource Guide the District has adopted and installed an accounting system which meets the minimum requirements prescribed the State Board of Education and approved by the State Auditor.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and it complies with the requirements of the appropriate version of the Resource Guide and the requirements of contracts and grants of agencies from which it receives funds. Specifically, the District’s accounting system uses codes and the code structure as presented in the Resource Guide.

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.

A. Reporting Entity

The District is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board has responsibility and control over all activities related to public school education within the District. The District receives funds from local, state and federal sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined by GAAP. The Board has decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity.

B. Basis of Presentation

The District prepares its financial statements in accordance with reporting practices prescribed by the Agency in the Resource Guide and the Governmental Accounting Standards Board.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) are prepared using the accrual basis of accounting and the information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on charge for services. The District does not have business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Certain indirect costs are also included in the program expense reported by individual functions and activities. Program revenues include 1) charges to customers or applicants who 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. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment, 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The District considers some governmental funds major and reports their financial condition and results of operations in separate columns.

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

The government-wide financial statements are reported on a flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Fiduciary funds do not have a measurement focus as they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenue 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. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position.

All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The accounts of the Governmental Funds are maintained and the financial statements have been prepared on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become measurable and available as net current assets. Substantially all revenues (state, federal and local property tax and interest revenues) are considered to be susceptible to accrual. Revenues from expenditure-driven grants are recognized when the expenditure is incurred. Accordingly, when such funds are received, they are recorded as unearned 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.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized as expenditures when due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the “susceptible to accrual” concept. This District generally considers property taxes as available if they are collected within 60 days of year-end. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$736,783 in the General Fund and \$150,283 in the Debt Service Fund. Grant revenues are recognized when expenditures are made. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available within 60 days of year-end.

Foundation School Program revenues are recognized as revenue when measurable and available within 90 days of year-end.

E. Purpose of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts to reflect results of activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The following funds are used by the District:

Major Governmental Funds

General Fund – The General Fund is the District’s primary operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for costs incurred by programs accounted for in the Special Revenue Funds, Debt Service Fund, Proprietary Fund, and Fiduciary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources for current and future operations.

ESEA Title A, Part I – This fund reports the resources that are restricted for the purpose of improving teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic standards.

Debt Service Fund – The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes collections, state funding under the Instructional Facilities and Existing Debt Allotments, and earned interest. The fund balance represents amounts that are available for retirement of future payments of principal, interest and fees.

Capital Projects Fund – This fund, which is an unbudgeted fund, is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction, renovations, and technology projects/enhancements.

Non-major Governmental Funds

Special Revenue Funds – These funds are used to account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects, are accounted for in a special revenue fund. Project accounting is employed to maintain integrity for the various sources of funds.

The District’s Food Service Fund (National Breakfast and Lunch Program) is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Breakfast and Lunch Program, (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of the National Breakfast and Lunch Program, 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. This is a budgeted fund.

Proprietary Funds – the District does not have any Proprietary Funds.

Fiduciary Funds

Private-purpose Trust Fund – This fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.

Fiduciary Funds – Agency Funds – the Agency Fund is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. The fund has no equity. Assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District. This accounting reflects the District’s agency relationship with student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

F. Cash and Cash Equivalents

The District’s cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

G. Investments

Investments are recorded at fair value. Investments are considered as and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts and public funds money markets and are not significantly affected by impairment of the credit standing of the issues or other factors. The District has also invested in long-term investments mainly consisting of government backed securities.

H. Receivables and Payables

Interfund activities result from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single “transfers” line on the government-wide statement of activities. The District did not have any transfers in or transfers out during the current fiscal year. Similarly, interfund receivables and payables are netted and presented as a single “internal balances” line of the government-wide statement of net position.

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Other receivables and payables may include amounts due from local, state and federal agencies resulting from excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.

I. Inventories and Prepaid Items

The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements.

J. Interfund Activities

Transactions among governmental funds and between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenses and Changes in Fund Net Position. Interfund services provided and used are not eliminated in the consolidation of funds for the Statement of Activities.

All interfund transactions that do not represent services provided and used between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from other funds on the government-wide Statement of Net Position.

K. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year end.

L. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the applicable governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. 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 two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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 and improvements, furniture and equipment, and capital lease assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Asset Classification</u>	<u>Useful Lives</u>
Buildings and improvements	40
Furniture and equipment	5-15
Vehicles	5-10

Land and construction in progress are not depreciable.

M. Long-term Obligations

General obligation bonds which have been issued to fund the District’s capital projects are to be repaid from tax revenues of the District.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Deferred loss on refunding, will be recognized as a deferred outflow of resources and amortized to interest expense over the life of the bonds. Bond issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Unearned Revenues

Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

Special Revenue Fund:		
National Breakfast & Lunch Program - commodity inventory	\$	<u>50,246</u>
Total	\$	<u><u>50,246</u></u>

O. Deferred Outflows/Inflow of Resources

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual experience, and changes in actuarial assumptions. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.
- Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net pension liability, the differences between projected and actual investment earnings, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows related to OPEB resulting to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, as well as changes in proportion and difference between the employer's contributions and the proportionate share of contributions.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience and changes in actuarial assumptions.

P. Categories and Classifications of Fund Balance and Net Position

In accordance with GASB 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

Government-wide Financial Statements – Net position on the Statement of Net Position includes the following:

Net investment in capital assets - the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted for federal and state programs – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for capital projects – funds that have been assigned for future expenditures for equipment.

Restricted for campus activities – funds that have been committed solely for the use by various campuses within the District.

Restricted for other purposes – funds that have been designated by the District to classify locally funded grants. The District does not have funds restricted for other purposes.

Unrestricted net position - the difference between the assets and liabilities that are not reported in net investment in capital assets or restricted net position.

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restrict bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Governmental Fund Financial Statements – In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

Spendable fund balance – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, long-term debt service, and other restrictions.

Committed fund balance – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes funds for campus activity funds.

Assigned fund balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself. The District does not have assigned fund balances.

Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other funds, the District has implicitly assigned the funds for purposes of those particular funds.

The District does not have a minimum fund balance policy. The District does have an informal policy to have a minimum of 25% of annual expenditures.

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

Disclosure of Fund Balances Reported on Balance Sheet - Governmental Funds
For Fiscal Year Ending June 30, 2018

	General Fund	Debt Service	Capital Projects Fund	Other Funds	Total Governmental Funds
Nonspendable Fund Balance					
Inventories	\$ -	\$ -	\$ -	\$ 80,826	\$ 80,826
Prepaid Items	92,423	-	-	-	92,423
Restricted Fund Balance					
Federal and State Program	-	-	-	1,149,493	1,149,493
Capital acquisition & contractual obligations	-	-	74,540,501	-	74,540,501
Retirement of long-term debt	-	5,799,952	-	-	5,799,952
Committed Fund Balance					
Other committed fund balance	-	-	-	609,476	609,476
Assigned Fund Balance					
Subsequent year's budget	2,782,687	-	-	-	2,782,687
Unassigned	<u>21,420,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,420,583</u>
Total Fund Balance	<u>\$ 24,295,693</u>	<u>\$ 5,799,952</u>	<u>\$ 74,540,501</u>	<u>\$ 1,839,795</u>	<u>\$ 106,475,941</u>

Q. Management’s Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for the fiscal year will ultimately change from the amount calculated as of June 30, 2018 because of the factors that TEA uses in its calculations.

R. Defined Benefit Pension Plan

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. The fiduciary net position of the TRS 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 reported to the District, deferred outflows of resources and deferred inflows of resources related to pension, 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.

S. Other Post-Employment Benefit Plans

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

T. Data Control Codes

The data control codes refer to the account code structure prescribed by the Texas Education Agency (the “Agency”) in the Financial Accountability System Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

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

Since the District complies with this law, it has no custodial credit risk for deposits.

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

The District's cash deposits at June 30, 2018, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The following investments are considered as cash equivalents:

<u>Investment/Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
TexStar/AAAm	\$ 57,507,862	\$ 57,507,862	99.70%	26
TexPool/AAAm	25,107	25,107	0.04%	27
Lone Star/AAAm	<u>146,503</u>	<u>146,503</u>	<u>0.25%</u>	25
Totals	<u>\$ 57,679,472</u>	<u>\$ 57,679,472</u>	<u>100.00%</u>	

The District does not have any cash or cash equivalents in foreign currency; therefore, there is no foreign currency risk.

The TexStar, TexPool, and Lone Star pools each have a redemption notice period of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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 returns, (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. The District maintains an investment policy which authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk – Investments - For an investment this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investment are not exposed to custodial risk. External investment pools are not subject custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. District investments are not exposed to custodial credit risk.

Credit Risk – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

Interest-rate Risk – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration of Credit Risk – This type of risk is defined as positions of 5 percent or more in securities of a single issuer. The District is not exposed to concentration of credit risk because the investment portfolio mainly consists of external investment pools.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

B. Investments

Investments for the District are reported at fair value, except for the position in investment pools. The District's investments pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The fair value methods used by the District include documented trade history in exact security, present value of expected future cash flow model and option-adjusted discounted cash flow model.

Description	Maturity Date	Fair Value Measurements Level Used	Carrying Value 6/30/2018	% of Total	Weighted Average Maturity (Days)
Certificates of Deposit					
State Farm Bank CD	11/23/2018	Level 2	\$ 250,000	0.46%	1
Total			<u>250,000</u>		
U. S. Government Securities:					
Federal Farm Credit Banks	7/18/2018	2	3,989,811	7.33%	1
Federal Home Loan Bank	8/14/2018	2	5,019,418	9.22%	4
Federal Farm Credit Banks	9/20/2018	2	3,196,249	5.87%	5
Federal Farm Credit Banks	9/28/2018	2	3,398,636	6.24%	6
Federal Home Loan Mortgage Cor	11/7/2018	2	9,999,948	18.37%	24
Federal Farm Credit Banks	12/20/2018	2	1,233,837	2.27%	4
Federal Home Loan Bank	3/8/2019	1	5,513,771	10.13%	25
Federal Home Loan Bank	6/21/2019	1	8,726,382	16.03%	57
Federal Home Loan Mortgage Cor	7/19/2019	2	4,750,877	8.73%	34
Federal National Mortgage Associat	8/28/2019	1	4,710,844	8.65%	37
Federal Home Loan Bank	9/13/2019	1	2,649,762	4.87%	21
Federal National Mortgage Associat	10/24/2019	1	990,158	1.82%	9
Total			<u>54,179,693</u>		
Total all investments			<u>\$ 54,429,693</u>	<u>100.00%</u>	

Property Taxes

Property taxes are levied by October 1 and are due and payable at that time. The Board establishes the District's property tax rates annually. The authorized tax rates for property taxes assessed on January 1, 2017, were \$1.1700 and \$0.4600 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$2,490,658,701.

The legally authorized tax rate limit for the District is \$1.17 per \$100 assessed valuation for maintenance and operations. On January 1 of each year, a tax lien attaches to property to secure the payment of penalties imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to collect during the 60-day period after the close of the District's fiscal year.

Delinquent taxes are prorated between the General Fund and Debt Service Fund based rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of June 30, 2018 are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue - Property Taxes
General Fund	\$ 2,179,300	\$(1,159,266)	\$ 766,586
Debt Service Fund	<u>511,204</u>	<u>(271,932)</u>	<u>139,626</u>
Totals	<u>\$ 2,690,504</u>	<u>\$(1,431,198)</u>	<u>\$ 906,212</u>

Current tax collections for the levy year ended June 30, 2018 were 99.8% of the year-end adjusted tax levy.

Uncollectible personal property taxes are periodically reviewed and written off by the District. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District has an agreement with Johnson County Tax Office ("County") whereby the County bills and collects the District's property taxes.

C. Disaggregation of Receivables and Payables

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

There are no significant receivables which are not scheduled for collection within one year of June 30, 2018.

D. Receivables from Other Governments

Receivables from other governments, as of June 30, 2018, are as follow:

	<u>Due from State</u>
General Fund	\$ 7,030,574
Special Revenue Funds:	
ESEA I, A - Improving Basic Programs	1,081,994
IDEA - Part B Formula	654,644
IDEA - Part B Preschool	11,783
Career and Technical - Basic Grant	4,676
ESEA II, A - Training & Recruiting	172,936
Title III, A - English Language Acquisition	33,903
Other State Special Revenue Funds	11,787
Advanced Placement Incentives	14,400
State Textbook Fund	<u>77,298</u>
Total Special Revenue Funds	<u>2,063,421</u>
Total receivables from other governments	<u>\$ 9,093,995</u>

E. Interfund Receivables and Payables

The following is a summary of amounts due to and due from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 720,869
General fund	ESEA I, A Improving Basic Programs	2,282,223
General fund	Trust and agency funds	5,831
Debt service	General fund	17,264
Capital projects fund	General fund	176,106
Nonmajor governmental funds	General fund	591,549
Nonmajor governmental funds	Nonmajor governmental funds	289,146
Trust and agency funds	Trust and agency funds	<u>10</u>
Totals		<u>\$ 4,082,998</u>

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

F. Operating Leases

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$130,340 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending June 30	Amount
2019	\$ 83,249
2020	66,420
2021	59,697
2022	29,225
2023	4,394

G. Capital Asset Activity

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,868,886	\$ 36,750	\$ -	\$ 2,905,636
Construction in progress	4,385,880	48,947,682	-	53,333,562
Total capital assets, not being depreciated	<u>7,254,766</u>	<u>48,984,432</u>	<u>-</u>	<u>56,239,198</u>
Capital assets, being depreciated:				
Buildings and improvements	118,130,011	433,712	-	118,563,723
Furniture and equipment	14,623,356	324,522	46,922	14,900,956
Total capital assets, being depreciated	<u>132,753,367</u>	<u>758,234</u>	<u>46,922</u>	<u>133,464,679</u>
Less accumulated depreciation for:				
Buildings and improvements	54,837,136	2,537,549	-	57,374,685
Furniture and equipment	10,229,196	1,093,211	46,922	11,275,485
Total accumulated depreciation	<u>65,066,332</u>	<u>3,630,760</u>	<u>46,922</u>	<u>68,650,170</u>
Governmental activities capital assets, net	<u>\$ 74,941,801</u>	<u>\$ 46,111,906</u>	<u>\$ -</u>	<u>\$ 121,053,707</u>

Depreciation expense was charged to governmental functions of the District as follows:

Governmental activities:	
11 - Instruction	\$ 1,986,197
12 - Instruction Resources & Media Services	35,948
13 - Curriculum and Staff Development	103,247
23 - School Leadership	50,623
31 - Guidance, Counseling & Evaluation Services	219,794
34 - Student (Pupil) Transportation	270,693
35 - Food Services	116,825
36 - Extracurricular Activities	81,733
41 - General Administration	372,027
51 - Plant Maintenance & Operations	294,392
52 - Security & Monitoring Services	<u>99,281</u>
Total Depreciation Expense	<u>\$ 3,630,760</u>

Construction-in-progress is mainly professional services provided prior to issuing any contracts.

H. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds, compensated absences, and net pension liability. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings. Capital leases are paid from fund balance and future revenues of the General Fund.

The following is a summary of changes in long-term debt for government activities for the year ended June 30, 2018.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 138,514,126	\$ -	\$ 4,955,000	\$ 133,559,126	\$ 4,255,000
Accreted interest	382,574	124,555	-	507,129	-
Premium on bonds	24,582,514	-	1,179,314	23,403,200	-
Retainage payable	<u>-</u>	<u>2,351,652</u>	<u>-</u>	<u>2,351,652</u>	<u>-</u>
Total	<u>\$ 163,479,214</u>	<u>\$ 2,476,207</u>	<u>\$ 6,134,314</u>	<u>\$ 159,821,107</u>	<u>\$ 4,255,000</u>

I. Bonds Payable

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

A summary of changes in general obligation bonds for the year ended June 30, 2018, are as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Accreted Interest	Retired	Ending Balance	Amounts Due Within One Year
Series 2006 UTSB Bonds/ 2018	4.37%/4.42%	\$ 395,000	\$ 230,000	\$ -	\$ -	\$ 230,000	\$ -	\$ -
Series 2008 UTR Bonds/2020	3.875%/5.25%	72,100,006	1,985,000	-	-	710,000	1,275,000	750,000
Series 2013 UTSB Bonds/ 2018	1.4%/3.0%	8,659,995	7,155,000	-	-	-	7,155,000	1,085,000
Series 2013 UTSB Bonds/ 2018	1.38%	10,000,000	1,900,000	-	-	1,900,000	-	-
Series 2014 UTR Bonds/2029	2.0%/3.69%	8,622,083	3,555,000	-	-	1,790,000	1,765,000	605,000
Principal on CAB		-	2,012,083	-	-	-	2,012,083	-
Premium on CAB		-	1,057,043	-	-	-	1,057,043	-
Accreted Interest on CAB		-	382,574	-	124,555	-	507,129	-
Series 2015 UTR Bonds/2031	1.0%/5.0%	12,740,000	11,645,000	-	-	-	11,645,000	195,000
Series 2016 UTSB Bonds/ 2041	2.0%/5.0%	108,975,000	<u>108,975,000</u>	<u>-</u>	<u>-</u>	<u>325,000</u>	<u>108,650,000</u>	<u>1,620,000</u>
Total			<u>\$ 138,896,700</u>	<u>\$ -</u>	<u>\$ 124,555</u>	<u>\$ 4,955,000</u>	<u>\$ 134,066,255</u>	<u>\$ 4,255,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended June 30	Principal	Interest	Total Requirements
2019	\$ 4,255,000	\$ 6,043,325	\$ 10,298,325
2020	4,425,000	5,877,725	10,302,725
2021	4,610,000	5,704,475	10,314,475
2022	3,415,000	5,502,775	8,917,775
2023	3,650,000	5,361,325	9,011,325
2024-2028	22,220,000	24,128,975	46,348,975
2029-2033	28,215,000	19,562,500	47,777,500
2034-2038	37,110,000	12,189,500	49,299,500
2039-2043	<u>27,600,000</u>	<u>2,671,500</u>	<u>30,271,500</u>
	<u>\$ 135,500,000</u>	<u>\$ 87,042,100</u>	<u>\$ 222,542,100</u>
Less: accreted interest on bonds	<u>1,433,745</u>		
Par value of bonds outstanding	<u>\$ 134,066,255</u>		

A portion of the bonds sold in the Series 2014A bond issues were premium capital appreciation bonds. These obligations have par values of \$3,069,126 and maturity values of \$5,010,000. The interest on these obligations will be paid upon maturity in fiscal years ending June 30, 2027 through 2029. The accreted value of these bonds at June 30, 2018, is \$3,576,255 which has been recorded in the government-wide financial statements.

Interest and fees paid on general obligation bonds during the year was \$6,149,046.

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District has complied with all significant limitations and restrictions as of June 30, 2018.

J. Prior Year Defeasances of Debt

In prior years, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District’s financial statements. On June 30, 2018, the District had no bonds considered defeased and outstanding.

K. Revenue from Local and Intermediate Sources

During the current year local and intermediate revenues consisted of the following:

	General Fund	Capital Projects Fund	Debt Service Fund	Other Funds	Fund Totals
Property taxes	\$ 28,301,235	\$ -	\$ 11,122,472	\$ -	\$ 39,423,707
Food sales	-	-	-	740,756	740,756
Penalties, interest & other tax related income	326,968	-	99,118	-	426,086
Tuition & fees	115,062	-	-	-	115,062
Earnings - temporary deposits & investments	303,439	1,225,746	58,530	12,078	1,599,793
Rent	127,343	-	-	-	127,343
Foundations, gifts & bequests	-	-	-	-	-
Insurance recovery	2,878	-	-	-	2,878
Other revenues from local sources	130,181	-	7,934	-	138,115
Ex/cocurricular activities	163,281	-	-	871,058	1,034,339
Enterprising activities	77,964	-	-	-	77,964
Total	<u>\$ 29,548,351</u>	<u>\$ 1,225,746</u>	<u>\$ 11,288,054</u>	<u>\$ 1,623,892</u>	<u>\$ 43,686,043</u>

L. State Aid Revenue

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$ 1,290,054	\$ -	\$ -	\$ 1,290,054
Found. School Prg. Act Entitlements	23,385,466	-	-	23,385,466
State Program Revenues	-	170,213	468,203	638,416
TRS On-behalf Payments	2,594,738	-	-	2,594,738
TRS Medicare Part-D	193,012	-	-	193,012
Totals	<u>\$ 27,463,270</u>	<u>\$ 170,213</u>	<u>\$ 468,203</u>	<u>\$ 28,101,686</u>

M. Federal Program Revenues

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	ESEA I, A	Other Funds
Indirect costs	\$ 57,420	\$ -	\$ -
Universal E-rate	5,862	-	-
School Health & Related Services (SHARS)	707,983	-	-
U.S. Department of Education - Passed Through	-	1,585,736	1,575,612
U.S. Department of Agriculture - Passed Through	-	-	2,819,040
Totals	\$ 771,265	\$ 1,585,736	\$ 4,394,652

N. Employee Benefits

1. Compensated Absences

Employees of the District are entitled to personal leave based on category/class of employment. Personal leave is allowed to accumulate but does not vest. Therefore, a liability for unused personal leave has not been recorded in the financial statements.

2. Defined Benefit Pension Plan

Plan Description. The 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) 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 2015 thru 2018. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	Contribution Rates	
	2017	2018
Active Employee	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions	\$	1,390,972
Current fiscal year member contributions		3,281,594
2017 measurement year NECE on-behalf contributions		2,011,992

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including Inflation	3.5% to 9.0%
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, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	(0.2%)	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		1.0%
Total	100.0%		8.7%

* 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 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 21,458,761	\$ 12,729,108	\$ 5,460,255

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District's liability was \$12,729,108 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 12,729,108
State's proportionate share that is associated with District	<u>19,670,350</u>
Total	<u>\$ 32,399,458</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0398100464% which was a decrease of 0.0013619008% from its proportion measured as of August 31, 2016.

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

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

For the year ended June 30, 2018, the District's pension expense was \$3,184,962 and revenue of \$1,500,376 for support provided by the State.

At June 30, 2018, the District's 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
Difference between expected and actual economic experience	\$ 186,233	\$ 686,464
Changes in actuarial assumptions	579,831	331,940
Difference between projected and actual investment earnings	-	927,670
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>2,746,805</u>	<u>412,323</u>
Totals as of August 31, 2017 measurement date	<u>3,512,869</u>	<u>2,358,397</u>
Contributions paid to TRS subsequent to the measurement date	<u>1,179,578</u>	<u>-</u>
Total	<u>\$ 4,692,447</u>	<u>\$ 2,358,397</u>

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

Year Ended June 30	Pension Expense Amount
2018	\$ 201,734
2019	1,014,266
2020	139,300
2021	(114,377)
2022	(20,924)
Thereafter	(65,527)

3. *Defined Other Post-Employment Benefit Plans*

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

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

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

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

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

TRS-Care Plan Premium Rates

Effective Sept. 1, 2016 - Dec 31, 2017

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

* or surviving spouse

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

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

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year employer contributions		\$ 358,248
Current fiscal year member contributions		277,020
2017 measurement year NECE on-behalf contributions		376,836

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

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

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

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

Additional Actuarial Methods and Assumptions

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

Other Information. There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Proportionate share of the net OPEB liability:	\$ 26,955,460	\$ 22,838,805	\$ 19,529,943

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	\$ 19,015,587	\$ 22,838,805	\$ 27,855,349

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2018, the District reported a liability of \$22,838,805 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB obligation	\$ 22,838,805
State's proportionate share that is associated with the District	<u>31,519,770</u>
Total	<u>\$ 54,358,575</u>

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0525196025% which was the same proportion measured as of August 31, 2016.

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

1. Significant plan changes were adopted during fiscal year ending June 30, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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

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

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$(18,253,087) and revenue of \$(10,547,353) for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 476,777
Changes in actuarial assumptions	-	9,076,738
Difference between projected and actual investment earnings	3,469	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	104	-
Total as of August 31, 2017 measurement date	3,573	9,553,515
Contributions paid to TRS subsequent to the measurement date	313,523	-
Total as of fiscal year-end	<u>\$ 317,096</u>	<u>\$ 9,553,515</u>

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

Year ended June 30,	Pension Expense Amount
2019	\$(1,260,126)
2020	(1,260,126)
2021	(1,260,126)
2022	(1,260,126)
2023	(1,260,993)
Thereafter	(3,248,445)

4. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2018, 2017, and 2016, the subsidy payments received by TRS-Care on-behalf of the District were \$193,013, \$123,425, and \$152,443, respectively. The information for the year ended June 30, 2018 is an estimate provided by the Teachers Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

5. *Active Employee Health Care Coverage*

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The District contributed approximately \$225 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Website at www.trs.state.tx.us, by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

6. *Workers' Compensation Program*

During the year, the District met its statutory workers' compensation obligations through participation in the Texas Association of School Boards ("TASB") Risk Management Fund (the "Fund"). The Fund was created and is operated under the provision of the Inter-local Cooperation Act, Chapter 491 of the Texas Governmental Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The member participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year-ended May 31, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on June 30. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of May 31, 2018, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The following is the District’s estimated outstanding liability as of June 30, 2018:

Fund Year	Claim Count at 2/28/18	Aggregate Liability	Estimated Paid Loss & ALAE at 6/30/2018	Selected Ultimate Loss & ALAE	District Net Retained Loss * ALAE 6/30/2018
2013-14	68	\$ 283,333	\$ 283,333	\$ 283,333	\$ -
2014-15	58	249,811	94,083	94,083	-
2015-16	76	251,862	251,862	251,862	-
2016-17	90	254,622	160,776	176,533	15,757
2017-18	100	261,948	101,995	159,064	57,069

O. Commitments and Contingencies

State and Federal Grants

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District’s schools which is compiled by the District and supplied to TEA. Federal funding for Food Service under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the United States Department of Agriculture (“USDA”). Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District’s administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

P. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current fiscal year, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Q. Negative Operating Grants and Contributions – Statement of Activities

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

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

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11-Instruction	\$(2,660,353)	\$(7,218,492)	\$ 4,558,139
12-Instructional resources and media services	(68,188)	(85,983)	17,795
13-Curriculum and staff development	51,486	(186,888)	238,374
21-Instructional leadership	(118,112)	(181,334)	63,222
23-School leadership	(522,830)	(642,511)	119,681
31-Guidance, counseling, and evaluation services	366,831	(390,733)	757,564
32-Social work services	810	-	810
33-Health services	(92,694)	(122,210)	29,516
34-Student (pupil) transportation	(212,002)	(258,910)	46,908
35-Food service	2,589,461	(299,344)	2,888,805
36-Extracurricular activities	(206,459)	(246,224)	39,765
41-General administration	(239,085)	(285,133)	46,048
51-Facilities maintenance and operations	(427,478)	(509,810)	82,332
52-Security and monitoring services	(96)	(114)	18
53-Data processing services	(99,212)	(118,320)	19,108
61-Community services	4,571	(1,347)	5,918
72-Interest on long-term debt	170,213	-	170,213
93-Payments to SSA	9,207	-	9,207
	<u>\$(1,453,930)</u>	<u>\$(10,547,353)</u>	<u>\$ 9,093,423</u>

R. Prior Period Adjustment – Change in Accounting Principles

During fiscal year 2018, the District adopted GASB Statement No. 75, Accounting and Reporting for Post-Employment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the TRS-Care. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position was restated by \$40,094,481.

S. Related Party Transactions

In fiscal year 2018, the District entered into transactions with two vendors with which members of the Board of Trustees had material interests. The board members disclosed these interests in accordance with HB 23. Further, the board members abstained from voting when the Board of Trustees approved both the contracts and payments to the vendors. The total payments to these vendors in 2018 were \$58,045.

In fiscal year 2018, the District purchased real property for \$36,750. A member of the board of trustees is employed by the District's realtor and received a commission from the seller of the property. The board member disclosed the relationship in accordance with HB 23. Further, the board member abstained from voting when the Board of Trustees approved the transaction.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 28,904,605	\$ 28,904,605	\$ 29,548,351	\$ 643,746
5800	State programs	27,667,727	27,667,727	27,463,270	(204,457)
5900	Federal programs	445,000	445,000	771,265	326,265
5020	Total revenues	<u>57,017,332</u>	<u>57,017,332</u>	<u>57,782,886</u>	<u>765,554</u>
EXPENDITURES					
Current:					
0011	Instruction	34,314,907	33,982,395	32,990,571	991,824
0012	Instructional resources and media sources	532,142	567,520	530,240	37,280
0013	Curriculum and staff development	1,185,854	1,262,164	1,223,996	38,168
0021	Instructional leadership	997,984	1,040,136	1,013,582	26,554
0023	School leadership	3,496,867	3,564,330	3,429,347	134,983
0031	Guidance, counseling, and evaluation services	1,495,418	1,557,095	1,512,279	44,816
0032	Social work services	-	3,050	50	3,000
0033	Health services	719,420	719,188	666,189	52,999
0034	Student transportation	2,094,891	2,058,486	1,972,108	86,378
0035	Food service	-	97,370	102,783	(5,413)
0036	Extracurricular activities	2,159,724	2,224,056	2,170,912	53,144
0041	General administration	1,943,637	2,048,637	1,942,831	105,806
0051	Facilities maintenance and operations	7,014,935	7,811,935	7,096,153	715,782
0052	Security and monitoring services	397,006	415,834	351,479	64,355
0053	Data processing services	1,179,066	1,179,066	1,071,460	107,606
0061	Community services	48,067	48,067	1,292	46,775
0081	Facilities acquisition and construction	-	591,000	431,604	159,396
Intergovernmental:					
0093	Payments related to shared services arrangement	96,000	96,000	67,312	28,688
0095	Payments to Juvenile Justice Alternative	12,640	12,640	-	12,640
0099	Other governmental charges	560,000	560,000	543,662	16,338
6030	Total expenditures	<u>58,248,558</u>	<u>59,838,969</u>	<u>57,117,850</u>	<u>2,721,119</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,231,226)</u>	<u>(2,821,637)</u>	<u>665,036</u>	<u>3,486,673</u>
1200	NET CHANGE IN FUND BALANCES	<u>(1,231,226)</u>	<u>(2,821,637)</u>	<u>665,036</u>	<u>3,486,673</u>
0100	FUND BALANCES, BEGINNING	<u>23,630,657</u>	<u>23,630,657</u>	<u>23,630,657</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 22,399,431</u>	<u>\$ 20,809,020</u>	<u>\$ 24,295,693</u>	<u>\$ 3,486,673</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018

Plan Year:	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0398100%	0.0411719%	0.0419954%	0.0258296%
District's proportionate share of the net pension liability (asset)	\$ 12,729,108	\$ 15,558,267	\$ 14,844,815	\$ 6,899,443
State's proportionate share of the net pension liability (asset) associated with the District	<u>19,670,350</u>	<u>22,945,963</u>	<u>22,040,794</u>	<u>19,174,424</u>
Total	<u>\$ 32,399,458</u>	<u>\$ 38,504,230</u>	<u>\$ 36,885,609</u>	<u>\$ 26,073,867</u>
District's covered-employee payroll	\$ 41,211,496	\$ 39,874,564	\$ 38,197,429	\$ 35,778,661
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.89%	39.02%	38.86%	19.28%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.43%	78.43%	83.25%

Note: Only four years of data is presented in accordance with GASB #68, paragraph 138. "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."

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED 2018

Fiscal Year:	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,390,972	\$ 1,093,347	\$ 1,231,658	\$ 1,149,892
Contributions in relation to the contractually required contribution	<u>(1,390,972)</u>	<u>(1,093,347)</u>	<u>(1,231,658)</u>	<u>(1,149,892)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 42,618,117	\$ 34,301,830	\$ 39,874,564	\$ 38,197,429
Contribution as a percentage of covered-employee payroll	3.26%	3.19%	3.09%	3.01%

Note: Only four years of data is presented in accordance with GASB #68, paragraph 138. "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."

* During the fiscal year 2017, the District changed its fiscal year to June 30. This represents ten months of data.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018

Plan Year *	<u>2017</u>
District's Proportion of the Net OPEB Liability (Asset)	0.0525196%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 22,838,805
States Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>31,519,770</u>
Total	<u>\$ 54,358,575</u>
District's Covered Employee Payroll	\$ 41,211,496
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Employee Payroll	55.42%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.91%

* The amounts presented for each fiscal year were determined as of the measurement date period, August 31.

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "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."

**CLEBURNE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30, 2018**

Fiscal Year *	2018
Contractually Required Contribution	\$ 358,248
Contribution in Relation to the Contractually Required Contribution	(<u>358,248</u>)
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>
District's Covered Employee Payroll	\$ 42,618,117
Contributions as a percentage of Covered Employee Payroll	0.84%

* The amounts presented for each fiscal year were determined as of June 30.

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "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."

freeCLEBURNE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

The Board of Trustees adopts an “appropriated budget” for the General Fund, Child Nutrition Program and the Debt Service Fund. 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 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund” and the other two reports are in Exhibit J-4 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program” and J-5 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.”

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 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 notices of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustments of operating costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

Expenditures Exceeding Appropriations

In the General Fund, expenditures exceeded appropriations in Function 35 by \$5,413.

COMBINING SCHEDULES

CLEBURNE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>206</u>	<u>224</u>	<u>225</u>	<u>240</u>
	ESEA Title X, Pt. C Homeless	IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program
ASSETS				
Cash and cash equivalents	\$ 3,380	\$ -	\$ -	\$ 882,221
Due from other governments	-	654,644	11,783	-
Due from other funds	-	10,379	-	536,106
Inventories	-	-	-	80,826
 Total assets	 <u>3,380</u>	 <u>665,023</u>	 <u>11,783</u>	 <u>1,499,153</u>
LIABILITIES				
Accounts payable	-	-	-	4,884
Payroll deductions and withholdings payable	310	22,546	925	34,862
Accrued wages payable	2,725	146,330	5,083	179,593
Due to other funds	345	496,147	5,775	-
Due to other governments	-	-	-	-
Unearned revenues	-	-	-	50,246
 Total liabilities	 <u>3,380</u>	 <u>665,023</u>	 <u>11,783</u>	 <u>269,585</u>
FUND BALANCES				
Nonspendable Fund Balance:				
Inventories	-	-	-	80,826
Restricted for:				
Federal and state programs	-	-	-	1,148,742
Committed for:				
Other committed fund balance	-	-	-	-
 Total fund balances	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>1,229,568</u>
 Total liabilities and fund balances	 <u>\$ 3,380</u>	 <u>\$ 665,023</u>	 <u>\$ 11,783</u>	 <u>\$ 1,499,153</u>

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -
4,676	172,936	33,903	11,787	14,400
-	122,358	11,119	-	6,435
-	-	-	-	-
<u>4,676</u>	<u>295,294</u>	<u>45,022</u>	<u>11,787</u>	<u>20,835</u>
-	-	-	-	-
-	3,221	2,740	-	-
-	27,908	20,281	-	-
4,676	264,165	22,001	11,787	20,835
-	-	-	-	-
-	-	-	-	-
<u>4,676</u>	<u>295,294</u>	<u>45,022</u>	<u>11,787</u>	<u>20,835</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>4,676</u>	<u>295,294</u>	<u>45,022</u>	<u>11,787</u>	<u>20,835</u>

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CLEBURNE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	410 State Textbook Fund	429 Other State Special Awards	461 Campus Activity Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 606,200	\$ 1,491,801
Due from other governments	77,298	-	-	981,427
Due from other funds	56,705	131,822	5,771	880,695
Inventories	-	-	-	80,826
Total assets	<u>134,003</u>	<u>131,822</u>	<u>611,971</u>	<u>3,434,749</u>
LIABILITIES				
Accounts payable	77,298	-	2,260	84,442
Payroll deductions and withholdings payable	-	-	235	64,839
Accrued wages payable	-	-	-	381,920
Due to other funds	53,913	130,371	-	1,010,015
Due to other governments	2,792	700	-	3,492
Unearned revenues	-	-	-	50,246
Total liabilities	<u>134,003</u>	<u>131,071</u>	<u>2,495</u>	<u>1,594,954</u>
FUND BALANCES				
Nonspendable Fund Balance:				
Inventories	-	-	-	80,826
Restricted for:				
Federal and state programs	-	751	-	1,149,493
Committed for:				
Other committed fund balance	-	-	609,476	609,476
Total fund balances	<u>-</u>	<u>751</u>	<u>609,476</u>	<u>1,839,795</u>
Total liabilities and fund balances	<u>\$ 134,003</u>	<u>\$ 131,822</u>	<u>\$ 611,971</u>	<u>\$ 3,434,749</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	206 ESEA Title X, Pt. C Homeless	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ 752,834
State programs	-	-	-	21,423
Federal programs	3,470	1,111,318	34,436	2,819,040
Total revenues	<u>3,470</u>	<u>1,111,318</u>	<u>34,436</u>	<u>3,593,297</u>
EXPENDITURES				
Current:				
Instruction	3,470	516,445	34,436	-
Instruction resources and media services	-	-	-	-
Curriculum and staff development	-	-	-	-
Instructional leadership	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling and evaluation services	-	594,873	-	-
Food service	-	-	-	3,285,997
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	17,696
Securities and monitoring services	-	-	-	-
Total expenditures	<u>3,470</u>	<u>1,111,318</u>	<u>34,436</u>	<u>3,303,693</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	289,604
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	-	3,450
NET CHANGE IN FUND BALANCES	-	-	-	293,054
FUND BALANCES, BEGINNING	-	-	-	936,514
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,229,568</u>

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	14,400
<u>75,125</u>	<u>205,069</u>	<u>130,930</u>	<u>15,264</u>	<u>-</u>
<u>75,125</u>	<u>205,069</u>	<u>130,930</u>	<u>15,264</u>	<u>14,400</u>
72,265	195,643	-	15,264	-
-	-	-	-	-
2,860	6,400	130,930	-	14,400
-	688	-	-	-
-	1,867	-	-	-
-	471	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>75,125</u>	<u>205,069</u>	<u>130,930</u>	<u>15,264</u>	<u>14,400</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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CLEBURNE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ 871,058	\$ 1,623,892
State programs	407,700	24,680	-	468,203
Federal programs	-	-	-	4,394,652
Total revenues	<u>407,700</u>	<u>24,680</u>	<u>871,058</u>	<u>6,486,747</u>
EXPENDITURES				
Current:				
Instruction	407,700	2,980	241,680	1,489,883
Instruction resources and media services	-	-	1,702	1,702
Curriculum and staff development	-	21,700	1,006	177,296
Instructional leadership	-	-	-	688
School leadership	-	-	25,223	27,090
Guidance, counseling and evaluation services	-	-	-	595,344
Food service	-	-	-	3,285,997
Extracurricular activities	-	-	510,177	510,177
Facilities maintenance and operations	-	-	2,050	19,746
Securities and monitoring services	-	-	12,988	12,988
Total expenditures	<u>407,700</u>	<u>24,680</u>	<u>794,826</u>	<u>6,120,911</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	76,232	365,836
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	-	3,450
NET CHANGE IN FUND BALANCES	-	-	76,232	369,286
FUND BALANCES, BEGINNING	-	751	533,244	1,470,509
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 751</u>	<u>\$ 609,476</u>	<u>\$ 1,839,795</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2018

	815 Nell Wiseman Neal Scholarship	816 Miscellaneous Scholarship Fund	818 Ball Snavelly Scholarship Fund	819 Pete Kendall Memorial Scholarship
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 15,619	\$ 31,671	\$ 71,852	\$ -
Investments	697,650	7,427	40,634	19,658
Due from other funds	-	-	-	-
Other receivables	<u>-</u>	<u>4,400</u>	<u>-</u>	<u>-</u>
Total assets	<u>713,269</u>	<u>43,498</u>	<u>112,486</u>	<u>19,658</u>
LIABILITIES				
Due to other funds	<u>-</u>	<u>-</u>	<u>1</u>	<u>440</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1</u>	<u>440</u>
NET POSITION				
Restricted for scholarships	<u>713,269</u>	<u>43,498</u>	<u>112,485</u>	<u>19,218</u>
Total net position	<u>\$ 713,269</u>	<u>\$ 43,498</u>	<u>\$ 112,485</u>	<u>\$ 19,218</u>

820 Matt Calder Scholarship Fund	821 Lynn Palmer Scholarship Fund	822 Class of '42 Scholarship Fund	823 Johnnie Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund
\$ 1,032	\$ 48	\$ -	\$ -	\$ 1,103,950	\$ 407,885
18,672	1,683	6,082	3,377	476,813	86,354
-	-	-	-	10	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>19,704</u>	<u>1,731</u>	<u>6,082</u>	<u>3,377</u>	<u>1,580,773</u>	<u>494,239</u>
-	-	3,827	404	-	5
-	-	<u>3,827</u>	<u>404</u>	-	<u>5</u>
<u>19,704</u>	<u>1,731</u>	<u>2,255</u>	<u>2,973</u>	<u>1,580,773</u>	<u>494,234</u>
<u>\$ 19,704</u>	<u>\$ 1,731</u>	<u>\$ 2,255</u>	<u>\$ 2,973</u>	<u>\$ 1,580,773</u>	<u>\$ 494,234</u>

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CLEBURNE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2018

	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
ASSETS				
Cash and cash equivalents	\$ 184,916	\$ 109,262	\$ -	\$ 1,926,235
Investments	46,192	66,876	12,418	1,483,836
Due from other funds	-	-	-	10
Other receivables	-	-	-	4,400
Total assets	<u>231,108</u>	<u>176,138</u>	<u>12,418</u>	<u>3,414,481</u>
LIABILITIES				
Due to other funds	<u>2</u>	<u>2</u>	<u>1,146</u>	<u>5,827</u>
Total liabilities	<u>2</u>	<u>2</u>	<u>1,146</u>	<u>5,827</u>
NET POSITION				
Restricted for scholarships	<u>231,106</u>	<u>176,136</u>	<u>11,272</u>	<u>3,408,654</u>
Total net position	<u>\$ 231,106</u>	<u>\$ 176,136</u>	<u>\$ 11,272</u>	<u>\$ 3,408,654</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

PRIVATE PURPOSE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	815 Nell Wiseman Neal Scholarship	816 Miscellaneous Scholarship Fund	818 Bell Snavelly Scholarship Fund	819 Pete Kendall Memorial Scholarship
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:				
Local and intermediate sources	\$ <u>8,861</u>	\$ <u>18,031</u>	\$ <u>1,105</u>	\$ <u>250</u>
Total additions	<u>8,861</u>	<u>18,031</u>	<u>1,105</u>	<u>250</u>
DEDUCTIONS:				
Scholarships awarded	<u>3,000</u>	<u>5,300</u>	<u>1,000</u>	<u>1,000</u>
Total deduction	<u>3,000</u>	<u>5,300</u>	<u>1,000</u>	<u>1,000</u>
Change in net position	<u>5,861</u>	<u>12,731</u>	<u>105</u>	<u>(750)</u>
TOTAL NET POSITION - JULY 1	<u>707,408</u>	<u>30,767</u>	<u>112,380</u>	<u>19,968</u>
TOTAL NET POSITION - JUNE 30	\$ <u>713,269</u>	\$ <u>43,498</u>	\$ <u>112,485</u>	\$ <u>19,218</u>

820 Matt Calder Scholarship Fund	821 Lynn Palmer Scholarship Fund	822 Class of '42 Scholarship Fund	823 Johnnie Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund
\$ <u>237</u>	\$ <u>21</u>	\$ <u>77</u>	\$ <u>43</u>	\$ <u>216,007</u>	\$ <u>4,751</u>
<u>237</u>	<u>21</u>	<u>77</u>	<u>43</u>	<u>216,007</u>	<u>4,751</u>
<u>-</u>	<u>-</u>	<u>1,500</u>	<u>250</u>	<u>40,521</u>	<u>3,200</u>
<u>-</u>	<u>-</u>	<u>1,500</u>	<u>250</u>	<u>40,521</u>	<u>3,200</u>
<u>237</u>	<u>21</u>	<u>(1,423)</u>	<u>(207)</u>	<u>175,486</u>	<u>1,551</u>
<u>19,467</u>	<u>1,710</u>	<u>3,678</u>	<u>3,180</u>	<u>1,405,287</u>	<u>492,683</u>
\$ <u>19,704</u>	\$ <u>1,731</u>	\$ <u>2,255</u>	\$ <u>2,973</u>	\$ <u>1,580,773</u>	\$ <u>494,234</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:				
Local and intermediate sources	\$ <u>2,914</u>	\$ <u>3,145</u>	\$ <u>158</u>	\$ <u>255,600</u>
Total additions	<u>2,914</u>	<u>3,145</u>	<u>158</u>	<u>255,600</u>
DEDUCTIONS:				
Scholarships awarded	<u>2,000</u>	<u>27</u>	<u>500</u>	<u>58,298</u>
Total deduction	<u>2,000</u>	<u>27</u>	<u>500</u>	<u>58,298</u>
Change in net position	<u>914</u>	<u>3,118</u>	<u>(342)</u>	<u>197,302</u>
TOTAL NET POSITION - JULY 1	<u>230,192</u>	<u>173,018</u>	<u>11,614</u>	<u>3,211,352</u>
TOTAL NET POSITION - JUNE 30	<u>\$ 231,106</u>	<u>\$ 176,136</u>	<u>\$ 11,272</u>	<u>\$ 3,408,654</u>

**REQUIRED TEXAS EDUCATION
AGENCY SCHEDULES**

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2018

Last Ten Years Ended August 31,	1		2	3	10	20
	Tax Rates			Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 07/01/17	Current Year's Total Levy
	Maintenance	Debt Service				
2009 and prior years	various	various		various	\$ 597,721	\$ -
2010	1.040000	0.196800		3,379,047,550	208,873	-
2011	1.040000	0.196800		2,957,824,842	123,457	-
2012	1.040000	0.196800		2,900,378,134	93,144	-
2013	1.040000	0.196800		2,815,894,307	101,822	-
2014	1.040000	0.196800		2,644,490,296	165,885	-
2015	1.170000	0.196800		2,608,578,516	178,312	-
2016	1.170000	0.196800		2,560,987,414	250,846	-
2017	1.170000	0.460000		2,390,457,178	995,799	-
2018 (School year under audit)	1.170000	0.460000		2,416,904,417	-	<u>39,395,542</u>
1000 Totals					<u>\$ 2,715,859</u>	<u>\$ 39,395,542</u>

EXHIBIT J-1

31	32	40	50
Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/18
\$ 9,792	\$ 1,499	\$ -	\$ 586,430
1,832	346	(771)	205,924
7,393	1,398	(771)	113,895
10,289	1,945	(165)	80,745
7,910	1,495	(331)	92,086
17,272	3,265	5,669	151,017
41,349	7,816	2,697	131,844
72,647	12,207	(2,204)	163,788
553,514	93,009	(44,528)	304,748
<u>27,611,376</u>	<u>10,855,755</u>	<u>(68,384)</u>	<u>860,027</u>
<u>\$ 28,333,374</u>	<u>\$ 10,978,735</u>	<u>\$(108,788)</u>	<u>\$ 2,690,504</u>

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CLEBURNE INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET - UNAUDITED
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Data Control Codes	Explanation		
1	Total General Fund Balance as of 8/31/16 (Exhibit C-1 object 3000 for the General Fund only)	\$	24,295,693
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	\$	92,423
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)		-
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)		-
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)		2,782,687
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)		4,950,711
7	Estimate of two months' average cash disbursements during the fiscal year		9,759,281
8	Estimate of delayed payments from state sources (58XX)		-
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount		-
10	Estimate of delayed payments from federal sources (59XX)		-
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		-
12	Optimum Fund Balance and Cash Flow (2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11)		<u>17,585,102</u>
13	<u>Excess/(Deficit) Unassigned General Fund Balance (1 - 12)</u>	\$	<u>6,710,591</u>
	The District will utilize positive fund balance to address maintenance needs for aging facilities.		

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 700,000	\$ 700,000	\$ 752,834	\$ 52,834
5800	State programs	33,000	33,000	21,423	(11,577)
5900	Federal programs	<u>2,703,411</u>	<u>2,703,411</u>	<u>2,819,040</u>	<u>115,629</u>
5020	Total revenues	<u>3,436,411</u>	<u>3,436,411</u>	<u>3,593,297</u>	<u>156,886</u>
EXPENDITURES					
0035	Food service	3,527,271	3,600,121	3,285,997	314,124
0051	Facilities maintenance and operations	<u>35,000</u>	<u>33,650</u>	<u>17,696</u>	<u>15,954</u>
6030	Total expenditures	<u>3,562,271</u>	<u>3,633,771</u>	<u>3,303,693</u>	<u>330,078</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(125,860)	(197,360)	289,604	486,964
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	<u>5,000</u>	<u>-</u>	<u>3,450</u>	<u>3,450</u>
1200	NET CHANGE IN FUND BALANCES	(120,860)	(197,360)	293,054	490,414
0100	FUND BALANCES, BEGINNING	<u>936,514</u>	<u>936,514</u>	<u>936,514</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 815,654</u>	<u>\$ 739,154</u>	<u>\$ 1,229,568</u>	<u>\$ 490,414</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 11,680,526	\$ 11,680,526	11,288,054	\$(392,472)
5800	State programs	<u>312,537</u>	<u>312,537</u>	<u>170,213</u>	<u>(142,324)</u>
5020	Total revenues	<u>11,993,063</u>	<u>11,993,063</u>	<u>11,458,267</u>	<u>(534,796)</u>
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	4,748,998	4,955,000	4,955,000	-
0072	Interest on long-term debt	6,355,122	6,149,046	6,149,046	-
0073	Bond issuance costs and fees	<u>6,000</u>	<u>6,074</u>	<u>4,026</u>	<u>2,048</u>
6030	Total expenditures	<u>11,110,120</u>	<u>11,110,120</u>	<u>11,108,072</u>	<u>2,048</u>
1200	NET CHANGE IN FUND BALANCES	882,943	882,943	350,195	(532,748)
0100	FUND BALANCES, BEGINNING	<u>5,449,757</u>	<u>5,449,757</u>	<u>5,449,757</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 6,332,700</u>	<u>\$ 6,332,700</u>	<u>\$ 5,799,952</u>	<u>\$(532,748)</u>

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

Board of Trustees
Cleburne Independent School District
Cleburne, Texas

We have audited, in accordance with the auditing standard 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 Cleburne Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Cleburne Independent School District's basic financial statements and have issued our report thereon dated November 12, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting 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 financial reporting that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Cleburne Independent School District's financial statements are free of 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 12, 2018



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees
Cleburne Independent School District
Cleburne, Texas

Report on Compliance for Each Major Federal Program

We have audited the Cleburne Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cleburne Independent School District's major federal programs for the year ended June 30, 2018. Cleburne Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Cleburne 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 Cleburne 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 the compliance for each major federal program. However, our audit does not provide a legal determination on Cleburne Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Cleburne 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 June 30, 2018.

Report on Internal Control Over Compliance

Management of Cleburne 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 Cleburne Independent School 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 Cleburne Independent School 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.

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 12, 2018

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Education Agency:			
School Breakfast Program	10.553	714018	\$ 572,879
National School Lunch Program	10.555	713018	<u>1,981,717</u>
Total Passed through the Texas Education Agency			<u>2,554,596</u>
Passed through the Texas Department of Agriculture:			
Commodities - Noncash Assistance	10.555	00783	<u>264,444</u>
Total Passed through the Texas Department of Agriculture			<u>264,444</u>
Total Child Nutrition Cluster			<u>2,819,040</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>2,819,040</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101126903	1,585,736
IDEA - Part B, Formula	84.027A	186600011269036	1,111,318
IDEA - Part B, Preschool	84.173A	186610011269036	<u>34,436</u>
Total Special Education Cluster (IDEA)			<u>1,145,754</u>
Career and Technical - Basic Grant	84.048A	18420006126903	75,125
ESEA, Title X, Part C - Homeless Children	84.196A	17-009	3,470
Title III, Part A - English Language Acquisition	84.365A	18671001126903	130,930
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	18694501126903	205,069
ESEA, Title IV, Part A - Student Support and Academic Enrichment	84.424A	18680101126903	<u>15,264</u>
Total Passed through the Texas Education Agency			<u>3,161,348</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>3,161,348</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,980,388</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2018

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designed for, 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 funds are accounting for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurement and available, and expenditures in the accounting period in which the liability is incurred, if measureable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
4. The District has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.
5. None of the federal programs expended by the District were passed through to subrecipients.

6. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$	6,751,653
Less:		
School health and related services revenue	(707,983)
E-Rate reimbursements & indirect costs	(<u>63,282</u>)
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$	<u><u>5,980,388</u></u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? None

Identification of major programs:

CFDA Number(s):	Name of Federal Program or Cluster:
10.553 and 10.555	Child Nutrition Cluster
84.027 and 84.173	IDEA Cluster

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None.

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