

**FLOUR BLUFF
INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For The Year Ended August 31, 2018



GOWLAND, STREALY, MORALES & COMPANY, PLLC

Certified Public Accountants

Flour Bluff Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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Introductory Section

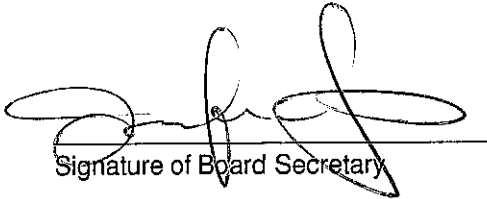
CERTIFICATE OF BOARD

Flour Bluff Independent School District
Name of School District

Nueces
County

178-914
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2018, at a meeting of the board of trustees of such school district on the 6 day of December, 2018.


Signature of Board Secretary


Signature of Board President

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

Financial Section



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Corpus Christi, TX 78413
Telephone: (361) 993-1000
Fax: (361) 991-2880

GOWLAND, STREALLY, MORALES & COMPANY, PLLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Flour Bluff Independent School District
2505 Waldron Road
Corpus Christi, Texas 78418

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 the Flour Bluff Independent School District ("the District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Flour Bluff Independent School District as of August 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Flour Bluff Independent School District adopted new accounting guidance, Governmental Accounting Standards Board 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 schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Flour Bluff Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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 and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 16, 2018 on our consideration of Flour Bluff Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Flour Bluff Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Gowland, Strealy, Morales & Company, PLLC

Corpus Christi, Texas
November 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Flour Bluff Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$28,699,457 at August 31, 2018.
- During the year, the District's expenses were \$4,148,505 less than the \$57,377,738 generated in taxes and other revenues for governmental activities.
- Based on Board of Trustees' approval, the District spent \$5,262,493 in capital assets. This was comprised of several improvements to district buildings, upgrades to the digital media system, HVAC improvements, fleet vehicles and maintenance equipment. A new Junior High Gym and a new Bus Shop are under construction. These improvements were funded by both general and bond funds. The bond program is a result of the successful bond election in May of 2013. This bond program is projected to run through 2019.
- The general fund reported a fund balance this year of \$18,786,297, a decrease of \$431,488. The fund balance decrease is a result of capital projects, transfers to food service, and transfers to internal service funds for Health Care and the Print Shop.

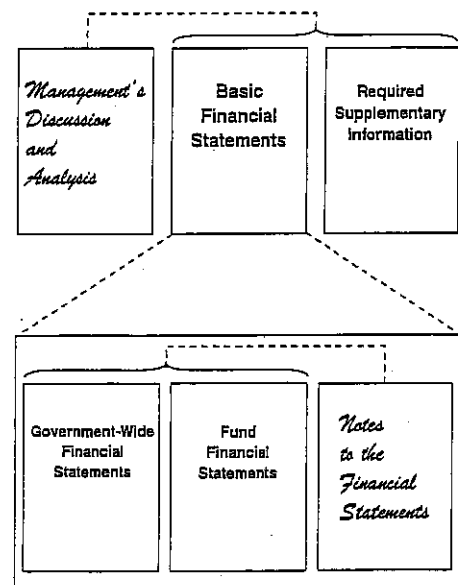
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the District's Annual Financial Report




Summary  Detail

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses; self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

- **Fiduciary funds**—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position were \$28,699,457 August 31, 2018. (See Table A-1)

Table A-1
The District's Net Position

	Governmental Activities		Change 2018-2017
	2018	2017	
Current and Other Assets	\$ 30,924,647	\$ 36,682,084	\$ (5,757,437)
Capital and Non-Current	81,806,056	79,872,500	1,933,556
Total Assets	112,730,703	116,554,584	(3,823,881)
Deferred Outflows Related to Pensions	3,564,435	4,527,256	(962,821)
Current Liabilities	4,305,282	5,415,753	(1,110,471)
Noncurrent Liabilities	74,291,609	59,386,014	14,905,595
Total Liabilities	78,596,891	64,801,767	13,795,124
Deferred Inflows Related to Pensions	8,998,790	786,901	8,211,889
Net Assets Invested in Capital			
Assets net of related debt	39,247,103	41,295,769	(2,048,666)
Restricted	2,882,994	2,851,492	31,502
Unrestricted	(13,430,640)	11,345,911	(24,776,551)
Total Net Position	\$ 28,699,457	\$ 55,493,172	\$ (26,793,715)

Unrestricted net position reflects a deficit created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Net position – Investment in Capital Assets net of related debt is \$39,247,103. The District's restricted net position includes state and federal programs, debt service and campus activities. The \$(13,430,640) of unrestricted net position represents resources available for investments, capital projects or programs.

Changes in net position. The District's total revenues were \$57.4 million. A significant portion, 60%, of the District's revenue comes from taxes, 15% comes from grants and contributions not restricted to specific programs.

The total cost of all programs and services was \$53.23 million; 60% of these costs are for direct student services, which include: instruction; instructional resources; guidance and counseling; social services; health services and co-curricular activities.

Governmental Activities

- The District's maintenance & operations tax rate remained at \$1.04. The total tax rate of \$1.145 allowed for total tax revenue including taxes collected for the payment of voter-approved bonded indebtedness of \$34,219,335, up from \$32,513,642 in the prior year. The increase was primarily attributed to the increase in net appraised values. The district's tax collection rate was 98%, the same as last year.
- Total Net Appraised Value totaled \$3,122,826,495 increasing from \$2,967,591,097 the prior year.

Table A-2
Changes in the District's Net Assets

	Governmental Activities		Total Change 2018-2017	Total Percentage Change
	2018	2017		
Program Revenues:				
Charges for Services	\$ 1,914,114	\$ 1,672,107	\$ 242,007	
Operating Grants and Contributions	8,492,520	7,663,628	828,892	
General Revenues				
Property Taxes	34,219,335	32,513,642	1,705,693	
State Aid - Formula	11,406,862	11,860,399	(453,537)	
Investment Earnings	633,529	423,216	210,313	
Other	711,378	572,272	139,106	
Total Revenues	<u>57,377,738</u>	<u>54,705,264</u>	<u>2,672,474</u>	<u>4.9%</u>
Instruction	27,339,859	30,751,292	(3,411,433)	
Instructional Resources and Media Services	590,506	650,032	(59,526)	
Curriculum Dev. And Instructional Staff Dev.	287,302	322,507	(35,205)	
Instructional Leadership	1,124,809	1,259,921	(135,112)	
School Leadership	2,400,136	2,634,013	(233,877)	
Guidance, Counseling and Evaluation Services	1,522,665	1,909,152	(386,487)	
Social Work Services	157,738	99,216	58,522	
Health Services	401,987	408,029	(6,042)	
Student (Pupil) Transportation	1,781,745	1,957,271	(175,526)	
Food Services	3,191,230	3,208,504	(17,274)	
Curricular/Extracurricular Activities	2,374,955	2,349,719	25,236	
General Administration	1,447,640	1,598,204	(150,564)	
Plant Maintenance & Oper.	6,149,237	5,818,502	330,735	
Security & Monitoring Svcs.	593,331	625,165	(31,834)	
Data Processing Services	939,764	939,377	387	
Community Services	53,181	63,543	(10,362)	
Debt Service	2,173,426	2,206,526	(33,100)	
Bond Issuance Costs and Fees	800	800	-	
Facilities Acquisition and Construction	525	30,398	(29,873)	
Payments Related to Shared Service Arrangements	135,747	120,854	14,893	
Payments to Juvenile Justice Alternative Ed. Program	170,556	169,831	725	
Other Governmental Charges	392,094	371,237	208,857	
Total Expenses	<u>53,229,233</u>	<u>57,494,093</u>	<u>(4,265,717)</u>	<u>-7.4%</u>
Change in Net Position	4,148,505	(2,788,829)	6,937,334	
Net Position Beginning	55,493,051	58,281,880	(2,788,829)	
Prior Period Adjustment *	(30,942,099)			
Net Position Beginning, as Restated	24,550,952			
Net Position Ending	<u>\$ 28,699,457</u>	<u>\$ 55,493,051</u>	<u>\$ 4,148,505</u>	<u>-48.3%</u>

- Implementation of GASB 75 was effective at the beginning of the 2018 fiscal year. Changes for revenues and expenses prior to the implementation have not been calculated and are not available for comparison. Fiscal year 2018 beginning net position has been restated.

Expenses for the District's governmental activities decreased by \$4,285,717 for the year ended December 31, 2018. The decrease is partially caused by the reduction in the OPEB liability for the year which caused a reduction in expenses of \$6,198,791.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$53,229,233.
- However, the amount that our taxpayers paid for these activities through property taxes was \$34,219,335.
- Some of the cost was paid by those who directly benefited from the programs; \$1,914,114, or by grants and contributions \$8,492,520.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services			% Change	Net Cost of Services			% Change
	2018	2017			2018	2017		
Instruction	\$ 27,339,859	\$ 30,751,292	-11.1%		\$ 23,336,860	\$ 26,831,685	-13.0%	
School Leadership	2,400,136	2,634,013	-8.9%		2,105,621	2,835,659	-25.7%	
General Administration	1,447,640	1,598,204	-9.4%		1,285,354	1,448,907	-11.3%	
Plant Maintenance & Operations	6,149,237	5,818,502	5.7%		5,491,699	5,268,389	4.2%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Total revenues from governmental fund types increased approximately \$3,045,091 over last year. Local revenues increased by \$2,269,158 over the preceding year, and state revenues increased by \$113,686. Federal Program revenue increased \$662,247. Increased property values is the main reason for the local revenue increase. The increased state revenue is the result of an audit of the State Comptroller's tax value.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget on a monthly basis as needed when funds were transferred across funds and/or functions. Even with these adjustments, actual expenditures were \$1,253,006 or 3% below final budget amounts. After all transfers and adjustments were made and capital projects funded, the result was a decrease to fund balance in the amount of \$431,488 at fiscal year-end.

Total Revenue was \$96,665 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$112 million in a broad range of capital assets, including land, equipment, buildings, and vehicles before depreciation. (See Table A-4.) This amount represents an increase before depreciation (including additions and adjustments) of \$5.19 million or 5% over last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total Change
	2018	2017	2018-2017
Land	\$ 2,077,715	\$ 2,077,715	\$ -
Buildings and improvements	95,444,850	92,181,613	3,263,237
Construction in Progress	4,889,847	3,207,920	1,681,927
Furniture and Equipment	9,114,425	8,873,835	240,590
Totals at historical cost	<u>111,526,837</u>	<u>106,341,083</u>	<u>5,185,754</u>
Total accumulated depreciation	29,742,642	26,495,846	3,246,796
Net capital assets	\$ <u>81,784,195</u>	\$ <u>79,845,237</u>	\$ <u>1,938,958</u>

More detailed information about the District's capital assets is presented in the Notes to the financial statements.

Long Term Debt

At year-end the District had \$49.6 million in bonds and other debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

	Governmental Activities	
	2018	2017
Compensated Absences	209,207	218,442
Premium	251,697	261,765
Bonds payable	\$ 47,225,000	\$ 48,185,000
	47,685,904	48,665,207
Less current portion	1,005,000	960,000
Total Long-Term Debt	\$ <u>46,680,904</u>	\$ <u>47,705,207</u>

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. A prior period adjustment of \$5,704,663 was required to record the beginning balance of the pension liability for the year ended August 31, 2014. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

Other Post-Employment Benefit Plans (OPEB)

The District implemented GASB Statement No. 75 during the year ended August 31, 2018. A prior period adjustment of \$30,942,099 was required to record the beginning balance of the pension liability for the year ended August 31, 2017. 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 Benefits (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.

The adoption of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of health insurance unaffected by the change. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net OPEB liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the general fund budget for 2019:

- Appraisal property values were up \$80 million or 3% from prior year.
- The projected general fund spending per student is \$8,363.
- The ADA was budgeted at \$5,349.
- The tax rate is 1.14 per \$100 valuation. This is roughly one half of a cent decrease over the prior year.
- The district had a successful bond election in May of 2013 for \$48,040,000. This program is projected to go through 2019.

Projected revenue in the general fund is expected to be \$46,767,011.

Factors that contributed to the 2018-2019 revenue budget are as follows:

- General Fund state revenue decreased over the prior year as a result of the increases in property tax values and collections and a decline in enrollment. The district enrolled temporary Hurricane Harvey Students in the fall of last year.
- Tax revenue from local property values is expected to be more than last year due to an increase in values.
- The District elected to use the Declared Disaster Tax Rate Option to move \$.02 from I&S to M&O. The rates for 2018-2019 are \$1.06 in M&O and \$.08 in I&S. For 2019-2020 and beyond, the rate will revert back to an M&O rate of \$1.04 and the District does not foresee any increase beyond the previous I&S rated of \$.10.

Expenditures were budgeted at \$47,752,169 which is \$1,530,257 more than last year's expenditures. Factors that contributed to the 2018-2019 expenditure budget are as follows:

- The District budgeted a 2.5% raise in salaries, which increased payroll by \$973,000.
- The teacher hiring scale was adjusted for a starting salary of \$45,750.
- The district is adding 2 staff members for 2018-2019. These additions are due to student needs.
- The district budgeted for the increasing costs of operations and supplies.
- The district will continue the self-funded health insurance plan that began in January 2016.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by \$985,158 plus any Board approved capital and special projects funding at the close of 2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Assistant Superintendent for Business Management.

Basic Financial Statements

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2018

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	15,831,358
1120	Current Investments		11,508,200
1225	Property Taxes Receivable (Net)		803,021
1240	Due from Other Governments		1,428,838
1250	Accrued Interest		41,221
1290	Other Receivables (Net)		416,841
1300	Inventories		236,681
1410	Unrealized Expenses		658,487
Capital Assets:			
1510	Land		2,077,715
1520	Buildings and Improvements, Net		72,602,272
1530	Furniture and Equipment, Net		2,236,222
1580	Construction in Progress		4,889,847
1000	Total Assets		<u>112,730,703</u>
DEFERRED OUTFLOWS OF RESOURCES:			
	Deferred Outflow Related to Pensions		3,280,775
	Deferred Outflow Related to OPEB		283,660
1700	Total Deferred Outflows of Resources		<u>3,564,435</u>
LIABILITIES:			
2110	Accounts Payable		931,614
2165	Accrued Liabilities		2,230,346
2180	Due to Other Governments		26
2300	Unearned Revenue		1,143,296
Noncurrent Liabilities:			
2501	Due Within One Year		1,005,000
2502	Due in More Than One Year		46,680,904
2540	Net Pension Liability		8,959,978
2545	Net OPEB Liability		17,645,727
2000	Total Liabilities		<u>78,596,891</u>
DEFERRED INFLOWS OF RESOURCES:			
	Deferred Inflow Related to Pensions		1,617,549
	Deferred Inflow Related to OPEB		7,381,241
2600	Total Deferred Inflows of Resources		<u>8,998,790</u>
NET POSITION:			
3200	Net Investment in Capital Assets		39,247,103
Restricted For:			
3820	State and Federal Programs		385,971
3850	Debt Service		1,616,069
3870	Campus Activities		880,954
3900	Unrestricted		(13,430,640)
3000	Total Net Position	\$	<u>28,699,457</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 27,339,859	\$ 387,131	\$ 3,615,868	\$ (23,336,860)
12	Instructional Resources and Media Services	590,506	14,171	137,347	(438,988)
13	Curriculum and Staff Development	287,302	777	118,717	(167,808)
21	Instructional Leadership	1,124,809	6,834	141,800	(976,175)
23	School Leadership	2,400,136	27,098	267,417	(2,105,621)
31	Guidance, Counseling, & Evaluation Services	1,522,665	17,802	611,241	(893,622)
32	Social Work Services	157,738	233	70,628	(86,877)
33	Health Services	401,987	11,342	42,649	(347,996)
34	Student Transportation	1,781,745	12,555	181,309	(1,587,881)
35	Food Service	3,191,230	913,153	2,075,427	(202,650)
36	Cocurricular/Extracurricular Activities	2,374,955	457,293	55,701	(1,861,961)
41	General Administration	1,447,640	10,510	151,776	(1,285,354)
51	Facilities Maintenance and Operations	6,149,237	42,582	614,956	(5,491,699)
52	Security and Monitoring Services	593,331	4,608	66,542	(522,181)
53	Data Processing Services	939,764	6,549	94,580	(838,635)
61	Community Services	53,181	259	19,879	(33,043)
72	Interest on Long-term Debt	2,173,426	--	73,329	(2,100,097)
73	Bond Issuance Costs and Fees	800	--	--	(800)
81	Capital Outlay	525	--	--	(525)
93	Payments Related to Shared Services Arrangements	135,747	--	135,784	37
95	Payments to Juvenile Justice Alternative Ed. Programs	170,556	1,217	17,570	(151,769)
99	Other Intergovernmental Charges	392,094	--	--	(392,094)
TG	Total Governmental Activities	<u>53,229,233</u>	<u>1,914,114</u>	<u>8,492,520</u>	<u>(42,822,599)</u>
TP	Total Primary Government	<u>\$ 53,229,233</u>	<u>\$ 1,914,114</u>	<u>\$ 8,492,520</u>	<u>(42,822,599)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				31,089,474
DT	Property Taxes, Levied for Debt Service				3,129,861
IE	Investment Earnings				633,529
GC	Grants and Contributions Not Restricted to Specific Programs				11,406,862
MI	Miscellaneous				711,378
TR	Total General Revenues				<u>46,971,104</u>
CN	Change in Net Position				4,148,505
NB	Net Position - Beginning				55,493,051
PA	Prior Period Adjustment				(30,942,099)
	Net Position - Beginning, as Restated				24,550,952
NE	Net Position - Ending				<u>\$ 28,699,457</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2018

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 10,995,287	\$ 2,672,766	\$ 1,972,493	\$ 15,640,546
1120 Current Investments	9,514,920	1,993,280	--	11,508,200
1225 Taxes Receivable, Net	738,089	--	64,932	803,021
1240 Due from Other Governments	736,668	--	692,170	1,428,838
1250 Accrued Interest	41,221	--	--	41,221
1260 Due from Other Funds	--	--	29,885	29,885
1290 Other Receivables	67,262	--	12,334	79,596
1300 Inventories	14,718	--	221,963	236,681
1410 Unrealized Expenditures	658,487	--	--	658,487
1000 Total Assets	<u>22,766,652</u>	<u>4,666,046</u>	<u>2,993,777</u>	<u>30,426,475</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 96,465	\$ 820,394	\$ 6,459	\$ 923,318
2150 Payroll Deductions & Withholdings	9,798	--	2,736	12,534
2160 Accrued Wages Payable	1,980,812	--	--	1,980,812
2170 Due to Other Funds	29,885	--	--	29,885
2180 Due to Other Governments	26	--	--	26
2300 Unearned Revenue	1,125,280	2,591	15,425	1,143,296
2000 Total Liabilities	<u>3,242,266</u>	<u>822,985</u>	<u>24,620</u>	<u>4,089,871</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue	738,089	--	64,932	803,021
2600 Total Deferred Inflows of Resources	<u>738,089</u>	<u>--</u>	<u>64,932</u>	<u>803,021</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	14,718	--	221,963	236,681
3430 Prepaid Items	461,012	--	--	461,012
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	164,008	164,008
3480 Retirement of Long-Term Debt	--	--	1,616,069	1,616,069
3490 Other Restrictions of Fund Balance	--	--	902,185	902,185
Committed Fund Balances:				
3510 Construction	--	3,843,061	--	3,843,061
3540 Self-Insurance	200,000	--	--	200,000
Assigned Fund Balances:				
3550 Construction	4,000,000	--	--	4,000,000
3570 Capital Expenditures for Equipment	1,041,831	--	--	1,041,831
3590 Other Assigned Fund Balance	525,657	--	--	525,657
3600 Unassigned	12,543,079	--	--	12,543,079
3000 Total Fund Balances	<u>18,786,297</u>	<u>3,843,061</u>	<u>2,904,225</u>	<u>25,533,583</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 22,766,652</u>	<u>\$ 4,666,046</u>	<u>\$ 2,993,777</u>	<u>\$ 30,426,475</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet \$ 25,533,583

Amounts reported for governmental activities in the Statement of Net Position
("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	81,784,195
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	803,021
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	304,622
Payables for bond principal which are not due in the current period are not reported in the funds.	(47,225,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(209,207)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(8,959,978)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,617,549)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,280,775
Bond premiums are amortized in the SNA but not in the funds.	(251,697)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(17,645,727)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(7,381,241)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>283,660</u>

Net position of governmental activities - Statement of Net Position \$ 28,699,457

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 32,094,007	\$ 109,162	\$ 5,184,780	\$ 37,387,949
5800 State Program Revenues	13,756,436	--	460,518	14,216,954
5900 Federal Program Revenues	1,388,762	--	4,293,666	5,682,428
5020 Total Revenues	<u>47,239,205</u>	<u>109,162</u>	<u>9,938,964</u>	<u>57,287,331</u>
EXPENDITURES:				
Current:				
0011 Instruction	27,182,563	--	1,908,668	29,091,231
0012 Instructional Resources and Media Services	538,404	--	100,906	639,310
0013 Curriculum and Staff Development	181,910	--	107,506	289,416
0021 Instructional Leadership	1,199,550	--	43,128	1,242,678
0023 School Leadership	2,567,342	--	22,970	2,590,312
0031 Guidance, Counseling, & Evaluation Services	1,260,743	--	515,524	1,776,267
0032 Social Work Services	88,093	--	67,268	155,361
0033 Health Services	421,748	--	9,574	431,322
0034 Student Transportation	1,770,992	--	--	1,770,992
0035 Food Service	43,771	--	3,273,398	3,317,169
0036 Cocurricular/Extracurricular Activities	1,661,214	--	691,143	2,352,357
0041 General Administration	1,474,427	--	--	1,474,427
0051 Facilities Maintenance and Operations	6,071,838	--	--	6,071,838
0052 Security and Monitoring Services	645,864	--	--	645,864
0053 Data Processing Services	919,960	--	--	919,960
0061 Community Services	37,672	--	16,106	53,778
0071 Principal on Long-term Debt	--	--	960,000	960,000
0072 Interest on Long-term Debt	--	--	2,183,494	2,183,494
0073 Bond Issuance Costs and Fees	--	--	800	800
0081 Capital Outlay	--	5,164,031	--	5,164,031
0093 Payments to Shared Service Arrangements	--	--	135,747	135,747
0095 Payments to Juvenile Justice Alternative Education Programs	170,556	--	--	170,556
0099 Other Intergovernmental Charges	392,094	--	--	392,094
6030 Total Expenditures	<u>46,628,741</u>	<u>5,164,031</u>	<u>10,036,232</u>	<u>61,829,004</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>610,464</u>	<u>(5,054,869)</u>	<u>(97,268)</u>	<u>(4,541,673)</u>
Other Financing Sources and (Uses):				
7915 Transfers In	--	666,952	150,000	816,952
8911 Transfers Out	(1,041,952)	--	--	(1,041,952)
7080 Total Other Financing Sources and (Uses)	<u>(1,041,952)</u>	<u>666,952</u>	<u>150,000</u>	<u>(225,000)</u>
1200 Net Change in Fund Balances	<u>(431,488)</u>	<u>(4,387,917)</u>	<u>52,732</u>	<u>(4,766,673)</u>
0100 Fund Balances - Beginning	19,217,785	8,230,978	2,851,493	30,300,256
3000 Fund Balances - Ending	<u>\$ 18,786,297</u>	<u>\$ 3,843,061</u>	<u>\$ 2,904,225</u>	<u>\$ 25,533,583</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF 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 AUGUST 31, 2018

Net change in fund balances - total governmental funds \$ (4,766,673)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	5,262,493
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,323,414)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	90,407
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	960,000
The net revenue (expense) of internal service funds is reported with governmental activities.	23,899
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	9,235
Bond premiums are reported in the funds but not in the SOA.	10,068
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(316,300)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	6,198,791
Rounding difference	(1)

Change in net position of governmental activities - Statement of Activities \$ 4,148,505

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****INTERNAL SERVICE FUNDS****AUGUST 31, 2018**

<u>Data Control Codes</u>		<u>Internal Service Funds</u>
ASSETS:		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 190,812
Receivables:		
1290	Other Receivables (net)	337,245
	Total Current Assets	<u>528,057</u>
Noncurrent Assets:		
Capital Assets:		
1530	Furniture and Equipment	322,529
1570	Accumulated Depreciation	<u>(300,668)</u>
	Total Noncurrent Assets	21,861
1000	Total Assets	<u>549,918</u>
LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable	\$ 8,296
2123	Other Liabilities	237,000
	Total Current Liabilities	<u>245,296</u>
2000	Total Liabilities	<u>245,296</u>
NET POSITION:		
3900	Unrestricted	304,622
3000	Total Net Position	<u>\$ 304,622</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Internal Service Funds
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 4,803,705
5020	Total Revenues	<u>4,803,705</u>
	OPERATING EXPENSES:	
6100	<i>Payroll Costs</i>	159,893
6200	<i>Professional and Contracted Services</i>	118,357
6300	<i>Supplies and Materials</i>	42,338
6400	<i>Other Operating Costs</i>	4,684,219
6030	Total Expenses	<u>5,004,807</u>
	Income (Loss) before Contributions and Transfers	(201,102)
7915	<i>Transfers In</i>	<u>225,000</u>
1300	Change in Net Position	<u>23,898</u>
0100	Total Net Position - Beginning	280,724
3300	Total Net Position - Ending	<u>\$ 304,622</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2018**

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ --
Cash Received from Grants	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	4,491,744
Cash Payments to Employees for Services	(159,893)
Cash Payments to Other Suppliers for Goods and Services	(4,601,193)
Cash Payments for Grants to Other Organizations	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	<u>(269,342)</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Primary Government	--
Transfers From (To) Other Funds	225,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>225,000</u>
Cash Flows from Capital and Related Financing Activities:	
Contributed Capital	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(44,342)
Cash and Cash Equivalents at Beginning of Year	235,154
Cash and Cash Equivalents at End of Year	<u>\$ 190,812</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (201,102)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	5,432
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(311,961)
Decrease (Increase) in Prepaid Expenses	--
Increase (Decrease) in Accounts Payable	238,289
Increase (Decrease) in Payroll Deductions	--
Increase (Decrease) in Accrued Wages Payable	--
Increase (Decrease) in Interfund Payables	--
Total Adjustments	<u>(68,240)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (269,342)</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2018**

<u>Data Control Codes</u>		<u>Agency Fund</u>
		<u>Student Activity</u>
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 142,526
1000	Total Assets	<u>142,526</u>
LIABILITIES:		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 142,526
2000	Total Liabilities	<u>142,526</u>
NET POSITION:		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies

The basic financial statements of Flour Bluff Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Projects Fund: This fund accounts for the bond proceeds and the related expenditures for the various projects approved in the bond issue.

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In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 1,270,278	\$ 111,750	\$ 1,382,028
Allowance	(532,189)	(46,818)	(579,007)
Net Taxes	<u>\$ 738,089</u>	<u>\$ 64,932</u>	<u>\$ 803,021</u>

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-100
Building Improvements	20
Vehicles	10
Office Equipment	3-15
Computer Equipment	3-15

e. Deferred Outflows and Inflows of Resources

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

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

f. Receivable and Payable Balances

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

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

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump sum payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon 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 cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. 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 convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

l. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary 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 net position to have been depleted before unrestricted net position is applied.

m. 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.

n. Negative Operating Grants and Contributions - Statement of Activities

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

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf expense.

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4. 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' 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.

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits of OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

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1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,421,258 and the bank balance was \$3,060,996. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	
The Following investments were included in Cash & Cash Equivalents:			
Lone Star	AAAm	\$ 13,552,626	
Investments Include			
Certificates of Deposit	7-8-2019	2,049,218	Fully Insured
U.S. Government Agencies	N/A	7,465,702	Level 1
Commercial Paper	N/A	1,993,280	Level 1
Total Investments		\$ 11,508,200	

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

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b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. 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.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,077,715	\$ --	\$ --	\$ 2,077,715
Construction in progress	3,207,800	1,682,047	--	4,889,847
Total capital assets not being depreciated	5,285,515	1,682,047	--	6,967,562
<i>Capital assets being depreciated:</i>				
Buildings and improvements	92,181,613	3,263,237	--	95,444,850
Equipment	3,891,253	247,298	--	4,138,551
Vehicles	4,982,583	69,909	76,618	4,975,874
Total capital assets being depreciated	101,055,449	3,580,444	76,618	104,559,275
Less accumulated depreciation for:				
Buildings and improvements	(19,973,888)	(2,868,690)	--	(22,842,578)
Equipment	(2,903,693)	(217,007)	--	(3,120,700)
Vehicles	(3,618,265)	(237,717)	(76,618)	(3,779,364)
Total accumulated depreciation	(26,495,846)	(3,323,414)	(76,618)	(29,742,642)
Total capital assets being depreciated, net	74,559,603	257,030	--	74,816,633
Governmental activities capital assets, net	\$ 79,845,118	\$ 1,939,077	\$ --	\$ 81,784,195

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Buildings and improvements	--	--	--	--
Equipment	322,529	--	--	322,529
Vehicles	--	--	--	--
Total capital assets being depreciated	322,529	--	--	322,529
Less accumulated depreciation for:				
Buildings and improvements	--	--	--	--
Equipment	(295,236)	(5,431)	--	(300,667)
Vehicles	--	--	--	--
Total accumulated depreciation	(295,236)	(5,431)	--	(300,667)
Total capital assets being depreciated, net	27,293	(5,431)	--	21,862

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Depreciation was charged to functions as follows:

Instruction	\$ 1,730,494
Instructional Resources and Media Services	37,687
Curriculum and Staff Development	18,336
Instructional Leadership	71,786
School Leadership	153,179
Guidance, Counseling, & Evaluation Services	97,178
Social Work Services	10,067
Health Services	25,655
Student Transportation	237,717
Food Services	203,667
Extracurricular Activities	151,572
General Administration	92,390
Plant Maintenance and Operations	392,450
Security and Monitoring Services	37,867
Data Processing Services	59,977
Community Services	3,392
	<u>\$ 3,323,414</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2018, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	\$ 29,885	Short-term loans
	Total	<u>\$ 29,885</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Capital Projects Fund	\$ 666,952	Supplement other funds sources
General fund	Other Governmental Funds	150,000	Supplement other funds sources
General fund	Internal Service Funds	225,000	Supplement other funds sources
	Total	<u>\$ 1,041,952</u>	

F. Long-Term Obligations

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

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1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2008 Unlimited Tax Refunding Bonds 3.5%-4%	1,815,000		575,000	1,240,000	605,000
2013 Unlimited Tax School Building Bonds 3%-5%	46,370,000		385,000	45,985,000	400,000
Total bond activities	\$ 48,185,000	\$ --	\$ 960,000	\$ 47,225,000	\$ 1,005,000
Premium	261,765		10,068	251,697	--
Compensated absences *	218,443		9,236	209,207	--
Total governmental activities	\$ 48,665,207	\$ --	\$ 979,304	\$ 47,685,904	\$ 1,005,000
Due within one year				1,005,000	
Due in more than one year				46,680,904	

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Claims and judgments	Governmental	
Net Pension Liability *	Governmental	
Claims and judgments	Business-type	

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 1,005,000	\$ 2,145,094	\$ 3,150,094
2020	1,050,000	2,104,893	3,154,893
2021	1,150,000	2,062,894	3,212,894
2022	1,210,000	2,005,394	3,215,394
2023	1,270,000	1,944,894	3,214,894
2024-2028	7,355,000	8,721,170	16,076,170
2029-2033	9,050,000	7,021,506	16,071,506
2034-2038	11,140,000	4,925,025	16,065,025
2039-2043	13,995,000	2,077,361	16,072,361
Totals	\$ 47,225,000	\$ 33,008,231	\$ 80,233,231

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3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2014, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
1998 Bond Issue	2,445,000
Total	<u>2,445,000</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, 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.

H. Pension Plan

1. 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.

2. Pension Plan Fiduciary Net Position

Detail 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.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.

3. 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 (1.) above.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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4. Contributions

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

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

<u>Contribution Rates</u>		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
 District's 2018 Employer Contributions	 \$ 985,334	
District's 2018 Member Contributions	\$ 2,573,050	
NECE 2017 On-Behalf Contributions to District	\$ 1,707,714	

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 the state contribution as an employment after retirement surcharge.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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- 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation 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%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. 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:

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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

7. 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%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 15,104,753	\$ 8,959,978	\$ 3,843,456

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the District reported a liability of \$8,959,978 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:

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NOTES TO THE FINANCIAL STATEMENTS
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District's proportionate share of the collective net pension liability	\$ 8,959,978
State's proportionate share that is associated with District	<u>16,695,553</u>
Total	<u>\$ 25,655,531</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0280222%, which was an increase (decrease) of 0.0000000% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$1,273,470 and revenue of \$1,273,470 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 131,089	\$ 483,200
Changes in actuarial assumptions	408,141	233,651
Difference between projected and actual investment earnings	--	652,983
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,756,211	247,715
Contributions paid to TRS subsequent to the measurement date	<u>985,334</u>	<u>--</u>
Total	<u>\$ 3,280,775</u>	<u>\$ 1,617,549</u>

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

Year Ended August 31	Pension Expense Amount
2019	\$ 109,059
2020	\$ 680,998
2021	\$ 65,114
2022	\$ (114,386)
2023	\$ (40,507)
Thereafter	\$ (22,388)

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

I. Defined Other Post-Employment Benefit Plans

1. 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.

2. OPEB Plan Fiduciary Net Position

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

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

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. 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 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:

Monthly TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

* or surviving spouse

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4. 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 (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

Current fiscal year District contributions	\$	280,898
Current fiscal year Member contributions	\$	217,222
2017 measurement year NECE contributions	\$	303,721

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether 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 NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

5. Actuarial Assumptions

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

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

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

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims 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

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

**Includes inflation at 2.50%

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

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and 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 not to 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.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 20,826,338	\$ 17,645,727	\$ 15,089,232

8. 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 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 14,691,830	\$ 17,645,727	\$ 21,521,611

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

At August 31, 2018, the District reported a liability of \$17,645,727 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 17,645,727
State's proportionate share that is associated with the District	\$ 25,404,198
Total	<u>\$ 43,049,925</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 District's proportion of the net OPEB liability was based on the District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0405777.

10. Changes Since the Prior Actuarial Valuation.

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

- a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- b. 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.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

- c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(8,500,920) and revenue of \$(8,500,920) for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 368,368
Changes in actuarial assumptions	--	7,012,873
Differences between projected and actual investment earnings	2,680	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	82	--
Contributions paid to TRS subsequent to the measurement date	280,898	
	<u>\$ 283,660</u>	<u>7,381,241</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

Year ended August 31,	Amount
2019	\$ (973,599)
2020	\$ (973,599)
2021	\$ (973,599)
2022	\$ (973,599)
2023	\$ (974,269)
Thereafter	\$ (2,509,815)

J. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$381 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable January 1, and terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$100,000 and for aggregate loss. According to the latest actuarial opinion dated , the unfunded claim benefit obligation included \$237,000 in reported claims that were unpaid and estimated incurred, but not reported, claims of \$237,000. Anticipated stop-loss coverage would cover \$227,224 of the unfunded claim benefit obligation. The remaining \$246,776 unfunded claim benefit obligation would be funded through rate adjustments and future contributions.

K. Commitments and Contingencies

1. Contingencies

The District participates in 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 adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

L. Prior Period Adjustment

During fiscal year 2018, the District Adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$30,942,099 which resulted in a restated beginning net position balance of \$24,550,952.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1

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Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 31,931,037	\$ 32,226,037	\$ 32,094,007	\$ (132,030)
5800	State Program Revenues	13,221,375	13,676,960	13,756,436	79,476
5900	Federal Program Revenues	1,069,500	1,169,500	1,388,762	219,262
5020	Total Revenues	46,221,912	47,072,497	47,239,205	166,708
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	26,821,813	27,575,903	27,182,563	393,340
0012	Instructional Resources and Media Services	523,936	551,949	538,404	13,545
0013	Curriculum and Staff Development	205,342	234,952	181,910	53,042
	Total Instruction & Instr. Related Services	27,551,091	28,362,804	27,902,877	459,927
Instructional and School Leadership:					
0021	Instructional Leadership	1,167,092	1,240,543	1,199,550	40,993
0023	School Leadership	2,522,959	2,608,288	2,567,342	40,946
	Total Instructional & School Leadership	3,690,051	3,848,831	3,766,892	81,939
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,412,263	1,309,346	1,260,743	48,603
0032	Social Work Services	95,418	99,261	88,093	11,168
0033	Health Services	398,700	445,067	421,748	23,319
0034	Student (Pupil) Transportation	1,689,978	1,880,189	1,770,992	109,197
0035	Food Services	48,212	66,212	43,771	22,441
0036	Cocurricular/Extracurricular Activities	1,717,001	1,768,326	1,661,214	107,112
	Total Support Services - Student (Pupil)	5,361,572	5,568,401	5,246,561	321,840
Administrative Support Services:					
0041	General Administration	1,669,016	1,566,191	1,474,427	91,764
	Total Administrative Support Services	1,669,016	1,566,191	1,474,427	91,764
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	5,789,003	6,282,454	6,071,838	210,616
0052	Security and Monitoring Services	612,086	662,540	645,864	16,676
0053	Data Processing Services	908,943	945,027	919,960	25,067
	Total Support Services - Nonstudent Based	7,310,032	7,890,021	7,637,662	252,359
Ancillary Services:					
0061	Community Services	50,900	54,249	37,672	16,577
	Total Ancillary Services	50,900	54,249	37,672	16,577
Intergovernmental Charges:					
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	188,511	188,511	170,556	17,955
0099	Other Intergovernmental Charges	400,739	402,739	392,094	10,645
	Total Intergovernmental Charges	589,250	591,250	562,650	28,600
6030	Total Expenditures	46,221,912	47,881,747	46,628,741	1,253,006
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(809,250)	610,464	1,419,714

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
8911	Transfers Out	--	(1,041,952)	(1,041,952)	--
7080	Total Other Financing Sources and (Uses)	--	(1,041,952)	(1,041,952)	--
1200	Net Change in Fund Balance	--	(1,851,202)	(431,488)	1,419,714
0100	Fund Balance - Beginning	19,217,785	19,217,785	19,217,785	--
3000	Fund Balance - Ending	<u>\$ 19,217,785</u>	<u>\$ 17,366,583</u>	<u>\$ 18,786,297</u>	<u>\$ 1,419,714</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Fiscal Year			
	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.02802%	0.02837%	0.03048%	0.01885%
District's proportionate share of the net pension liability (asset)	\$ 8,959,978	\$ 10,720,807	\$ 10,774,805	\$ 5,034,989
State's proportionate share of the net pension liability (asset) associated with the District	16,695,553	20,377,501	19,389,552	16,784,837
Total	<u>\$ 25,655,531</u>	<u>\$ 31,098,308</u>	<u>\$ 30,164,357</u>	<u>\$ 21,819,826</u>
District's covered-employee payroll	\$ 32,484,089	\$ 31,738,124	\$ 30,882,806	\$ 29,624,876
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.58%	33.78%	34.89%	17.00%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

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

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	2018	2017	2016	2015
Contractually required contribution	\$ 985,334	\$ 918,403	\$ 899,835	\$ 891,847
Contributions in relation to the contractually required contribution	(985,334)	(918,403)	(899,835)	(891,847)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 33,418,098	\$ 32,484,089	\$ 31,738,124	\$ 30,882,806
Contributions as a percentage of covered-employee payroll	2.95%	2.83%	2.84%	2.89%

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

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	<u>2017</u>
District's proportion of the collective net OPEB liability	0.04058%
District's proportionate share of the collective net OPEB liability	\$ 17,645,727
State proportionate share of the collective net OPEB liability associated with the District	\$ 25,404,198
Total	<u>\$ 43,049,925</u>
District's covered-employee payroll	\$ 32,484,089
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	54.32%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

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

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**TEACHER RETIREMENT SYSGEM O TEXAS**LAST TEN FISCAL YEARS **

	<u>2018</u>
Statutorily or contractually required District contribution	\$ 280,898
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	<u>280,898</u>
Contribution deficiency (excess)	<u>\$ --</u>
District's covered-employee payroll	\$ 33,418,098
Contributions as a percentage of covered-employee payroll	0.84%

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2018

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

AUGUST 31, 2018

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:				
1110	Cash and Cash Equivalents	\$ 356,424	\$ 1,616,069	\$ 1,972,493
1225	Taxes Receivable, Net	--	64,932	64,932
1240	Due from Other Governments	692,170	--	692,170
1260	Due from Other Funds	29,885	--	29,885
1290	Other Receivables	12,334	--	12,334
1300	Inventories	221,963	--	221,963
1000	Total Assets	<u>1,312,776</u>	<u>1,681,001</u>	<u>2,993,777</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 6,459	\$ --	\$ 6,459
2150	Payroll Deductions & Withholdings	2,736	--	2,736
2300	Unearned Revenue	15,425	--	15,425
2000	Total Liabilities	<u>24,620</u>	<u>--</u>	<u>24,620</u>
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	--	64,932	64,932
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>64,932</u>	<u>64,932</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	221,963	--	221,963
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	164,008	--	164,008
3480	Retirement of Long-Term Debt	--	1,616,069	1,616,069
3490	Other Restrictions of Fund Balance	902,185	--	902,185
3000	Total Fund Balances	<u>1,288,156</u>	<u>1,616,069</u>	<u>2,904,225</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 1,312,776</u>	<u>\$ 1,681,001</u>	<u>\$ 2,993,777</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 2,002,199	\$ 3,182,581	\$ 5,184,780
5800 <i>State Program Revenues</i>	387,189	73,329	460,518
5900 <i>Federal Program Revenues</i>	4,293,666	--	4,293,666
5020 <i>Total Revenues</i>	<u>6,683,054</u>	<u>3,255,910</u>	<u>9,938,964</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	1,908,668	--	1,908,668
0012 <i>Instructional Resources and Media Services</i>	100,906	--	100,906
0013 <i>Curriculum and Staff Development</i>	107,506	--	107,506
0021 <i>Instructional Leadership</i>	43,128	--	43,128
0023 <i>School Leadership</i>	22,970	--	22,970
0031 <i>Guidance, Counseling, & Evaluation Services</i>	515,524	--	515,524
0032 <i>Social Work Services</i>	67,268	--	67,268
0033 <i>Health Services</i>	9,574	--	9,574
0035 <i>Food Service</i>	3,273,398	--	3,273,398
0036 <i>Cocurricular/Extracurricular Activities</i>	691,143	--	691,143
0061 <i>Community Services</i>	16,106	--	16,106
0071 <i>Principal on Long-term Debt</i>	--	960,000	960,000
0072 <i>Interest on Long-term Debt</i>	--	2,183,494	2,183,494
0073 <i>Bond Issuance Costs and Fees</i>	--	800	800
0093 <i>Payments to Shared Service Arrangements</i>	135,747	--	135,747
6030 <i>Total Expenditures</i>	<u>6,891,938</u>	<u>3,144,294</u>	<u>10,036,232</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(208,884)</u>	<u>111,616</u>	<u>(97,268)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	150,000	--	150,000
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>150,000</u>	<u>--</u>	<u>150,000</u>
1200 <i>Net Change in Fund Balances</i>	<u>(58,884)</u>	<u>111,616</u>	<u>52,732</u>
0100 <i>Fund Balances - Beginning</i>	1,347,040	1,504,453	2,851,493
3000 <i>Fund Balances - Ending</i>	<u>\$ 1,288,156</u>	<u>\$ 1,616,069</u>	<u>\$ 2,904,225</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	289 Title VI Summer LEP	397 Advanced Placement Incentives	410 State Textbook Fund
\$ (16,625)	\$ (56,748)	\$ 646	\$ 5,948	\$ 8,365
16,625	58,675	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>1,927</u>	<u>646</u>	<u>5,948</u>	<u>8,365</u>
<u><u>--</u></u>	<u><u>1,927</u></u>	<u><u>646</u></u>	<u><u>5,948</u></u>	<u><u>8,365</u></u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	1,927	--	--	--
--	--	646	5,948	8,365
<u>--</u>	<u>1,927</u>	<u>646</u>	<u>5,948</u>	<u>8,365</u>
<u><u>--</u></u>	<u><u>1,927</u></u>	<u><u>646</u></u>	<u><u>5,948</u></u>	<u><u>8,365</u></u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u><u>--</u></u>	<u><u>1,927</u></u>	<u><u>646</u></u>	<u><u>5,948</u></u>	<u><u>8,365</u></u>

480 Flour Bluff Foundation	485 Ed Rachal Foundation	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 17,050	\$ 116	\$ 356,424
--	--	692,170
--	--	29,885
8,931	--	12,334
--	--	221,963
<u>25,981</u>	<u>116</u>	<u>1,312,776</u>
\$ 4,750	\$ --	\$ 6,459
--	--	2,736
--	116	15,425
<u>4,750</u>	<u>116</u>	<u>24,620</u>
--	--	221,963
--	--	164,008
21,231	--	902,185
<u>21,231</u>	<u>--</u>	<u>1,288,156</u>
\$ <u>25,981</u>	\$ <u>116</u>	\$ <u>1,312,776</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	289 Title VI Summer LEP	410 State Textbook Fund	429 State Funded Special Revenue Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	275,521	97,637
52,874	150,026	541	--	--
<u>52,874</u>	<u>150,026</u>	<u>541</u>	<u>275,521</u>	<u>97,637</u>
52,404	140,218	541	275,521	29,192
--	--	--	--	--
470	7,592	--	--	1,177
--	615	--	--	--
--	719	--	--	--
--	730	--	--	--
--	--	--	--	67,268
--	--	--	--	--
--	--	--	--	--
--	152	--	--	--
--	--	--	--	--
<u>52,874</u>	<u>150,026</u>	<u>541</u>	<u>275,521</u>	<u>97,637</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	461 Campus Activity Funds	480 Flour Bluff Foundation	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 822,096	\$ 245,938	\$ 2,002,199
5800 <i>State Program Revenues</i>	--	--	387,189
5900 <i>Federal Program Revenues</i>	--	--	4,293,666
5020 <i>Total Revenues</i>	<u>822,096</u>	<u>245,938</u>	<u>6,683,054</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	56,873	205,005	1,908,668
0012 <i>Instructional Resources and Media Services</i>	16,390	2,499	100,906
0013 <i>Curriculum and Staff Development</i>	--	--	107,506
0021 <i>Instructional Leadership</i>	--	--	43,128
0023 <i>School Leadership</i>	19,082	--	22,970
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	9,599	515,524
0032 <i>Social Work Services</i>	--	--	67,268
0033 <i>Health Services</i>	431	7,604	9,574
0035 <i>Food Service</i>	--	--	3,273,398
0036 <i>Cocurricular/Extracurricular Activities</i>	691,143	--	691,143
0061 <i>Community Services</i>	--	--	16,106
0093 <i>Payments to Shared Service Arrangements</i>	--	--	135,747
6030 <i>Total Expenditures</i>	<u>783,919</u>	<u>224,707</u>	<u>6,891,938</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>38,177</u>	<u>21,231</u>	<u>(208,884)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	--	150,000
7080 <i>Total Other Financing Sources and (Uses)</i>	--	--	150,000
1200 <i>Net Change in Fund Balances</i>	<u>38,177</u>	<u>21,231</u>	<u>(58,884)</u>
0100 <i>Fund Balances - Beginning</i>	842,777	--	1,347,040
3000 <i>Fund Balances - Ending</i>	<u>\$ 880,954</u>	<u>\$ 21,231</u>	<u>\$ 1,288,156</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 68,000	\$ 109,162	\$ 41,162
5020	Total Revenues	<u>68,000</u>	<u>109,162</u>	<u>41,162</u>
	EXPENDITURES:			
	Capital Outlay:			
0081	<i>Capital Outlay</i>	<u>8,831,043</u>	<u>5,164,031</u>	<u>3,667,012</u>
	Total Capital Outlay	<u>8,831,043</u>	<u>5,164,031</u>	<u>3,667,012</u>
6030	Total Expenditures	<u>8,831,043</u>	<u>5,164,031</u>	<u>3,667,012</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(8,763,043)</u>	<u>(5,054,869)</u>	<u>3,708,174</u>
	Other Financing Sources (Uses):			
7915	<i>Transfers In</i>	<u>666,952</u>	<u>666,952</u>	<u>--</u>
7080	Total Other Financing Sources and (Uses)	<u>666,952</u>	<u>666,952</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>(8,096,091)</u>	<u>(4,387,917)</u>	<u>3,708,174</u>
0100	Fund Balance - Beginning	<u>8,230,978</u>	<u>8,230,978</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 134,887</u>	<u>\$ 3,843,061</u>	<u>\$ 3,708,174</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**COMBINING STATEMENT OF NET POSITION****INTERNAL SERVICE FUNDS****AUGUST 31, 2018**

Data Control Codes	752 Print Shop Fund	753 Insurance Fund	Total Internal Service Funds (See Exhibit D-1)
ASSETS:			
Current Assets:			
1110 <i>Cash and Cash Equivalents</i>	\$ 15,972	\$ 174,840	\$ 190,812
Receivables:			
1290 <i>Other Receivables (net)</i>	11,688	325,557	337,245
Total Current Assets	<u>27,660</u>	<u>500,397</u>	<u>528,057</u>
Noncurrent Assets:			
Capital Assets:			
1530 <i>Furniture and Equipment</i>	322,529	--	322,529
1570 <i>Accumulated Depreciation</i>	(300,668)	--	(300,668)
Total Noncurrent Assets	<u>21,861</u>	<u>--</u>	<u>21,861</u>
1000 Total Assets	<u>49,521</u>	<u>500,397</u>	<u>549,918</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 8,296	\$ --	\$ 8,296
2123 <i>Other Liabilities</i>	--	237,000	237,000
Total Current Liabilities	<u>8,296</u>	<u>237,000</u>	<u>245,296</u>
2000 Total Liabilities	<u>8,296</u>	<u>237,000</u>	<u>245,296</u>
NET POSITION:			
3900 <i>Unrestricted</i>	41,225	263,397	304,622
3000 Total Net Position	<u>\$ 41,225</u>	<u>\$ 263,397</u>	<u>\$ 304,622</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	752 Print Shop Fund	753 Insurance Fund	Total Internal Service Funds (See Exhibit D-2)
OPERATING REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 248,064	\$ 4,555,641	\$ 4,803,705
5020 <i>Total Revenues</i>	<u>248,064</u>	<u>4,555,641</u>	<u>4,803,705</u>
OPERATING EXPENSES:			
6100 <i>Payroll Costs</i>	159,893	--	159,893
6200 <i>Professional and Contracted Services</i>	118,357	--	118,357
6300 <i>Supplies and Materials</i>	42,338	--	42,338
6400 <i>Other Operating Costs</i>	5,431	4,678,788	4,684,219
6030 <i>Total Expenses</i>	<u>326,019</u>	<u>4,678,788</u>	<u>5,004,807</u>
Income (Loss) before Contributions and Transfers	(77,955)	(123,147)	(201,102)
7915 <i>Transfers In</i>	75,000	150,000	225,000
1300 <i>Change in Net Position</i>	<u>(2,955)</u>	<u>26,853</u>	<u>23,898</u>
0100 <i>Total Net Position - Beginning</i>	44,180	236,544	280,724
3300 <i>Total Net Position - Ending</i>	<u>\$ 41,225</u>	<u>\$ 263,397</u>	<u>\$ 304,622</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS

ALL INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2018

	752 Print Shop Fund	753 Insurance Fund	Total Internal Service Funds (See Exhibit D-3)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ --	\$ --	\$ --
Cash Received from Grants	--	--	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	261,659	4,230,085	4,491,744
Cash Payments to Employees	(159,893)	--	(159,893)
Cash Payments to Suppliers for Goods and Services	(159,405)	(4,441,788)	(4,601,193)
Cash Payments for Grants to Other Organizations	--	--	--
Other Operating Cash Receipts (Payments)	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>(57,639)</u>	<u>(211,703)</u>	<u>(269,342)</u>
Cash Flows from Non-capital Financing Activities:			
Transfers From (To) Primary Government	--	--	--
Transfers From (To) Other Funds	75,000	150,000	225,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>75,000</u>	<u>150,000</u>	<u>225,000</u>
Cash Flows from Capital and Related Financing Activities:			
Contributed Capital	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	--	--	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,361	(61,703)	(44,342)
Cash and Cash Equivalents at Beginning of Year	(1,389)	236,543	235,154
Cash and Cash Equivalents at End of Year	<u>\$ 15,972</u>	<u>\$ 174,840</u>	<u>\$ 190,812</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (77,955)	\$ (123,147)	\$ (201,102)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	5,432	--	5,432
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	13,595	(325,556)	(311,961)
Decrease (Increase) in Prepaid Expenses	--	--	--
Increase (Decrease) in Accounts Payable	1,289	237,000	238,289
Increase (Decrease) in Payroll Deductions	--	--	--
Increase (Decrease) in Accrued Wages Payable	--	--	--
Increase (Decrease) in Interfund Payables	--	--	--
Total Adjustments	<u>20,316</u>	<u>(88,556)</u>	<u>(68,240)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (57,639)</u>	<u>\$ (211,703)</u>	<u>\$ (269,342)</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 165,303	\$ --	\$ 7,598	\$ 209	\$ (15,250)	\$ 142,245
42,762	--	3,488	98	(86)	39,091
46,583	--	7,568	217	(86)	38,713
49,370	--	7,359	224	(401)	41,386
53,089	--	14,331	426	(184)	38,148
80,250	--	20,496	2,730	4,307	61,332
110,779	--	30,495	3,768	18,612	95,129
189,712	--	57,925	6,369	16,817	142,234
544,153	--	300,428	31,776	(3,001)	208,948
--	34,136,773	30,265,893	3,055,691	(240,386)	574,802
<u>\$ 1,282,002</u>	<u>\$ 34,136,773</u>	<u>\$ 30,715,581</u>	<u>\$ 3,101,508</u>	<u>\$ (219,657)</u>	<u>\$ 1,382,028</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-2

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 1,028,467	\$ 934,165	\$ (94,302)
5800	State Program Revenues	14,500	14,031	(469)
5900	Federal Program Revenues	1,925,200	2,056,910	131,710
5020	Total Revenues	<u>2,968,167</u>	<u>3,005,106</u>	<u>36,939</u>
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	<u>3,278,742</u>	<u>3,273,398</u>	<u>5,344</u>
	Total Support Services - Student (Pupil)	<u>3,278,742</u>	<u>3,273,398</u>	<u>5,344</u>
6030	Total Expenditures	<u>3,278,742</u>	<u>3,273,398</u>	<u>5,344</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(310,575)</u>	<u>(268,292)</u>	<u>42,283</u>
Other Financing Sources (Uses):				
7915	Transfers In	<u>150,000</u>	<u>150,000</u>	<u>--</u>
7080	Total Other Financing Sources and (Uses)	<u>150,000</u>	<u>150,000</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>(160,575)</u>	<u>(118,292)</u>	<u>42,283</u>
0100	Fund Balance - Beginning	504,263	504,263	--
3000	Fund Balance - Ending	<u>\$ 343,688</u>	<u>\$ 385,971</u>	<u>\$ 42,283</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 3,074,105	\$ 3,182,581	\$ 108,476
5800	State Program Revenues	70,589	73,329	2,740
5020	Total Revenues	<u>3,144,694</u>	<u>3,255,910</u>	<u>111,216</u>
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	960,000	960,000	--
0072	Interest on Long-Term Debt	2,183,494	2,183,494	--
0073	Bond Issuance Costs and Fees	1,200	800	400
	Total Debt Service	<u>3,144,694</u>	<u>3,144,294</u>	<u>400</u>
6030	Total Expenditures	<u>3,144,694</u>	<u>3,144,294</u>	<u>400</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	111,616	111,616
1200	Net Change in Fund Balance	--	111,616	111,616
0100	Fund Balance - Beginning	1,504,453	1,504,453	--
3000	Fund Balance - Ending	<u>\$ 1,504,453</u>	<u>\$ 1,616,069</u>	<u>\$ 111,616</u>



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GOWLAND, STREATLY, MORALES & COMPANY, PLLC

Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Flour Bluff Independent School District
2505 Waldron Road
Corpus Christi, Texas 78418

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Flour Bluff Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Flour Bluff Independent School District's basic financial statements, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Gowland, Strealy, Morales & Co., PLLC". The signature is written in a cursive, flowing style.

Gowland, Strealy, Morales & Company, PLLC

Corpus Christi, Texas
November 16, 2018



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GOWLAND, STREATLY, MORALES & COMPANY, PLLC

Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Program and on Internal
Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Flour Bluff Independent School District
2505 Waldron Road
Corpus Christi, Texas 78418

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Flour Bluff 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 Flour Bluff Independent School District's major federal programs for the year ended August 31, 2018. Flour Bluff Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

In our opinion, the Flour Bluff Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control Over Compliance

Management of the Flour Bluff Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Flour Bluff 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 the Flour Bluff 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 considered 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.

Respectfully submitted,


Gowland, Strealy, Morales & Company, PLLC

Corpus Christi, Texas
November 16, 2018

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

 Yes

 X No

One or more significant deficiencies identified that are not considered to be material weaknesses?

 Yes

 X None Reported

Noncompliance material to financial statements noted?

 Yes

 X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?

 Yes

 X No

One or more significant deficiencies identified that are not considered to be material weaknesses?

 Yes

 X None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?

 Yes

 X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010a

ESEA Title I Part A - Improving Basic Programs

Special Education Cluster:

84.027

IDEA-B Formula

84.173

IDEA-B Preschool

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes

 No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
-------------------------------	-----------------------	--

NONE - N/A

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

NONE - N/A

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT K-1

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	71401801	\$ --	\$ 474,714
National School Lunch Program (Non-cash)	10.555	178-914	--	200,309
National School Lunch Program	10.555	71301801	--	1,381,887
Total CFDA Number 10.555			--	1,582,195
Total Passed Through State Department of Education			--	2,056,909
Total U. S. Department of Agriculture			--	2,056,909
Total Child Nutrition Cluster			--	2,056,909
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Formula	84.027	1866000117891	--	1,144,507
Total CFDA Number 84.027			--	1,144,507
IDEA-B Preschool	84.173	1866100117891	--	26,437
Total CFDA Number 84.173			--	26,437
Total Passed Through State Department of Education			--	1,170,945
Total U. S. Department of Education			--	1,170,945
Total Special Education (IDEA) Cluster			--	1,170,945
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	1061010117891	--	--
ESEA Title I Part A - Improving Basic Programs	84.010a	1861010117891	--	925,976
Total CFDA Number 84.010a			--	925,976
Impact Aid - P.L. 81.874	84.041		--	88,533
Career and Technical - Basic Grant	84.048	1842000617891	--	54,687
Total CFDA Number 84.048			--	54,687
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	1069450117891	--	--
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	1869450117891	--	154,651
Total CFDA Number 84.367a			--	154,651
LEP Summer School	84.369A	69551702	--	541
Total CFDA Number 84.369A			--	541
Total Passed Through State Department of Education			--	1,224,388
Total U. S. Department of Education			--	1,224,388
<u>U. S. Department of Defense</u>				
Passed Through State Department of Education:				
ROTC	12.00		--	107,915
Total U. S. Department of Defense			\$ --	\$ 107,915
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 4,560,157
TOTAL EXPENDITURES OF FEDERAL AWARDS				4,560,157
School Health & Related Services (SHARS)				1,122,271
Total Federal Program Revenue Exhibit C-2				5,682,428

The accompanying notes are an integral part of this schedule.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Flour Bluff Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 8,959,978
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."