

**GEORGETOWN INDEPENDENT  
SCHOOL DISTRICT**

**Annual Financial Report  
for the Fiscal Year Ended  
June 30, 2018**



# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

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# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

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**CERTIFICATE OF BOARD**

Georgetown Independent School District      Williamson      246904  
Name of School District                      County                      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 June 30, 2018 at a meeting of the Board of Trustees of such school district on the 16<sup>th</sup> day of October, 2018.

Melanie Tompkins  
Signature of Board Secretary

[Signature]  
Signature of Board President

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

## **FINANCIAL SECTION**



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Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees of  
Georgetown Independent School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District"), as of and for the year ended June 30, 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.

### **Auditors' Responsibility**

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1 and Note 18 to the financial statements, for the year ended June 30, 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in a restatement of the District's net position as of June 30, 2017. Our opinions are 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, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions - pensions, the schedule of the District's proportionate share of the net OPEB liability, the schedule of District contributions - OPEB, and the note to the required supplementary information on pages 6 through 13, 53, 54, 55, 56, and 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 District's basic financial statements. The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



## **Other Reporting Required by *Government Auditing Standards***

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
October 16, 2018

# GEORGETOWN INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Georgetown Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the District's basic financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total combined net position at June 30, 2018 was approximately \$33.4 million.
- The fund balance for the General Fund at June 30, 2018 was approximately \$27.2 million, an increase of approximately \$249 thousand from the prior year. The increase was primarily due to an increase in property tax revenue from an increase in assessed property values offset by increased Chapter 41 recapture payments.
- For the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard resulted in a prior period adjustment to net position of \$62,651,666 to recognize the net other post-employment benefits ("OPEB") liability at the measurement period ending August 31, 2016, and the deferred outflows of resources related to the District's contributions after the measurement period ending August 31, 2016 through June 30, 2017.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick leave.

The government-wide financial statements include governmental activities and business-type activities. Governmental activities distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges. The governmental activities of the District include the education of District students and the programs necessary to support such education. Business-type activities include services related to the District's concession stand program and the related costs to operate the program.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet provides a reconciliation to facilitate the comparison between total fund balances and net position of governmental activities. There is a reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities on page 18.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison statements have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements and Schedules section of this report.

**Proprietary Funds** - The District maintains an enterprise fund that is used to report the same functions presented as business-type activities in the government-wide financial statements.

**Fiduciary Funds** - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to the Basic Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Notes to the Basic Financial Statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District's contributions to the cost-sharing pension and OPEB plans with the Teacher Retirement System of Texas.

## **Government-wide Financial Analysis**

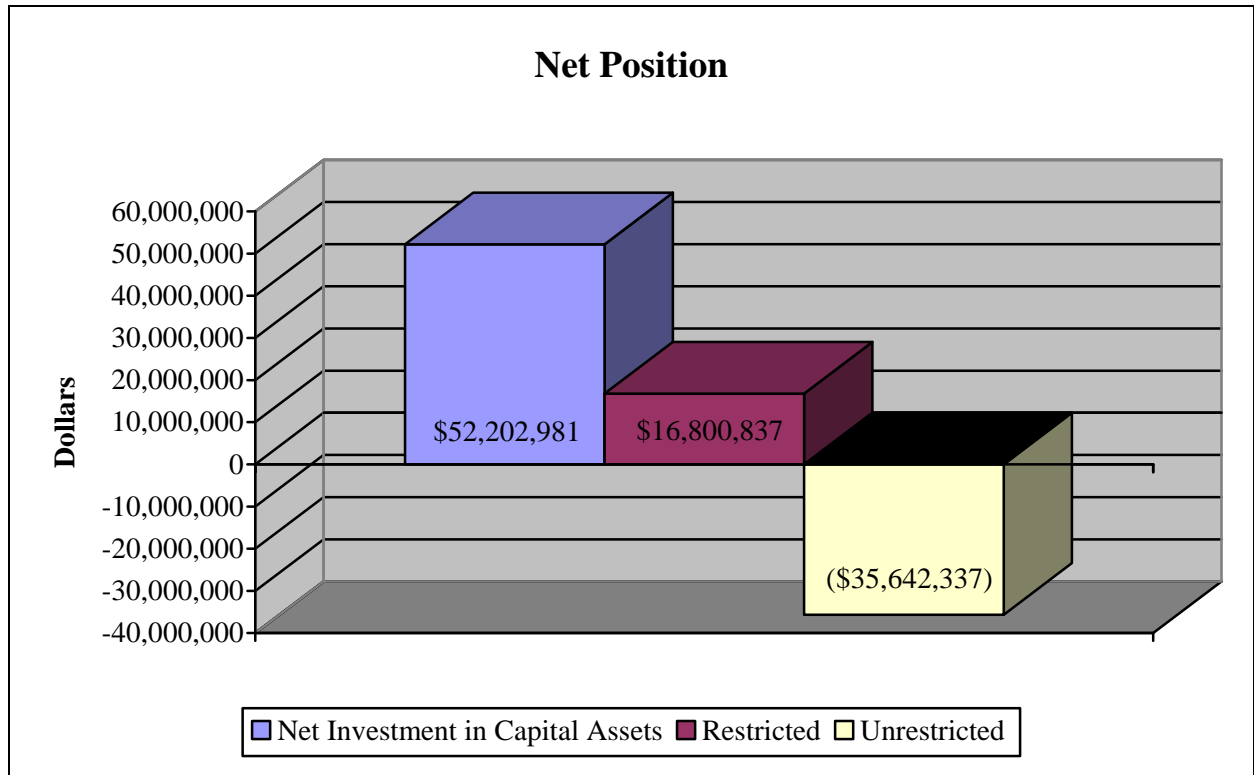
Net position may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2018, total combined net position was \$33,370,869, which represented an increase of \$12,735,339 as compared to net position for the year ended June 30, 2017, as restated.

Net position for the year ended June 30, 2018 as compared to the year ended June 30, 2017 can be presented as follows:

**Georgetown Independent School District's  
Net Position**

	Governmental Activities as of	
	June 30, 2017	June 30, 2018
Current assets:		
Cash and temporary investments	\$ 174,088,757	\$ 103,455,022
Property taxes, net	2,763,846	3,000,191
Due from other governments	2,276,616	3,185,711
Other receivables and inventory	186,739	434,061
Prepaid items and other assets	258	525,051
Total current assets	179,316,216	110,600,036
Non-current assets-		
Capital assets, net of accumulated depreciation	328,603,837	373,406,349
Total assets	\$ 507,920,053	\$ 484,006,385
Deferred outflows of resources:		
Deferred charges on bond refundings	\$ 4,431,836	\$ 10,818,640
Deferred outflows related to pension liability	9,059,393	7,617,809
Deferred outflows related to OPEB liability	-	509,641
Total deferred outflows of resources	13,491,229	18,946,090
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,089,456	\$ 20,670,927
Bonds payable	11,360,000	13,725,000
Bond interest payable	5,488,799	5,034,063
Unearned revenue	464,992	45,859
Due to fiduciary funds	1,228,845	1,106,314
Due to other governments	-	3,044,732
Total current liabilities	43,632,092	43,626,895
Long-term liabilities:		
Bonds payable	371,788,411	353,095,238
Accretion payable	344,665	354,166
Net pension liability	21,144,860	18,990,877
Net OPEB liability	-	35,690,013
Total long-term liabilities	393,277,936	408,130,294
Total liabilities	\$ 436,910,028	\$ 451,757,189
Deferred inflows of resources:		
Deferred inflows related to pension liability	\$ 1,219,100	\$ 2,904,605
Deferred inflows related to OPEB liability	-	14,929,200
Total deferred inflows of resources	1,219,100	17,833,805
Net position:		
Net investment in capital assets	\$ 47,182,382	\$ 52,202,981
Restricted	21,018,979	16,800,837
Unrestricted	15,080,793	(35,642,337)
Total net position	\$ 83,282,154	\$ 33,361,481

	Business-Type Activities as of	
	June 30, 2017	June 30, 2018
Current assets-		
Cash and temporary investments	\$ 5,042	\$ 9,388
Total current assets	5,042	9,388
Net position-		
Unrestricted	\$ 5,042	9,388
Total net position	\$ 5,042	\$ 9,388



Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or federal grant requirements. Restricted net position is available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the “Board”).

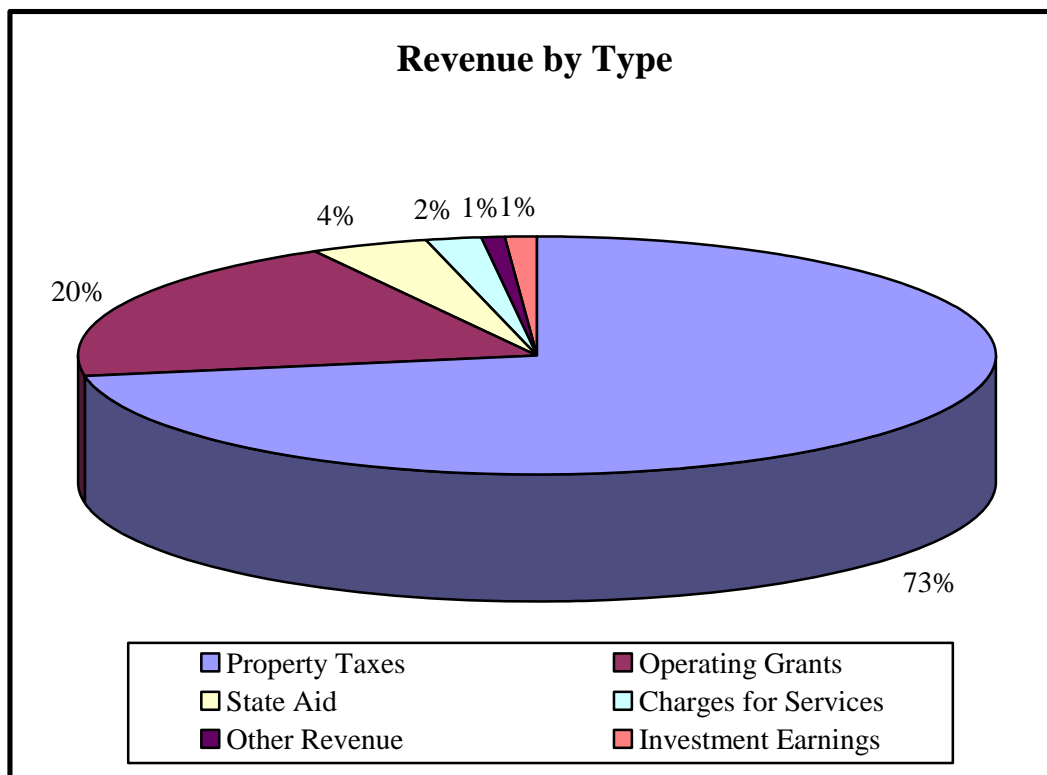
Governmental activities increased the District's net position by \$12,730,993 during the year ended June 30, 2018. Business-type activities increased the District's net position by \$4,346 during the year ended June 30, 2018. Key elements of this increase are as follows:

**Georgetown Independent School District's  
Changes in Net Position**

	Governmental Activities as of	
	June 30, 2017	June 30, 2018
Revenues:		
Program Revenues:		
Charges for services	\$ 3,714,525	\$ 3,757,248
Operating grants and contributions	15,949,170	34,561,405
General Revenues:		
Property taxes	112,011,854	125,184,105
State aid - formula grants	6,882,079	7,515,298
Investment earnings	1,466,402	1,861,694
Miscellaneous	1,188,556	527,463
Total Revenues	<u>141,212,586</u>	<u>173,407,213</u>
Expenses:		
Instruction and instructional resources	65,046,658	73,208,620
Curriculum, instructional and school leadership	11,170,197	12,010,081
Student support services	10,454,650	11,501,779
Food services	6,224,215	5,729,560
Extracurricular activities	4,269,581	4,735,063
General administration	3,927,512	3,946,363
Support services	14,452,629	15,255,937
Community services	706,856	670,972
Debt service	12,581,622	11,230,751
Facilities acquisition and construction	79,665	10,747,424
Contracted instructional services between public schools	3,305,453	10,602,035
Other	954,495	1,037,635
Total Expenses	<u>133,173,533</u>	<u>160,676,220</u>
Change in Net Position	8,039,053	12,730,993
Net Position Beginning	75,243,101	83,282,154
Prior Period Adjustment	-	(62,651,666)
Net Position Ending	<u>\$ 83,282,154</u>	<u>\$ 33,361,481</u>

	Business-Type Activities as of	
	June 30, 2017	June 30, 2018
Revenues-		
Program Revenues-		
Charges for services	\$ 119,096	\$ 123,960
Total Revenues	119,096	123,960
Expenses-		
Extracurricular activities	114,054	119,614
Total Expenses	114,054	119,614
Change in Net Position	5,042	4,346
Net Position Beginning	-	5,042
Net Position Ending	\$ 5,042	\$ 9,388

Property tax revenues increased from the prior year primarily due to an increase in property values for the 2017 tax year. Overall, property taxes accounted for approximately 73% of the District's revenue sources during the fiscal year ended June 30, 2018. State funding represented 4% and operating grants represented 20% of revenue sources.



House Bill 1, which passed during the final special legislative session in 2005, changed the way school districts receive revenue from both state and local sources. Property tax rates were “bought down” for two years and replaced with a combination of business franchise taxes and an increase in the tobacco tax. Districts that had reached the \$1.50 M&O tax rate cap, were compressed to \$1.33 in 2006 and \$1.00 in 2007. Local school boards retained the option of adding up to four cents to the local compressed rate without approval, and the District's Board has exercised that option.

State funding is based upon a combination of Weighted Average Daily Attendance (“WADA”) and property values. The State has mandated that a district’s property value per WADA is limited to \$514,000 under Tier I, Level 1 funding and \$319,500 under Tier II, Level 2 funding. When values exceed these amounts, a district must share its wealth with the State to equalize access to revenue. Chapter 41 is a reference in the Texas Education Code that defines a school district which has property wealth per WADA that is above the state funding formula threshold. The District’s property value per WADA is \$578,762 and is subject to Chapter 41 recapture payment to the State.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$84,217,490. Of this amount \$22,109,138 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion, and an additional \$527,911 in fund balance is nonspendable due to being in the form of inventory, prepaid items and other assets. The remainder of the fund balance is restricted, committed or assigned to indicate that it is not available for new spending because it has already been designated for other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual General Fund operating expenses. As a measure of the General Fund’s liquidity, unassigned fund balance represents 19% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$21,493,782, all of which is restricted for payment of debt service.

The Capital Projects Fund had a total fund balance of \$34,798,230, which represents funds remaining from the District’s bond sales. These funds are restricted for the construction and renovation of school buildings and purchase of equipment and land.

### **Budgetary Highlights**

Differences between the original General Fund operating budget and the final amended budget or actual amounts can be briefly summarized as follows:

- Total actual expenditures were less than final budgeted amounts. Several expenditure functions were below budget amounts due to effective spending controls and payroll cost that fell below expected cost.
- Total actual revenues were higher than final budgeted amounts due to property tax collections, SHARS, investment earnings and NFIA (New Facility Instruction Allotment).

### **Capital Assets and Debt Administration:**

#### **Capital Assets**

The District’s investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$373,406,349 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, construction in progress, and furniture and equipment.

#### **Georgetown Independent School District Capital Assets (Net of accumulated depreciation)**

Land	\$ 17,504,502
Construction in progress	130,604,649
Buildings and improvements	220,536,671
Furniture and equipment	4,760,527
Total	\$ 373,406,349



Additional information on the District's capital assets can be found in Note 7 of this report.

### **Long-term Debt**

At the end of the current fiscal year, the District had total bonded debt outstanding of \$366,820,238. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings ranging from AA- to AAA and Aa1 to Aaa, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The District is located in the City of Georgetown, Texas, the county seat of Williamson County. Georgetown ISD serves 11,500 plus students at nine elementary schools, four middle schools, three high schools and two alternative campuses.

The District's elected officials considered many factors when setting the fiscal year 2017-2018 budget and tax rates. One of the significant factors was the 11.2% increase in property values creating \$12.6 million in new taxes, thus resulting in a state aid decrease of \$3.1 million. With the continued increases in property values, the amount of Chapter 41 recapture payment to the State increased by \$7.3 million.

During the fiscal year 2017-18, the District prepaid debt in the amount of \$10 million using surplus fund balance. Savings realized due to the prepayment and refinancing of debt totaled approximately \$23 million.

The District invested funds in daily liquidity local government investment pools and a money market demand account. The priority of the District in this interest rate environment and volatile market was safety of principal and liquidity.

For budget purposes, the 2017-2018 tax rate was \$1.409 (\$1.08 for maintenance and operations and \$0.329 for debt service) which remained the same from the previous year. The District gave a pay increase of 2% of midpoint for staff for 2017-2018. The employer insurance contribution remained at \$4,092 per year for all employees participating in the health insurance program.

The District expects an increase of over 9.6% or \$932 million in taxable value for the 2018 tax year. The large growth in tax collections means the District will see a significant increase in state recapture payment for the 2018-2019 fiscal year. The local property tax revenue will continue to rise by almost \$12 million.

### **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 Business Office.

## **BASIC FINANCIAL STATEMENTS**

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Current assets:			
Cash and temporary investments	\$ 103,455,022	9,388	103,464,410
Receivables:			
Property taxes - delinquent	3,061,419	-	3,061,419
Allowance for uncollectible taxes	(61,228)	-	(61,228)
Due from other governments	3,185,711	-	3,185,711
Other	385,342	-	385,342
Inventory	48,719	-	48,719
Prepaid items	248	-	248
Other assets	524,803	-	524,803
Capital assets (net of accumulated depreciation):			
Land	17,504,502	-	17,504,502
Construction in progress	130,604,649	-	130,604,649
Buildings and improvements	220,536,671	-	220,536,671
Furniture and equipment	4,760,527	-	4,760,527
Total assets	<u>484,006,385</u>	<u>9,388</u>	<u>484,015,773</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charges on bond refundings	10,818,640	-	10,818,640
Pension contributions after measurement date	1,743,852	-	1,743,852
Deferred outflows related to pension liability	5,873,957	-	5,873,957
OPEB contributions after measurement date	504,055	-	504,055
Deferred outflows related to OPEB liability	5,586	-	5,586
Total deferred outflows of resources	<u>18,946,090</u>	<u>-</u>	<u>18,946,090</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	11,224,612	-	11,224,612
Payroll deductions and withholdings payable	90,040	-	90,040
Accrued wages payable	9,356,275	-	9,356,275
Bond interest payable	5,034,063	-	5,034,063
Bonds payable	13,725,000	-	13,725,000
Due to other governments	3,044,732	-	3,044,732
Due to fiduciary funds	1,106,314	-	1,106,314
Unearned revenue	45,859	-	45,859
Noncurrent liabilities:			
Bonds payable	353,095,238	-	353,095,238
Accretion payable	354,166	-	354,166
Net pension liability	18,990,877	-	18,990,877
Net OPEB liability	35,690,013	-	35,690,013
Total liabilities	<u>451,757,189</u>	<u>-</u>	<u>451,757,189</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows related to pension liability	2,904,605	-	2,904,605
Deferred inflows related to OPEB liability	14,929,200	-	14,929,200
Total deferred outflows of resources	<u>17,833,805</u>	<u>-</u>	<u>17,833,805</u>
<b>NET POSITION:</b>			
Net investment in capital assets	52,202,981	-	52,202,981
Restricted for-			
Debt service	16,800,837	-	16,800,837
Unrestricted	(35,642,337)	9,388	(35,632,949)
Total net position	<u>\$ 33,361,481</u>	<u>9,388</u>	<u>33,370,869</u>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
Instruction	\$ 71,853,843	1,011,387	20,464,060	(50,378,396)	-	(50,378,396)
Instructional resources and media services	1,354,777	-	234,909	(1,119,868)	-	(1,119,868)
Curriculum and staff development	2,436,743	12,531	793,230	(1,630,982)	-	(1,630,982)
Instructional leadership	2,398,814	-	568,383	(1,830,431)	-	(1,830,431)
School leadership	7,174,524	-	1,804,777	(5,369,747)	-	(5,369,747)
Guidance, counseling, and evaluation services	4,561,163	-	1,222,385	(3,338,778)	-	(3,338,778)
Social work services	313,935	-	141,930	(172,005)	-	(172,005)
Health services	1,274,536	-	322,939	(951,597)	-	(951,597)
Student transportation	5,352,145	-	944,782	(4,407,363)	-	(4,407,363)
Food services	5,729,560	1,883,399	3,379,458	(466,703)	-	(466,703)
Extracurricular activities	4,735,063	397,640	539,326	(3,798,097)	-	(3,798,097)
General administration	3,946,363	452,291	670,506	(2,823,566)	-	(2,823,566)
Facilities maintenance and operations	12,127,693	-	2,400,076	(9,727,617)	-	(9,727,617)
Security and monitoring services	463,333	-	13,112	(450,221)	-	(450,221)
Data processing services	2,664,911	-	376,274	(2,288,637)	-	(2,288,637)
Community services	670,972	-	253,158	(417,814)	-	(417,814)
Debt service	11,230,751	-	427,169	(10,803,582)	-	(10,803,582)
Facilities acquisition and construction	10,747,424	-	4,931	(10,742,493)	-	(10,742,493)
Contracted instructional services between public schools	10,602,035	-	-	(10,602,035)	-	(10,602,035)
Payments to juvenile justice alternative education programs	272,285	-	-	(272,285)	-	(272,285)
Other intergovernmental charges	765,350	-	-	(765,350)	-	(765,350)
Total governmental activities	<u>\$ 160,676,220</u>	<u>3,757,248</u>	<u>34,561,405</u>	<u>(122,357,567)</u>	<u>-</u>	<u>(122,357,567)</u>
<b>Business-type activities-</b>						
Extracurricular activities	\$ 119,614	123,960	-	-	4,346	4,346
Total business-type activities	<u>\$ 119,614</u>	<u>123,960</u>	<u>-</u>	<u>-</u>	<u>4,346</u>	<u>4,346</u>
Total primary government	<u>\$ 160,795,834</u>	<u>3,881,208</u>	<u>34,561,405</u>	<u>(122,357,567)</u>	<u>4,346</u>	<u>(122,353,221)</u>
General revenues:						
Property taxes levied for general purposes				\$ 95,958,012	-	95,958,012
Property taxes levied for debt service				29,226,093	-	29,226,093
State aid-formula grants				7,515,298	-	7,515,298
Investment earnings				1,861,694	-	1,861,694
Miscellaneous				527,463	-	527,463
Total general revenues				<u>135,088,560</u>	<u>-</u>	<u>135,088,560</u>
Change in net position				12,730,993	4,346	12,735,339
Net position - beginning, as restated				20,630,488	5,042	20,635,530
Net position - ending				<u>\$ 33,361,481</u>	<u>9,388</u>	<u>33,370,869</u>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and temporary investments	\$ 37,143,006	21,174,842	45,105,537	31,637	103,455,022
Receivables:					
Property taxes - delinquent	2,359,609	701,810	-	-	3,061,419
Allowance for uncollectible taxes	(47,192)	(14,036)	-	-	(61,228)
Due from other governments	1,869,270	-	-	1,316,441	3,185,711
Due from other funds	1,603,992	88,466	116,182	602,637	2,411,277
Other	377,679	-	4,025	3,638	385,342
Inventory	2,860	-	-	45,859	48,719
Prepaid expenditures	248	-	-	-	248
Other assets	-	-	-	524,803	524,803
Total assets	<u>\$ 43,309,472</u>	<u>21,951,082</u>	<u>45,225,744</u>	<u>2,525,015</u>	<u>113,011,313</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable	\$ 1,189,836	-	9,844,168	190,608	11,224,612
Payroll deductions and withholdings payable	90,040	-	-	-	90,040
Accrued wages payable	8,846,719	-	-	509,556	9,356,275
Due to other governments	3,044,732	-	-	-	3,044,732
Due to other funds	1,796,322	116,182	583,346	1,021,741	3,517,591
Unearned revenue	-	-	-	45,859	45,859
Total liabilities	<u>14,967,649</u>	<u>116,182</u>	<u>10,427,514</u>	<u>1,767,764</u>	<u>27,279,109</u>
Deferred inflows of resources -					
Deferred revenue - property taxes	<u>1,173,596</u>	<u>341,118</u>	<u>-</u>	<u>-</u>	<u>1,514,714</u>
Fund balances:					
Nonspendable:					
Inventory	2,860	-	-	-	2,860
Prepaid items	248	-	-	-	248
Other assets	-	-	-	524,803	524,803
Restricted for:					
Debt service	-	21,493,782	-	-	21,493,782
Authorized construction	-	-	34,798,230	-	34,798,230
Committed to-					
Campus activities	-	-	-	401,113	401,113
Assigned to:					
Local grants	-	-	-	68,381	68,381
Encumbered for 2018-19	55,981	-	-	-	55,981
Land and capital improvements	5,000,000	-	-	-	5,000,000
Unassigned	22,109,138	-	-	(237,046)	21,872,092
Total fund balances	<u>27,168,227</u>	<u>21,493,782</u>	<u>34,798,230</u>	<u>757,251</u>	<u>84,217,490</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,309,472</u>	<u>21,951,082</u>	<u>45,225,744</u>	<u>2,525,015</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. \$ 373,406,349

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,514,714

The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable, including premiums	(366,820,238)
Less: Deferred charges on refundings	10,818,640
Interest payable	(5,034,063)
Accretion payable	(354,166)
Net pension liability	(18,990,877)
Pension contributions after measurement date	1,743,852
Deferred outflows related to pension liability	5,873,957
Deferred inflows related to pension liability	(2,904,605)
Net OPEB liability	(35,690,013)
OPEB contributions after measurement date	504,055
Deferred outflows related to OPEB liability	5,586
Deferred inflows related to OPEB liability	(14,929,200)

Net position of governmental activities \$ 33,361,481

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2018**

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Local and intermediate sources	\$ 98,502,465	29,520,404	1,009,618	3,644,417	132,676,904
State program revenues	12,682,433	427,169	4,931	1,549,014	14,663,547
Federal program revenues	2,446,603	-	-	7,058,348	9,504,951
Total revenues	<u>113,631,501</u>	<u>29,947,573</u>	<u>1,014,549</u>	<u>12,251,779</u>	<u>156,845,402</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction	57,796,081	-	-	5,571,866	63,367,947
Instructional resources and media services	1,051,077	-	-	-	1,051,077
Curriculum and staff development	1,884,800	-	-	436,365	2,321,165
Instructional leadership	2,219,360	-	-	93,858	2,313,218
School leadership	6,426,820	-	-	207,891	6,634,711
Guidance, counseling, and evaluation services	3,934,042	-	-	385,408	4,319,450
Social work services	205,656	-	-	92,131	297,787
Health services	1,155,300	-	-	42,426	1,197,726
Student transportation	4,419,647	-	673,818	-	5,093,465
Food services	-	-	-	5,159,868	5,159,868
Extracurricular activities	3,560,367	-	-	-	3,560,367
General administration	3,690,697	-	-	47,005	3,737,702
Facilities maintenance and operations	11,847,135	-	-	-	11,847,135
Security and monitoring services	452,374	-	-	-	452,374
Data processing services	2,680,008	-	-	3,000	2,683,008
Community services	486,886	-	-	135,455	622,341
Debt service	-	35,229,091	488	-	35,229,579
Facilities acquisition and construction	-	-	62,837,133	-	62,837,133
Contracted instructional services between public schools	10,602,035	-	-	-	10,602,035
Payments to juvenile justice alternative education programs	272,285	-	-	-	272,285
Other intergovernmental charges	765,350	-	-	-	765,350
Total expenditures	<u>113,449,920</u>	<u>35,229,091</u>	<u>63,511,439</u>	<u>12,175,273</u>	<u>224,365,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>181,581</u>	<u>(5,281,518)</u>	<u>(62,496,890)</u>	<u>76,506</u>	<u>(67,520,321)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of property	57,400	-	-	-	57,400
Transfers in	-	-	-	18,041	18,041
Insurance recovery	27,777	-	-	-	27,777
Issuance of bonds	-	71,530,000	-	-	71,530,000
Premium on sale of bonds	-	13,586,882	-	-	13,586,882
Payments to refunded bond escrow agent	-	(84,278,266)	-	-	(84,278,266)
Transfers out	(18,041)	-	-	-	(18,041)
Total other financing sources, net	<u>67,136</u>	<u>838,616</u>	<u>-</u>	<u>18,041</u>	<u>923,793</u>
Net change in fund balances	248,717	(4,442,902)	(62,496,890)	94,547	(66,596,528)
Fund balances - beginning	26,919,510	25,936,684	97,295,120	662,704	150,814,018
Fund balances - ending	<u>\$ 27,168,227</u>	<u>21,493,782</u>	<u>34,798,230</u>	<u>757,251</u>	<u>84,217,490</u>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2018**

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Net change in fund balances-total governmental funds	\$ (66,596,528)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	58,726,209
Depreciation expense	(8,954,472)
Disposal of capital assets	(4,969,225)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(204,191)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond proceeds, including premiums	(85,116,882)
Repayment of bond principal	21,360,000
Payments to refunded bond escrow agent	84,278,266
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in bond interest payable	454,736
Amortization of bond premiums	3,280,055
Amortization of deferred charges on bond refundings	(1,086,462)
Change in accretion payable	(9,501)
Pension contributions made during the measurement year	1,942,819
Change in pension contributions made after the measurement date	106,549
Proportionate share of collective pension expense	211,164
Adjustment for ending deferred inflows and outflows related to net pension liability	(3,233,638)
OPEB contributions made during the measurement year	430,624
Change in OPEB contributions made after the measurement date	146,805
Proportionate share of collective OPEB expense	26,888,279
Adjustment for ending deferred inflows and outflows related to net OPEB liability	(14,923,614)
Change in net position of governmental activities	<u>\$ 12,730,993</u>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 98,957,401	97,604,863	98,502,465	897,602
State program revenues	12,681,311	12,135,925	12,682,433	546,508
Federal program revenues	1,445,000	2,291,000	2,446,603	155,603
Total revenues	<u>113,083,712</u>	<u>112,031,788</u>	<u>113,631,501</u>	<u>1,599,713</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	57,856,137	57,788,920	57,796,081	(7,161)
Instructional resources and media services	1,077,583	1,075,258	1,051,077	24,181
Curriculum and staff development	1,831,914	1,998,661	1,884,800	113,861
Instructional leadership	2,281,167	2,297,908	2,219,360	78,548
School leadership	6,364,346	6,532,555	6,426,820	105,735
Guidance, counseling, and evaluation services	4,047,267	3,994,355	3,934,042	60,313
Social work services	244,153	229,895	205,656	24,239
Health services	1,167,280	1,195,708	1,155,300	40,408
Student transportation	4,257,962	4,474,636	4,419,647	54,989
Extracurricular activities	3,310,603	3,633,213	3,560,367	72,846
General administration	3,787,599	3,975,337	3,690,697	284,640
Facilities maintenance and operations	12,481,946	11,808,159	11,847,135	(38,976)
Security and monitoring services	438,800	466,885	452,374	14,511
Data processing services	2,913,262	2,742,469	2,680,008	62,461
Community services	567,719	569,284	486,886	82,398
Contracted instructional services between public schools	9,485,974	10,661,249	10,602,035	59,214
Payments to juvenile justice alternative education programs	250,000	273,000	272,285	715
Other intergovernmental charges	760,000	770,500	765,350	5,150
Total expenditures	<u>113,123,712</u>	<u>114,487,992</u>	<u>113,449,920</u>	<u>1,038,072</u>
Deficiency of revenues under expenditures	<u>(40,000)</u>	<u>(2,456,204)</u>	<u>181,581</u>	<u>2,637,785</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of property	-	-	57,400	57,400
Insurance recovery	40,000	40,000	27,777	(12,223)
Transfers out	-	(18,041)	(18,041)	-
Total other financing sources, net	<u>40,000</u>	<u>21,959</u>	<u>67,136</u>	<u>45,177</u>
Net change in fund balance	-	(2,434,245)	248,717	2,682,962
Fund balance - beginning	<u>26,919,510</u>	<u>26,919,510</u>	<u>26,919,510</u>	<u>-</u>
Fund balance - ending	<u>\$ 26,919,510</u>	<u>24,485,265</u>	<u>27,168,227</u>	<u>2,682,962</u>

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



**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position**

**Proprietary Fund**

**June 30, 2018**

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	<b>Business-type Activities- Nonmajor Enterprise Fund</b>
<b>ASSETS-</b>	
Cash	\$ 9,388
Total assets	<u>\$ 9,388</u>
<b>NET POSITION-</b>	
Unrestricted	\$ 9,388
Total net position	<u>\$ 9,388</u>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**June 30, 2018**

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	<b><u>Business-type Activities- Nonmajor Enterprise Fund</u></b>
<b>Operating revenues-</b>	
Concession services	<u>\$ 123,960</u>
<b>Operating expenses:</b>	
Payroll costs	15,370
Contracted services	57,239
Supplies and materials	<u>47,005</u>
Total expenses	<u>119,614</u>
Change in net position	4,346
Total net position--beginning	<u>5,042</u>
Total net position--ending	<u><u>\$ 9,388</u></u>

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

# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

## Statement of Cash Flows

### Proprietary Fund

June 30, 2018

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	<b>Business-type Activities- Nonmajor Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 123,960
Payments to suppliers	(104,244)
Payments to employees	(15,370)
	<hr/>
Net cash provided by operating activities	4,346
	<hr/>
Net increase in cash	4,346
Cash - beginning of the year	5,042
	<hr/>
Cash - end of the year	\$ 9,388
	<hr/> <hr/>
<b>Reconciliation of operating income to net cash provided by operating activities-</b>	
Operating income	\$ 4,346
	<hr/>
Net cash provided by operating activities	\$ 4,346
	<hr/> <hr/>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**June 30, 2018**

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**ASSETS:**

Cash and temporary investments	\$ 29,699
Due from other funds	<u>1,106,314</u>
Total assets	<u><u>\$ 1,136,013</u></u>

**LIABILITIES-**

Accounts payable	<u>\$ 1,136,013</u>
Total liabilities	<u><u>\$ 1,136,013</u></u>

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

# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Financial Reporting Entity**

This report includes those activities, organizations and functions which are related to the Georgetown Independent School District (the “District”) and which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues, interest income, and property taxes. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

The Enterprise Fund is a proprietary fund used to account for the services of the Districts concession stand program.

Fiduciary Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for the District's concession stand program. Operating expenses include extracurricular activity expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Budgetary Information**

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by June 20 and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year. The instruction and facilities maintenance and operations function in the General Fund exceeded budgeted amounts by \$7,161 and \$38,976, respectively, for the year ended June 30, 2018.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. At June 30, 2018, encumbrances outstanding of approximately \$56,000 were provided for in the subsequent year's General Fund budget and are included in assigned fund balance.

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

Investments - Temporary investments throughout the year consisted of investments in external local government investment pools and a money market account. External local government investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and the money market account is recognized at fair value. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Inventories - Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Federal food commodities inventory is stated at fair value and at year end is recorded as unearned revenue. Revenue is recognized at fair value when commodities are distributed to the schools.

Prepaid and Other Assets - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid and other assets in both the government-wide and fund financial statements depending on whether the costs will be applicable in the subsequent fiscal year or beyond. Prepaid and other assets are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, and furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or at acquisition value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 39 years, furniture and equipment - 5 to 7 years.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles 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.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

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



Other Post-Retirement Benefits - The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8, Note 12 and Note 13 for additional information on deferred inflows and outflows of resources.

Statement of Cash Flows - For purposes of the statement of cash flows of the Enterprise Fund, the District considers all liquid investments with original maturities of 90 days or less to be cash equivalents.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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

### **Recently Issued Accounting Pronouncements**

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended June 30, 2021.

## **2. DEPOSITS, SECURITIES AND INVESTMENTS**

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending programs
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Guaranteed investment contracts
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent 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 dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2018, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$1,686,159 and the bank balance was \$3,630,660.

The District's deposits with financial institutions at June 30, 2018 and during the year ended June 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the TEA maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: BBVA Compass
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$15,000,000.
- c) Largest cash, savings and time deposit combined account balance amounted to \$12,880,676 and occurred during the month of December 2017.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at June 30, 2018 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pools:			
TexPool/TexPool Prime	\$ 101,616,784	1	AAAm
Lone Star	113,665	1	AAAm
Money market account-			
East West Bank - MM	<u>77,501</u>	1	N/A
Total	<u><u>\$ 101,807,950</u></u>		

The District had investments in two external local government investment pools at June 30, 2018: Texas Local Governmental Investment Pool (“TexPool”) and Lone Star Investment Pool (“Lone Star”). Although TexPool and Lone Star are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool’s investment policy, which is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Money markets are valued using Level 1 inputs that are based on market data obtained from independent sources. The investments are reported by the District at fair value in accordance with GASB Statement No. 72.

Credit Risk - At June 30, 2018, investments were included in external local government investment pools and a money market account in compliance with the District's investment policy.

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 District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At June 30, 2018, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At June 30, 2018, all of the District's investments were in external local government investment pools and in a money market account.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires the District to monitor interest rate risk using weighted average maturity and specific identification. Maturities of any individual investment owned by the District should not exceed one year from the time of purchase unless the Board specifically authorizes a longer maturity for a given investment, within legal limits. The District considers the holdings in the external local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At June 30, 2018, the District was not exposed to significant interest rate risk.

### **3. APPRAISAL DISTRICT**

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Williamson Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 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, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2017, upon which the October 2017 levy was based, was \$9,272,908,872. The District levied taxes based on a combined tax rate of \$1.409 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. During the year ended June 30, 2018, the District was required to pay \$10,602,035 to purchase attendance credits to equalize its wealth per weighted average daily attendance (“WADA”). This purchase of WADA was made to the TEA and was incorporated into the District’s budget.

#### 4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of June 30, 2018.

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 1,869,270	-	1,869,270
Federal and state grants	-	1,316,441	1,316,441
Total	<u>\$ 1,869,270</u>	<u>1,316,441</u>	<u>3,185,711</u>

#### 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 1,020,646
General Fund	Capital Projects Fund	583,346
Debt Service Fund	General Fund	88,466
Capital Projects Fund	Debt Service Fund	116,182
Nonmajor Governmental Funds	General Fund	601,542
Fiduciary Fund	General Fund	1,106,314
Total		<u>\$ 3,516,496</u>

During the year, the General Fund transferred \$18,041 to the Nonmajor Governmental Funds to supplement revenue received in the current year.

## 6. UNEARNED REVENUE

At June 30, 2018, unearned revenue in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	45,859	45,859

## 7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,212,083	4,292,419	-	17,504,502
Construction in progress	90,705,257	58,093,366	(18,193,974)	130,604,649
Total capital assets, not being depreciated	103,917,340	62,385,785	(18,193,974)	148,109,151
Capital assets, being depreciated:				
Buildings and improvements	311,120,930	8,510,907	(5,000)	319,626,837
Furniture and equipment	12,819,146	1,054,266	-	13,873,412
Total capital assets being depreciated	323,940,076	9,565,173	(5,000)	333,500,249
Less accumulated depreciation for:				
Buildings and improvements	(91,162,254)	(7,932,912)	5,000	(99,090,166)
Furniture and equipment	(8,091,325)	(1,021,560)	-	(9,112,885)
Total accumulated depreciation	(99,253,579)	(8,954,472)	5,000	(108,203,051)
Total capital assets, being depreciated, net	224,686,497	610,701	-	225,297,198
Governmental activities capital assets, net	\$ 328,603,837	62,996,486	(18,193,974)	373,406,349

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

**Governmental activities:**

Instruction	\$ 5,521,106
Instructional resources and media services	288,679
School leadership	196,864
Health services	29,405
Student transportation	802,978
Food services	683,674
Extracurricular activities	1,135,016
General administration	52,817
Facilities maintenance and operations	177,471
Data processing services	46,570
Community services	19,892
Total depreciation expense - governmental activities	<u>\$ 8,954,472</u>

**8. DEFERRED CHARGES ON BOND REFUNDINGS**

The following is a summary of changes in deferred charges on bond refundings for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on refundings	<u>\$ 4,431,836</u>	<u>7,473,266</u>	<u>(1,086,462)</u>	<u>10,818,640</u>

**9. LONG-TERM DEBT**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 349,840,000	71,530,000	(98,165,000)	323,205,000
Premiums on bonds	<u>33,308,411</u>	<u>13,586,882</u>	<u>(3,280,055)</u>	<u>43,615,238</u>
Total debt payable - principal	383,148,411	85,116,882	(101,445,055)	366,820,238
Accretion on capital appreciation bonds	<u>344,665</u>	<u>9,501</u>	-	<u>354,166</u>
Total debt payable	<u>\$ 383,493,076</u>	<u>85,126,383</u>	<u>(101,445,055)</u>	<u>367,174,404</u>



Bonded debt consists of the following at June 30, 2018:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 6-30-18	Due Within One Year
2010	5-19-10	\$ 1,830,000	2022	2.00 - 3.38%	\$ 830,000	\$ 200,000
2011	1-27-11	88,325,000	2021	2.00 - 5.00%	6,260,000	1,830,000
2011	4-27-11	2,905,000	2022	2.00 - 3.25%	1,285,000	305,000
2012	8-3-15 (remarket)	17,125,000	2035	2.00 - 8.00%	16,970,000	-
2013-A	2-20-13	61,195,000	2026	1.00 - 5.00%	50,445,000	6,105,000
2013-B	2-20-13	12,555,000	2020	0.44 - 3.00%	3,145,000	1,550,000
2013-C	12-18-13	18,365,000	2035	3.50 - 6.50%	18,365,000	-
2015	7-23-15	5,000,000	2019	1.50 - 2.25%	505,000	505,000
2016-A	2-4-16	90,715,000	2040	3.00 - 5.00%	89,495,000	890,000
2016-B	8-1-17 (remarket)	39,745,000	2042	2.50 - 8.00%	29,370,000	-
2017	2-23-17	35,005,000	2035	2.00 - 5.00%	35,005,000	925,000
2017-A	11-30-17	<u>71,530,000</u>	2035	2.00 - 5.00%	<u>71,530,000</u>	<u>1,415,000</u>
Total		<u>\$ 444,295,000</u>			<u>\$ 323,205,000</u>	<u>\$ 13,725,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for tax year 2017 was \$0.329.

On August 1, 2017, the District remarketed \$29,370,000 of its Series 2016-B Bonds in order to lower its overall debt service requirements. Due to the remarketing, the District will achieve an average annual savings of \$959,100 in each of the 2017-18, 2018-19 and 2019-20 fiscal years. As part of the remarketing, the District made a principal prepayment of \$10,000,000 on its Series 2016-B Bonds.

On November 30, 2017, the District issued \$71,530,000 of Unlimited Tax Refunding Bonds to advance refund \$76,430,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$83,917,898 (after payment of \$630,969 in underwriting fees, insurance, and other issuance costs) were used for the following: \$83,903,266 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$14,632 was deposited in the Debt Service Fund for future interest and principal payments. As a result, \$71,530,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$7,473,266. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding reduced debt service payments by \$12,303,413 and resulted in an economic gain of \$9,561,396.

In the current year, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At June 30, 2018, outstanding bonds of \$76,430,000 are considered defeased.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2018, the debt service requirements of bonded indebtedness to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,725,000	13,335,288	27,060,288
2020	12,760,000	13,090,701	25,850,701
2021	11,340,000	12,942,200	24,282,200
2022	13,995,000	13,106,819	27,101,819
2023	11,630,000	12,124,650	23,754,650
2024 - 2028	57,970,000	52,959,200	110,929,200
2029 - 2033	79,410,000	37,368,825	116,778,825
2034 - 2038	74,195,000	18,811,850	93,006,850
2039 - 2042	48,180,000	3,502,649	51,682,649
Total	<u>\$ 323,205,000</u>	<u>177,242,182</u>	<u>500,447,182</u>

The outstanding Series 2012 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

The Series 2012 Bonds are variable interest bonds and will bear interest at a per annum rate of 2.50% through July 31, 2019. Thereafter, the bonds will bear interest at a rate or rates determined by the remarketing agent as provided in the bond order.

The Series 2016-B Bonds are variable interest bonds and will bear interest at a per annum rate of 2.00% through July 31, 2020. Thereafter, the bonds will bear interest at a rate or rates determined by the remarketing agent as provided in the bond order.

As of June 30, 2018, all general obligation bonds authorized by the voters of the District have been issued.

## 10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 16.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the Superintendent or the Chief Financial Officer.

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

## 11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2018, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 95,766,267	29,169,466	-	-	124,935,733
Food service	-	-	-	1,883,399	1,883,399
Investment income	602,973	249,103	1,009,618	-	1,861,694
Penalties, interest, and other tax related income	350,728	101,835	-	-	452,563
Tuition and fees from patrons	460,259	-	-	-	460,259
Co-curricular student activities	397,640	-	-	-	397,640
Other	924,598	-	-	1,761,018	2,685,616
Total	<u>\$ 98,502,465</u>	<u>29,520,404</u>	<u>1,009,618</u>	<u>3,644,417</u>	<u>132,676,904</u>

## 12. DEFINED BENEFIT PENSION PLANS

### 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 TRS. TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

### Pension Plan Fiduciary Net Position

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

## Benefits Provided

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

## Contributions

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

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

	2017	2018
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2018 District Contributions		\$ 2,053,125
FY 2018 Member Contributions		\$ 5,711,276
FY 2018 NECE On-behalf Contributions		\$ 4,014,418

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

### **Actuarial Assumptions**

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
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.

## Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. 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 TRS' target asset allocation as of August 31, 2017 are summarized below:

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

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

## Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 32,014,867	\$ 18,990,877	\$ 8,146,292

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

At June 30, 2018, the District reported a liability of \$18,990,877 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 18,990,877
State's proportionate share that is associated with the District	<u>36,662,334</u>
Total	<u><u>\$ 55,653,211</u></u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0594% which was an increase of 0.0034% from its proportion measured as of August 31, 2016.

## Changes Since the Prior Actuarial Valuation

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$3,026,231 and revenue of \$2,796,457 for support provided by the State.



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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 277,845	\$ 1,024,153
Changes in actuarial assumptions	865,065	495,229
Difference between projected and actual investment earnings	-	1,384,014
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,731,047	1,209
Contributions paid to TRS subsequent to the measurement date	<u>1,743,852</u>	<u>-</u>
Total	<u>\$ 7,617,809</u>	<u>\$ 2,904,605</u>

The \$1,743,852 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended June 30:	
2019	\$ 498,543
2020	1,710,780
2021	405,398
2022	29,887
2023	209,783
Thereafter	114,961

### 13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

#### Plan Description

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

## OPEB Plan Fiduciary Net Position

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

## Benefits Provided

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

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

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

TRS-Care Plan Premium Rates  
Effective 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*

## 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 0.65% 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.

	<u>2017</u>	<u>2018</u>
<b>Contribution Rates:</b>		
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
FY 2018 District Contributions		\$ 573,500
FY 2018 Member Contributions		\$ 482,125
FY 2018 NECE On-behalf Contributions		\$ 911,937

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

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

### **Actuarial Assumptions**

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

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

Rates of Mortality	General Inflation
Rates of Retirement	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

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

#### **Discount Rate**

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. 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.

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2017 are summarized below.

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

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

### Sensitivity Analysis

*Discount Rate* - The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the 2017 Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the net OPEB liability	\$ 42,123,076	\$ 35,690,013	\$ 30,519,282

*Healthcare Cost Trend Rates* - The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rates used were 1% less than and 1% greater than the healthcare cost trend rates that was used in measuring the 2017 Net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
	<u>                    </u>	<u>                    </u>	<u>                    </u>
District's proportionate share of the net OPEB liability	\$ 29,715,502	\$ 35,690,013	\$ 43,529,326

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

At June 30, 2018, the District reported a liability of \$35,690,013 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	\$ 35,690,013
State's proportionate share that is associated with the District	<u>55,852,544</u>
Total	<u>\$ 91,542,557</u>

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

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.0821% which was the same proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation**

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

- 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.

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$(11,964,210) and revenue of \$18,689,746 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 745,056
Changes in actuarial assumptions	-	14,184,144
Difference between projected and actual investment earnings	5,421	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	165	-
Contributions paid to TRS subsequent to the measurement date	<u>504,055</u>	<u>-</u>
Total	<u>\$ 509,641</u>	<u>\$ 14,929,200</u>

The \$504,055 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPEB Expense Amount</u>
Year ended June 30:	
2019	\$ (1,969,188)
2020	(1,969,188)
2021	(1,969,188)
2022	(1,969,188)
2023	(1,970,543)
Thereafter	(5,076,319)

**14. ON-BEHALF PAYMENTS**

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended June 30, 2018, reimbursements of \$280,218 were received by TRS and allocated to the District.

**15. RISK MANAGEMENT**

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended June 30, 2018, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

**16. SHARED SERVICES ARRANGEMENTS**

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) to operate a Juvenile Justice Alternative Education Program (“JJAEP”) in compliance with the Texas Education Code, Section 37.011 for the member districts listed below. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. The District has accounted for the fiscal agent’s activities of the SSA in a special revenue fund, SSA- JJAEP. Contributions from the SSA are summarized below:

Round Rock ISD	\$ 433,202
Georgetown ISD	272,285
Leander ISD	170,583
Taylor ISD	155,226
Hutto ISD	50,577
Liberty Hill ISD	67,399
Jarrell ISD	17,036
Florence ISD	6,242
Thrall ISD	1,649
Bartlett ISD	165
Total	<u>\$ 1,174,364</u>

**17. COMMITMENTS AND CONTINGENCIES**

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Uniform Guidance through June 30, 2018, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At June 30, 2018, the District is also committed under construction contracts with a remaining balance of \$32,218,208.



**18. PRIOR PERIOD ADJUSTMENT**

In accordance with the adoption of GASB Statement No. 75 in the current fiscal year, the District must record its proportionate share of the net OPEB liability related to its contributions to the TRS-Care cost-sharing OPEB plan at the beginning of the measurement period ending August 31, 2017. In addition, the District must record a deferred outflow of resources for its contributions to TRS-Care from the beginning of the measurement period through June 30, 2017. The effect of this change in accounting principle is as follows:

Net position - governmental activities - June 30, 2017	\$ 83,282,154
Net OPEB liability - August 31, 2016	(63,008,916)
District contributions - September 1, 2016 - June 30, 2017	<u>357,250</u>
Net position - governmental activities - June 30, 2017, as restated	<u>\$ 20,630,488</u>

**19. SUBSEQUENT EVENT**

On July 19, 2018, the District remarketed \$16,395,000 of its Series 2012 Bonds in order to lower its overall debt service requirements. Due to the remarketing, the District will achieve savings of \$423,375 over the period from July 19, 2018 to August 1, 2019.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Teacher Retirement System of Texas**  
**6/30/2018\*\***

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>	<u>2013*</u>
District's proportion of the net pension liability	0.0569%	0.0560%	0.0582%	0.0349%	0.0349%
District's proportionate share of the net pension liability	\$ 18,990,877	\$ 21,144,860	\$ 20,570,875	\$ 9,315,328	\$ 11,438,456
State's proportionate share of the net pension liability associated with the District	<u>36,662,334</u>	<u>43,883,561</u>	<u>42,337,506</u>	<u>36,251,770</u>	<u>44,500,569</u>
Total	<u>\$ 55,653,211</u>	<u>\$ 65,028,421</u>	<u>\$ 62,908,381</u>	<u>\$ 45,567,098</u>	<u>\$ 55,939,025</u>
District's covered-employee payroll (for Measurement Year)	\$ 69,913,028	66,607,159	64,530,870	62,196,419	59,984,509
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.16%	31.75%	31.88%	14.98%	19.07%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	75.93%	92.75%	91.94%	72.90%	93.10%

\* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

\*\* Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of District Contributions - Pensions**  
**Teacher Retirement System of Texas**  
**Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 2,053,125	\$ 1,927,773	\$ 1,762,541	\$ 1,584,974	\$ 866,551
Contributions in relation to the contractual required contributions	<u>2,053,125</u>	<u>1,927,773</u>	<u>1,762,541</u>	<u>1,584,974</u>	<u>866,551</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 74,173,067	69,404,876	66,275,061	64,116,844	61,800,442
Contributions as a percentage of covered payroll	2.77%	2.78%	2.66%	2.47%	1.40%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 765,336	\$ 838,979	\$ 1,042,257	\$ 924,823	\$ 814,736
Contributions in relation to the contractual required contributions	<u>765,336</u>	<u>838,979</u>	<u>1,042,257</u>	<u>924,823</u>	<u>814,736</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 60,202,270	63,495,301	68,245,394	65,925,611	62,127,279
Contributions as a percentage of covered payroll	1.27%	1.32%	1.53%	1.40%	1.31%

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**Teacher Retirement System of Texas**  
**6/30/2018\*\***

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	2017*
District's proportion of the net OPEB liability	0.0821%
District's proportionate share of the net OPEB liability	\$ 35,690,013
State's proportionate share of the net OPEB liability associated with the District	55,852,544
Total	\$ 91,542,557
District's covered-employee payroll (for Measurement Year)	\$ 59,984,509
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	59.50%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%
Plan's net OPEB liability as a percentage of covered employee payroll	132.55%

\* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2017.

\*\* Schedule should provide ten years of Plan information, but data was unavailable prior to 2017.

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of District Contributions - OPEB**  
**Teacher Retirement System of Texas**  
**Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 573,500	\$ 425,936	\$ 425,454	\$ 378,247	\$ 374,699
Contributions in relation to the contractual required contributions	<u>573,500</u>	<u>425,936</u>	<u>425,454</u>	<u>378,247</u>	<u>374,699</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 74,173,067	69,404,876	66,275,061	64,116,844	61,800,442
Contributions as a percentage of covered payroll	0.77%	0.61%	0.64%	0.59%	0.61%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 370,161	\$ 383,283	\$ 408,269	\$ 392,483	\$ 367,048
Contributions in relation to the contractual required contributions	<u>370,161</u>	<u>383,283</u>	<u>408,269</u>	<u>392,483</u>	<u>367,048</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 60,202,270	63,495,301	68,245,394	65,925,611	62,127,279
Contributions as a percentage of covered payroll	0.61%	0.60%	0.60%	0.60%	0.59%

# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

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### 1. CHANGE IN ASSUMPTIONS

#### Pensions

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

#### OPEB

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

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

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**



**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2018**

	211	224	225	240	244	255	263	287	289
	Title I Grants to Local Educational Agencies	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Supporting Effective Instruction State Grants	English Language Acquisition State Grants	Federal General Fund	Hurricane Education Recovery
<b>Assets:</b>									
Cash and temporary investments	\$ -	-	-	25,656	5,981	-	-	-	-
Receivables:									
Due from other governments	296,070	246,583	4,012	36,594	9,871	48,918	22,058	-	184,787
Due from other funds	-	-	-	10,848	-	-	-	1,095	-
Other	-	-	-	82	-	-	-	-	-
Inventory	-	-	-	45,859	-	-	-	-	-
Other assets	-	-	-	524,803	-	-	-	-	-
Total assets	<u>\$ 296,070</u>	<u>246,583</u>	<u>4,012</u>	<u>643,842</u>	<u>15,852</u>	<u>48,918</u>	<u>22,058</u>	<u>1,095</u>	<u>184,787</u>
<b>Liabilities and fund balances:</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 595	33,425	-	92,146	7,700	7,235	-	-	-
Accrued wages payable	68,689	99,498	2,464	218,080	-	-	2,736	-	-
Due to other funds	226,786	113,660	1,548	-	8,152	41,683	19,322	-	184,787
Unearned revenue	-	-	-	45,859	-	-	-	-	-
Total liabilities	<u>296,070</u>	<u>246,583</u>	<u>4,012</u>	<u>356,085</u>	<u>15,852</u>	<u>48,918</u>	<u>22,058</u>	<u>-</u>	<u>184,787</u>
<b>Fund balances:</b>									
Nonspendable	-	-	-	524,803	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	1,095	-
Unassigned	-	-	-	(237,046)	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,095</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 296,070</u>	<u>246,583</u>	<u>4,012</u>	<u>643,842</u>	<u>15,852</u>	<u>48,918</u>	<u>22,058</u>	<u>1,095</u>	<u>184,787</u>

(continued)

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (continued)**  
**June 30, 2018**

	289	289	385	397	410	429	459	461	498	499	
	<b>Grants for State Assessments and Related Activities</b>	<b>Student Support and Academic Enrichment Program</b>	<b>State Supplemental Visually</b>	<b>Advanced Placement</b>	<b>State Instructional Materials</b>	<b>Other State</b>	<b>SSA JJAEP</b>	<b>Campus Activity</b>	<b>KLE Blended Learning Grant</b>	<b>Local Grants</b>	<b>Total Special Revenue Funds</b>
<b>Assets:</b>											
Cash and temporary investments	\$ -	-	-	-	-	-	-	-	-	-	31,637
Receivables:											
Due from other governments	-	2,175	1,863	-	463,510	-	-	-	-	-	1,316,441
Due from other funds	-	-	-	-	-	4,681	118,139	405,269	1,940	60,665	602,637
Other	-	-	-	-	-	-	-	351	-	3,205	3,638
Inventory	-	-	-	-	-	-	-	-	-	-	45,859
Prepaid expenditures	-	-	-	-	-	-	-	-	-	-	524,803
Total assets	<u>\$ -</u>	<u>2,175</u>	<u>1,863</u>	<u>-</u>	<u>463,510</u>	<u>4,681</u>	<u>118,139</u>	<u>405,620</u>	<u>1,940</u>	<u>63,870</u>	<u>2,525,015</u>
<b>Liabilities and fund balances:</b>											
<b>Liabilities:</b>											
Accounts payable	\$ -	-	70	-	42,770	-	50	4,507	-	2,110	190,608
Accrued wages payable	-	-	-	-	-	-	118,089	-	-	-	509,556
Due to other funds	-	2,175	1,793	-	420,740	-	-	-	-	1,095	1,021,741
Unearned revenue	-	-	-	-	-	-	-	-	-	-	45,859
Total liabilities	<u>-</u>	<u>2,175</u>	<u>1,863</u>	<u>-</u>	<u>463,510</u>	<u>-</u>	<u>118,139</u>	<u>4,507</u>	<u>-</u>	<u>3,205</u>	<u>1,767,764</u>
<b>Fund balances:</b>											
Nonspendable	-	-	-	-	-	-	-	-	-	-	524,803
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	401,113	-	-	401,113
Assigned	-	-	-	-	-	4,681	-	-	1,940	60,665	68,381
Unassigned	-	-	-	-	-	-	-	-	-	-	(237,046)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,681</u>	<u>-</u>	<u>401,113</u>	<u>1,940</u>	<u>60,665</u>	<u>757,251</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>2,175</u>	<u>1,863</u>	<u>-</u>	<u>463,510</u>	<u>4,681</u>	<u>118,139</u>	<u>405,620</u>	<u>1,940</u>	<u>63,870</u>	<u>2,525,015</u>

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2018**

	211	224	225	240	244	255	263	287	289	289
	Title I Grants to Local Educational Agencies	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Career and Technical Education - Basic Grants to States	Supporting Effective Instruction State Grants	English Language Acquisition State Grants	Federal General Fund	Hurricane Education Recovery	Grants for State Assessments and Related Activities
<b>Revenues:</b>										
Local and intermediate sources	\$ -	-	-	1,883,399	-	-	-	-	-	-
State program revenues	-	-	-	59,476	-	-	-	-	-	-
Federal program revenues	1,416,827	1,749,121	15,285	3,319,982	38,694	195,260	109,325	1,095	184,787	9,497
Total revenues	1,416,827	1,749,121	15,285	5,262,857	38,694	195,260	109,325	1,095	184,787	9,497
<b>Expenditures:</b>										
Instruction	1,121,798	1,352,023	15,285	-	38,694	9,605	12,403	-	184,787	9,497
Curriculum and staff development	110,961	136	-	-	-	185,655	96,765	-	-	-
Instructional leadership	87,069	6,698	-	-	-	-	91	-	-	-
School leadership	-	-	-	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	336,090	-	-	-	-	-	-	-	-
Social work services	15,784	-	-	-	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-	-	-	-
Food services	-	-	-	5,159,868	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	-	-	-
Data processing services	-	-	-	-	-	-	-	-	-	-
Community services	81,215	54,174	-	-	-	-	66	-	-	-
Total expenditures	1,416,827	1,749,121	15,285	5,159,868	38,694	195,260	109,325	-	184,787	9,497
Excess (deficiency) of revenues over (under) expenditures	-	-	-	102,989	-	-	-	1,095	-	-
<b>Other Financing Sources-</b>										
Transfers in	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	-	-	-	102,989	-	-	-	1,095	-	-
Fund balances - beginning	-	-	-	184,768	-	-	-	-	-	-
Fund balances - ending	\$ -	-	-	287,757	-	-	-	1,095	-	-

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds (continued)**  
**Year Ended June 30, 2018**

	289	385	397	410	429	459	461	498	499	
	Student Support and Academic Enrichment Program	State Supplemental Visually	Advanced Placement	State Instructional Materials	Other State	SSA JJAEP	Campus Activity	KLE Blended Learning	Local Grants	Total Special Revenue Funds
<b>Revenues:</b>										
Local and intermediate sources	\$ -	-	-	-	-	1,174,364	507,910	-	78,744	3,644,417
State program revenues	-	1,863	2,565	1,450,979	34,131	-	-	-	-	1,549,014
Federal program revenues	18,475	-	-	-	-	-	-	-	-	7,058,348
Total revenues	18,475	1,863	2,565	1,450,979	34,131	1,174,364	507,910	-	78,744	12,251,779
<b>Expenditures:</b>										
Instruction	-	1,863	-	1,450,979	19,781	827,737	483,278	155	43,981	5,571,866
Curriculum and staff development	18,475	-	2,565	-	9,669	-	-	12,139	-	436,365
Instructional leadership	-	-	-	-	-	-	-	-	-	93,858
School leadership	-	-	-	-	-	207,891	-	-	-	207,891
Guidance, counseling and evaluation services	-	-	-	-	-	49,318	-	-	-	385,408
Social work services	-	-	-	-	-	76,347	-	-	-	92,131
Health services	-	-	-	-	-	42,426	-	-	-	42,426
Food services	-	-	-	-	-	-	-	-	-	5,159,868
General administration	-	-	-	-	-	25,000	14,745	-	7,260	47,005
Data processing services	-	-	-	-	-	3,000	-	-	-	3,000
Community services	-	-	-	-	-	-	-	-	-	135,455
Total expenditures	18,475	1,863	2,565	1,450,979	29,450	1,231,719	498,023	12,294	51,241	12,175,273
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	4,681	(57,355)	9,887	(12,294)	27,503	76,506
<b>Other Financing Sources-</b>										
Transfers in	-	-	-	-	-	-	18,041	-	-	18,041
Net change in fund balance	-	-	-	-	4,681	(57,355)	27,928	(12,294)	27,503	94,547
Fund balances - beginning	-	-	-	-	-	57,355	373,185	14,234	33,162	662,704
Fund balances - ending	\$ -	-	-	-	4,681	-	401,113	1,940	60,665	757,251

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Major Governmental Fund - Debt Service Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 29,564,678	29,180,000	29,520,404	340,404
State program revenues	427,169	427,169	427,169	-
Total revenues	<u>29,991,847</u>	<u>29,607,169</u>	<u>29,947,573</u>	<u>340,404</u>
<b>EXPENDITURES-</b>				
Debt service	<u>26,095,130</u>	<u>35,510,000</u>	<u>35,229,091</u>	<u>280,909</u>
Total expenditures	<u>26,095,130</u>	<u>35,510,000</u>	<u>35,229,091</u>	<u>280,909</u>
Excess (deficiency) of revenues over (under) expenditures	3,896,717	(5,902,831)	(5,281,518)	621,313
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds	-	100,900,000	71,530,000	(29,370,000)
Premium on sale of bonds	-	13,586,882	13,586,882	-
Payments to refunded bond escrow agent	-	(113,648,266)	(84,278,266)	29,370,000
Total other financing sources, net	-	838,616	838,616	-
Net change in fund balance	3,896,717	(5,064,215)	(4,442,902)	621,313
Fund balance - beginning	<u>25,936,684</u>	<u>25,936,684</u>	<u>25,936,684</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 29,833,401</u></u>	<u><u>20,872,469</u></u>	<u><u>21,493,782</u></u>	<u><u>621,313</u></u>

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Nonmajor Special Revenue Fund - Food Service Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2018**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 1,883,723	1,883,723	1,883,399	(324)
State program revenues	24,846	24,846	59,476	34,630
Federal program revenues	3,841,774	3,841,774	3,319,982	(521,792)
Total revenues	<u>5,750,343</u>	<u>5,750,343</u>	<u>5,262,857</u>	<u>(487,486)</u>
<b>EXPENDITURES-</b>				
Food services	<u>5,750,343</u>	<u>5,750,343</u>	<u>5,159,868</u>	<u>590,475</u>
Total expenditures	<u>5,750,343</u>	<u>5,750,343</u>	<u>5,159,868</u>	<u>590,475</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>102,989</u>	<u>102,989</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>184,768</u>	<u>184,768</u>
Fund balance - ending	<u>\$ -</u>	<u>-</u>	<u>287,757</u>	<u>287,757</u>

## **OTHER SCHEDULES**

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Delinquent Taxes Receivable**  
**Year Ended June 30, 2018**

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2017	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2018
	Maintenance	Debt Service							
2009 and prior	Various	Various	\$ -	\$ 152,025	-	18,523	4,542	(1,375)	127,585
2010	1.0400	0.2500	5,222,131,705	82,645	-	3,857	927	-	77,861
2011	1.0400	0.2500	5,301,848,322	80,440	-	9,419	2,264	-	68,757
2012	1.0400	0.3180	5,478,150,116	104,316	-	13,511	4,131	-	86,674
2013	1.0800	0.3180	5,758,004,414	111,548	-	15,102	4,447	-	91,999
2014	1.0800	0.3180	6,009,212,317	120,834	-	15,266	4,495	(5,803)	95,270
2015	1.0800	0.3180	6,715,741,558	153,968	-	23,809	7,010	(3,404)	119,745
2016	1.0800	0.3180	7,468,411,433	178,820	-	34,059	10,029	(11,098)	123,634
2017	1.0800	0.3290	8,384,248,027	1,835,655	-	1,208,177	368,047	(96,255)	163,176
2018	1.0800	0.3290	9,272,908,872	-	123,589,515	94,083,933	28,660,753	1,261,889	2,106,718
Totals				\$ 2,820,251	123,589,515	95,425,656	29,066,645	1,143,954	3,061,419



**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**EXHIBIT L-1 - REQUIRED RESPONSES TO SELECTED**  
**SCHOOL FIRST INDICATORS**  
**As of June 30, 2018**

Data Control Codes	Description	Responses
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 on the financial statements as a whole?	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 government agencies?	Yes
SF8	Did the school district not 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	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 354,166
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 18,990,877
SF13	Pension Expense (6147) at fiscal year-end.	\$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 35,690,013

**FEDERAL AWARDS SECTION**



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

The Board of Trustees of  
Georgetown Independent School District:

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, the business-type activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2018.

**Internal Control Over Financial Reporting**

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

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

Affiliated Company

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
October 16, 2018



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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees of  
Georgetown Independent School District:

### **Report on Compliance for the Major Federal Program**

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

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company

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

### **Opinion on the Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
October 16, 2018

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><u>Passed Through Texas Education Agency:</u></b>			
Title I Grants to Local Educational Agencies	84.010A	17610101246904	\$ 70,492
Title I Grants to Local Educational Agencies	84.010A	17610103246904	40,266
Title I Grants to Local Educational Agencies	84.010A	18610101246904	1,170,901
Title I Grants to Local Educational Agencies	84.010A	18610103246904	95,228
Title I Grants to Local Educational Agencies	84.010A	18610123246904	39,940
Total CFDA 84.010A			1,416,827
<b><u>Special Education Cluster:</u></b>			
Special Education Grants to States	84.027A	176600012469046000	70,701
Special Education Grants to States	84.027A	186600012469046000	1,678,420
Total CFDA 84.027A			1,749,121
Special Education Preschool Grants	84.173A	186610012469046000	15,285
<b>Total Special Education Cluster</b>			1,764,406
Career and Technical Education - Basic Grants to States	84.048A	18420006246904	38,694
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	17694501246904	39,001
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501246904	156,259
Total CFDA 84.367A			195,260
English Language Acquisition State Grants	84.365A	17671001246904	671
English Language Acquisition State Grants	84.365A	18671001246904	108,654
Total CFDA 84.365A			109,325
Hurricane Education Recovery	84.938C	51271901	184,787
Grants for State Assessments and Related Activities	84.369A	69551702	9,497
Student Support and Enrichment Program	84.424A	18680101246904	18,475
Total Passed Through Texas Education Agency			3,737,271
<b><u>Passed Through Williamson County Tax Assessor-</u></b>			
Impact Aid	84.041	(1)	13,337
<b>TOTAL DEPARTMENT OF EDUCATION</b>			3,750,608
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<b><u>Child Nutrition Cluster:</u></b>			
<b><u>Passed Through Texas Education Agency:</u></b>			
National School Lunch Program	10.555	71301701	380,145
National School Lunch Program	10.555	71301801	1,713,077
School Breakfast Program	10.553	71401701	110,234
School Breakfast Program	10.553	71401801	476,373
Total CFDA 10.553			586,607
Total Passed Through Texas Education Agency			2,679,829
<b><u>Passed Through the Texas Department of</u></b>			
<b><u>Human Services-</u></b>			
Non-cash assistance - Food Distribution Program	10.555	01148	321,748
Total CFDA 10.555			2,414,970
<b>Total Child Nutrition Cluster</b>			3,001,577
<b><u>Passed Through Texas Department of Agriculture -</u></b>			
Child and Adult Care Food Program	10.558	01148	318,405
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			3,319,982
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 7,070,590</b>

(1) - Federal funds received in lieu of taxes.

The accompanying notes are an integral part of this schedule.

# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2018

---

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Georgetown Independent School District (the "District") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

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

#### **Relationship to Basic Financial Statements**

Expenditures of federal awards are reported in the District's basic financial statements in the General Fund and special revenue funds.

#### **Relationship to Federal Financial Reports**

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

#### **Valuation of Non-cash Programs**

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.



# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

---

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

#### FEDERAL AWARDS

Internal control over the major federal program:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditors' report issued on compliance for the major federal program-

Child Nutrition Cluster

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of the major federal program-

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Noncash Food Distribution Program

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

\$750,000

Auditee qualified as low-risk auditee?

yes  no

# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

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### SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2018. There was one finding required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2017. See Summary Schedule of Prior Audit Findings for the current status of this finding.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2018. There was one finding or questioned cost required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2017. See Summary Schedule of Prior Audit Findings for the current status of this finding.



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**DR. FRED BRENT**  
Superintendent

**DR. MALINDA GOLDEN**  
Assistant Superintendent, Teaching and Learning

**DR. BRYAN HALLMARK**  
Assistant Superintendent, Operations and School Leadership

**LISA NAPPER**  
Assistant Superintendent, Human Resources

**PAM SANCHEZ**  
Chief Financial Officer

## GEORGETOWN INDEPENDENT SCHOOL DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (AUDITEE PREPARED) YEAR ENDED JUNE 30, 2018

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#### **Finding 2017-001**

**Condition:** The District must expend at least 58% of the Foundation School Program (“FSP”) funding allotment received for direct costs related to career and technical education programs.

**Status:** Corrected as there were no instances noted during the current year audit.

#### **Finding 2017-002**

**Condition:** The District had eight campuses that received Title I Part A funds during the year ended June 30, 2018. The allocation of Title I Part A funds to these campuses did not follow the rank order as determined by the District in the grant application.

**Status:** The Federal Fiscal Monitoring Division of Texas Education Agency determined that the District complied with the program requirements of Title I, Part A by allocating funds properly to each participating school attendance area or school, per Section 1113 of ESSA. When children from low-income families are less than 75% of the total campus population, Districts are granted an exception to serve children based on grade spans. No further corrective actions are required and this matter is considered to be closed.