

**ELGIN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2018**



ELGIN INDEPENDENT SCHOOL DISTRICT

Annual Financial Report Year Ended August 31, 2018 Table of Contents

	<u>Page</u>
CERTIFICATE OF BOARD	1
FINANCIAL SECTION:	
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	18
Statement of Fiduciary Net Position - Agency Fund	19
Notes to Basic Financial Statements	20-48
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	49
Schedule of District Contributions - Pensions	50
Schedule of the District's Proportionate Share of the Net OPEB Liability	51
Schedule of District Contributions - OPEB	52
Note to Required Supplementary Information	53
Combining and Individual Fund Statements:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	54-57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	58-61
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	62
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Food Service Fund	63

ELGIN INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2018
Table of Contents

	<u>Page</u>
FINANCIAL SECTION (continued):	
Other Schedules:	
Schedule of Delinquent Taxes Receivable	64
Exhibit L-1 - Schedule of Required Responses to Selected School First Indicators	65
FEDERAL AWARDS SECTION:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66-67
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	68-69
Schedule of Expenditures of Federal Awards	70
Notes to the Schedule of Expenditures of Federal Awards	71
Schedule of Findings and Questioned Costs	72-74

CERTIFICATE OF BOARD

Elgin Independent School District Bastrop 011-902
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 fiscal year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 17 day of December, 2018.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Elgin Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 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 August 31, 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 August 31, 2017. In addition to the adoption of GASB Statement No. 75, the District’s fund balance in the Debt Service Fund and net position as of August 31, 2017 have been restated to correct a misstatement related to the prior year. Our opinions are not modified with respect to these matters.

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 note to the required supplementary information on pages 5 through 12, 49, 50, 51, 52, and 53, 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, 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, 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, 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 December 11, 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
December 11, 2018

ELGIN INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's net position at August 31, 2018 was approximately \$(4.7) million.
- The fund balance for the General Fund at August 31, 2018 was approximately \$17.1 million, an increase of approximately \$1.2 million from the prior year.
- For the year ended August 31, 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 \$27,763,351 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 August 31, 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, and liabilities and deferred inflows of resources, with the difference 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 taxes.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

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 two categories: governmental 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. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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 and Debt Service 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 nonmajor 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 section of this report.

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 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 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 a cost-sharing pension and OPEB plans with the Teacher Retirement System of Texas.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This two-year comparison provides an indication of the District's financial wellbeing. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. At August 31, 2018, the District's combined liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by approximately \$4.7 million, which is an increase of approximately \$9.1 million from the prior year combined net position of approximately (\$13.8) million, as restated.

Net position at August 31, 2018 as compared to August 31, 2017, can be presented as follows:

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

	(in thousands)	
	August 31, 2018	August 31, 2017
Current assets:		
Cash and temporary investments	\$ 22,156	\$ 20,452
Property taxes, net	781	832
Due from other governments	1,079	600
Other assets	43	46
Total current assets	24,059	21,930
Non-current assets-		
Capital assets, net of accumulated depreciation	59,159	61,128
Total assets	\$ 83,218	\$ 83,058
Deferred outflows of resources:		
Deferred charges on refundings	\$ 1,600	\$ 1,827
Pension contributions after measurement date	947	943
Deferred outflows related to pension liability	3,157	3,355
OPEB contributions after measurement date	241	-
Deferred outflows related to OPEB liability	2	-
Total deferred outflows of resources	\$ 5,947	\$ 6,125
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,519	\$ 3,098
Bond interest payable	290	420
Bonds and accretion payable	4,655	4,545
Capital lease payable	571	421
Due to other governments	6	16
Unearned revenue	161	229
Total current liabilities	9,202	8,729
Long-term liabilities:		
Bonds and accretion payable	50,089	55,212
Capital lease payable	1,559	1,376
Net pension liability	9,198	9,685
Net OPEB liability	15,829	-
Total liabilities	\$ 85,877	\$ 75,002
Deferred inflows of resources:		
Deferred inflows related to pension liability	\$ 1,407	\$ 558
Deferred inflows related to OPEB liability	6,621	-
Total deferred inflows of resources	8,028	558
Net position:		
Net investment in capital assets	\$ 6,118	\$ 2,668
Restricted	2,208	1,497
Unrestricted	(13,066)	9,458
Total net position	(4,740)	13,623
Prior period adjustment	-	(27,438)
Total net position, as restated	\$ (4,740)	\$ (13,815)

The District covers 165 square miles and is located in the northwest portion of Bastrop County, with segments in eastern Travis County and southern Lee County. Property values have increased 57% in the last five years. Enrollment has increased by 6% over the last five years.

Investment in capital assets (e.g., land, construction in progress, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is \$6.1 million. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$2.2 million, represents resources that are subject to external restrictions on how they may be used.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or grant agreements. Restricted net assets are 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").

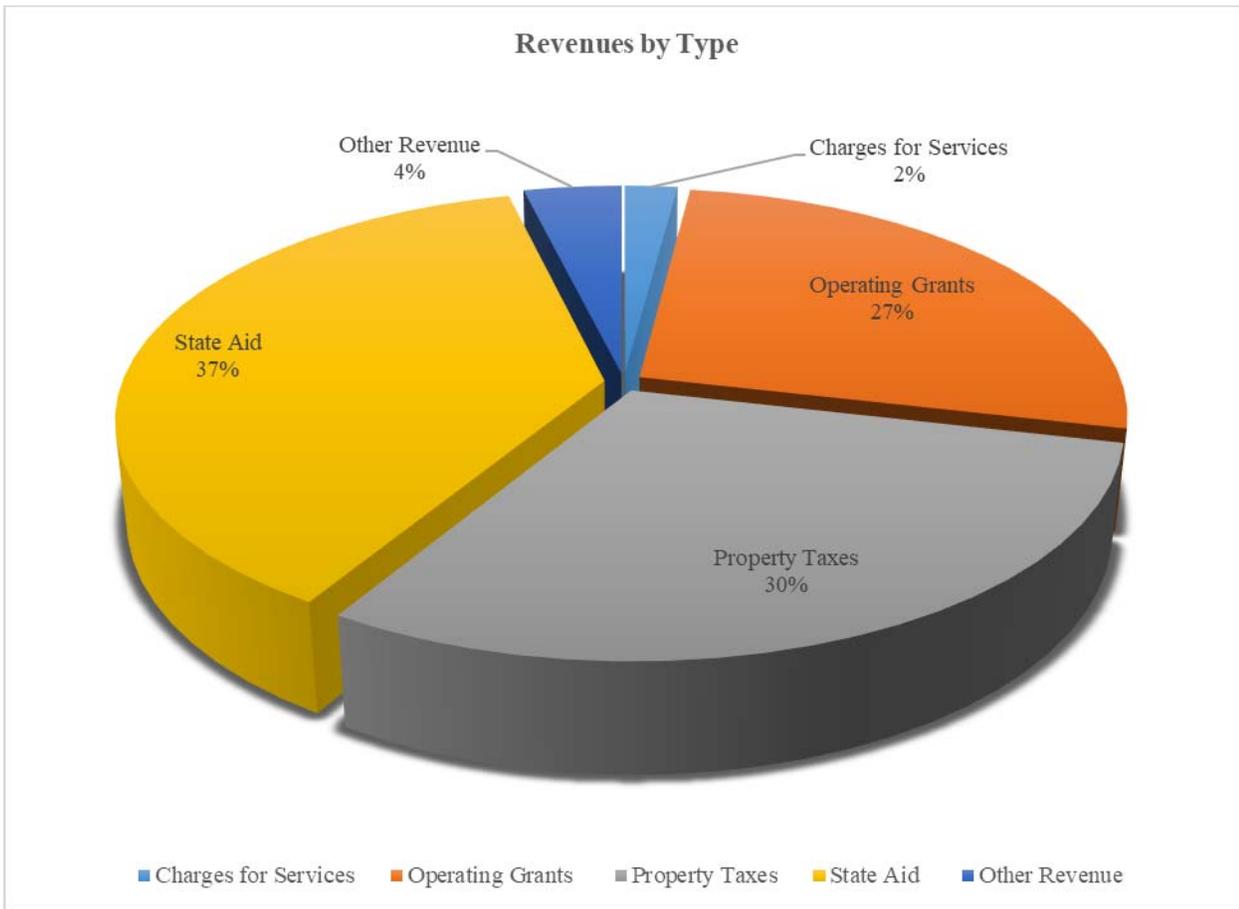
Government-wide activities

Governmental activities increased the District's net position by \$9.0 million for the year ended August 31, 2018. Key elements of this increase are as follows:

Elgin Independent School District's Changes in Net Position

	(in thousands)	
	Year Ended August 31, 2018	Year Ended August 31, 2017
Revenues:		
Program revenues:		
Charges for services	\$ 1,281	\$ 1,186
Operating grants and contributions	16,528	10,813
General revenues:		
Property taxes	18,722	16,656
State aid - formula grants	23,336	24,198
Investment earnings	358	189
Miscellaneous	2,025	297
Total revenues	62,250	53,339
Expenses:		
Instruction	26,066	25,095
Instructional resources and media services	505	509
Curriculum and staff development	1,327	1,247
Instructional leadership	2,089	1,997
School leadership	2,676	2,531
Guidance, counseling and evaluation services	1,604	1,579
Social work services	240	271
Health services	308	269
Student transportation	2,140	2,154
Food services	2,796	2,873
Extracurricular activities	1,815	1,698
General administration	2,012	1,660
Facilities maintenance and operations	6,417	4,721
Security and monitoring services	349	277
Data processing services	779	840
Community services	366	437
Debt service	1,419	2,097
Facilities acquisition and construction	-	26
Payments related to shared services arrangements	19	21
Other intergovernmental charges	248	212
Total governmental activities	53,175	50,514
Change in net position	9,075	2,825
Net position beginning	(13,815)	10,798
Prior period adjustment	-	(27,438)
Net position ending	\$ (4,740)	\$ (13,815)

Overall property taxes account for 30% of the District's revenue sources while state funding represents 37%. Operating grants account for 27% of revenue sources.



FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

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

Governmental funds

The 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 \$19,592,268. Of this amount, \$13,525,962 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion. The remainder of the fund balance is nonspendable, restricted or assigned to indicate that it is nonspendable due to being in the form of prepaid items or it is not available for new spending because it will be used for debt service and 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 expenditures. As a measure of the General Fund’s liquidity, unassigned fund balance represents 32% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$660,495, all of which is restricted for the payment of debt service.

Other governmental funds, which consist of Special Revenue Funds, have total fund balances of \$1,862,843, an increase of \$212,323 since last year. Combining schedules for the Special Revenue Funds are provided in this report on pages 54 through 61.

BUDGETARY HIGHLIGHTS

The District had general fund budget amendments during the 2017-18 fiscal year that increased the budgeted expenditures by \$7,159,275. The major amendments were \$3.85 million for various capital projects, including high school renovations, district-wide roof coatings, electrical and ceiling upgrades at Booker T. Washington Elementary, and High School and Middle School track resurfacing. There were also amendments for \$1.9 million for storm damage repair and \$1 million for a five year lease of Chromebooks.

Key differences between the final amended budget and actual amounts can be briefly summarized as follows:

- Excess budgeted instructional expenditures related to the teacher salaries, supplies, and contracted services
- Insurance repairs for storm damage were not complete at August 31, 2018
- Capital Projects were not complete at August 31, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities at August 31, 2018 amounts to approximately \$59.2 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

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

Land	\$ 1,485,355
Construction in progress	501,871
Buildings and improvements	53,938,290
Furniture and equipment	3,233,416
Total	<u>\$ 59,158,932</u>

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 approximately \$54.7 million. 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 of A+ and A1, 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's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2019 budget and tax rate. The student population increased by approximately 2.0%. Assessed property values increased by approximately 12.5% over last year. The District adopted a \$44,187,373 budget for fiscal year 2019. The budget will be funded through a \$1.54 overall tax rate consisting of a \$1.17 M&O tax rate and \$0.37 I&S tax rate, State Per Capita and Foundation revenues, and other local revenues. The total tax rate adopted is the same total tax rate adopted in fiscal year 2018. The 2019 fiscal year budget is approximately 0.6% less than the 2018 fiscal year final amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources.

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 Services Department at Elgin Independent School District: (512) 281-3434.

BASIC FINANCIAL STATEMENTS

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
August 31, 2018

	Governmental Activities
ASSETS:	
Cash and temporary investments	\$ 22,155,931
Receivables:	
Property taxes - delinquent	1,337,542
Allowance for uncollectible taxes	(556,417)
Due from other governments	1,078,809
Other receivables	14,469
Inventory	21,697
Prepaid items	6,840
Capital assets (net of accumulated depreciation):	
Land	1,485,355
Construction in progress	501,871
Buildings and improvements	53,938,290
Furniture and equipment	3,233,416
Total assets	83,217,803
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on bond refundings	1,599,780
Pension contributions after measurement date	946,437
Deferred outflows related to pension liability	3,157,737
OPEB contributions after measurement date	241,095
Deferred outflows related to OPEB liability	2,477
Total deferred outflows of resources	5,947,526
LIABILITIES:	
Current liabilities:	
Accounts payable	1,669,101
Payroll deductions and withholdings	263,500
Accrued wages payable	1,586,168
Bond interest payable	289,879
Bonds payable	4,655,000
Capital lease payable	571,397
Due to other governments	6,184
Unearned revenue	160,525
Noncurrent liabilities:	
Bonds payable	48,677,389
Accretion payable	1,411,293
Capital lease payable	1,559,234
Net pension liability	9,198,367
Net OPEB liability	15,829,161
Total liabilities	85,877,198
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pension liability	1,406,849
Deferred inflows related to OPEB liability	6,621,368
Total deferred outflows of resources	8,028,217
NET POSITION:	
Net investment in capital assets	6,117,437
Restricted for:	
Debt service	558,008
Food service	1,650,229
Unrestricted	(13,065,760)
Total net position	\$ (4,740,086)

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended August 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 26,065,844	233,667	8,012,884	(17,819,293)
Instructional resources and media services	504,799	10,617	92,303	(401,879)
Curriculum and staff development	1,327,150	89,182	518,291	(719,677)
Instructional leadership	2,088,924	-	774,955	(1,313,969)
School leadership	2,676,304	29,727	731,162	(1,915,415)
Guidance, counseling, and evaluation services	1,603,704	74,318	624,209	(905,177)
Social work services	240,422	-	136,789	(103,633)
Health services	308,307	-	60,917	(247,390)
Student transportation	2,139,954	-	498,818	(1,641,136)
Food services	2,796,219	383,450	2,413,042	273
Extracurricular activities	1,814,866	426,321	177,294	(1,211,251)
General administration	2,011,649	33,381	289,781	(1,688,487)
Facilities maintenance and operations	6,417,127	-	636,950	(5,780,177)
Security and monitoring services	349,033	-	26,729	(322,304)
Data processing services	778,708	-	106,483	(672,225)
Community services	365,651	-	141,341	(224,310)
Debt service	1,419,291	-	1,286,406	(132,885)
Payments related to shared services arrangements	19,206	-	-	(19,206)
Other intergovernmental charges	247,506	-	-	(247,506)
Total governmental activities	<u>\$ 53,174,664</u>	<u>1,280,663</u>	<u>16,528,354</u>	<u>(35,365,647)</u>
General revenues:				
Property taxes levied for general purposes				\$ 14,232,693
Property taxes levied for debt service				4,489,291
State aid-formula grants				23,335,567
Investment earnings				357,662
Miscellaneous				2,025,076
Total general revenues				<u>44,440,289</u>
Change in net position				9,074,642
Net position - beginning, as restated				<u>(13,814,728)</u>
Net position - ending				<u>\$ (4,740,086)</u>

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
August 31, 2018

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and temporary investments	\$ 20,015,336	112,948	2,027,647	22,155,931
Receivables:				
Property taxes - delinquent	1,016,666	320,876	-	1,337,542
Allowance for uncollectible taxes	(422,933)	(133,484)	-	(556,417)
Due from other governments	142,049	507,547	429,213	1,078,809
Due from other funds	171,308	40,000	-	211,308
Other receivables	11,659	-	2,810	14,469
Inventory	-	-	21,697	21,697
Prepaid items	6,840	-	-	6,840
Total assets	<u>\$ 20,940,925</u>	<u>847,887</u>	<u>2,481,367</u>	<u>24,270,179</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 1,519,159	-	149,942	1,669,101
Payroll deductions and withholdings	263,500	-	-	263,500
Accrued wages payable	1,448,219	-	137,949	1,586,168
Due to other funds	40,000	-	171,308	211,308
Due to other governments	6,184	-	-	6,184
Unearned revenue	1,200	-	159,325	160,525
Total liabilities	<u>3,278,262</u>	<u>-</u>	<u>618,524</u>	<u>3,896,786</u>
Deferred inflows of resources-				
Deferred revenue - property taxes	593,733	187,392	-	781,125
Fund balances:				
Nonspendable-				
Prepaid items	6,840	-	-	6,840
Restricted for:				
Retirement of long-term debt	-	660,495	-	660,495
Food service	-	-	1,650,229	1,650,229
Assigned to:				
Authorized construction	3,436,128	-	-	3,436,128
Retirement of long-term debt	100,000	-	-	100,000
Campus activities	-	-	212,614	212,614
Unassigned	<u>13,525,962</u>	<u>-</u>	<u>-</u>	<u>13,525,962</u>
Total fund balances	<u>17,068,930</u>	<u>660,495</u>	<u>1,862,843</u>	<u>19,592,268</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,940,925</u>	<u>847,887</u>	<u>2,481,367</u>	
Amounts reported for <i>governmental activities</i> 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				\$ 59,158,932
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds				781,125
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				(53,332,389)
Less: Deferred charges on refundings				1,599,780
Accretion payable				(1,411,293)
Bond interest payable				(289,879)
Capital lease payable				(2,130,631)
Net pension liability				(9,198,367)
Pension contributions after measurement date				946,437
Deferred outflows related to pension liability				3,157,737
Deferred inflows related to pension liability				(1,406,849)
Net OPEB liability				(15,829,161)
OPEB contributions after measurement date				241,095
Deferred outflows related to OPEB liability				2,477
Deferred inflows related to OPEB liability				(6,621,368)
Net position of governmental activities				<u>\$ (4,740,086)</u>

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended August 31, 2018

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local and intermediate sources	\$ 16,942,459	4,545,378	946,844	22,434,681
State program revenues	25,090,222	1,286,406	213,993	26,590,621
Federal program revenues	657,289	-	6,357,634	7,014,923
Total revenues	42,689,970	5,831,784	7,518,471	56,040,225
EXPENDITURES:				
Current:				
Instruction	21,193,005	-	2,424,630	23,617,635
Instructional resources and media services	438,114	-	11,082	449,196
Curriculum and staff development	744,949	-	492,150	1,237,099
Instructional leadership	1,411,066	-	472,712	1,883,778
School leadership	2,185,225	-	201,663	2,386,888
Guidance, counseling, and evaluation services	1,002,506	-	447,613	1,450,119
Social work services	123,023	-	105,017	228,040
Health services	259,548	-	3,928	263,476
Student transportation	1,944,905	-	72,816	2,017,721
Food services	-	-	2,612,985	2,612,985
Extracurricular activities	1,279,049	-	332,716	1,611,765
General administration	1,596,639	-	1,452	1,598,091
Facilities maintenance and operations	6,195,982	-	61,866	6,257,848
Security and monitoring services	260,424	-	-	260,424
Data processing services	757,509	-	-	757,509
Community services	313,148	-	65,518	378,666
Debt service	654,803	6,305,850	-	6,960,653
Facilities acquisition and construction	1,247,912	-	-	1,247,912
Payments related to shared services arrangements	19,206	-	-	19,206
Other intergovernmental charges	247,506	-	-	247,506
Total expenditures	41,874,519	6,305,850	7,306,148	55,486,517
Excess (deficiency) of revenues over (under) expenditures	815,451	(474,066)	212,323	553,708
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	958,955	-	-	958,955
Transfers in	-	540,000	-	540,000
Transfers out	(540,000)	-	-	(540,000)
Total other financing sources, net	418,955	540,000	-	958,955
Net change in fund balances	1,234,406	65,934	212,323	1,512,663
Fund balances - beginning, as restated	15,834,524	594,561	1,650,520	18,079,605
Fund balances - ending	\$ 17,068,930	660,495	1,862,843	19,592,268

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

ELGIN 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 August 31, 2018

Net change in fund balances-total governmental funds	\$ 1,512,663
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	1,815,492
Disposal of capital assets	(4,970)
Depreciation expense	(3,780,037)
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	(51,240)
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	4,545,000
Proceeds from capital lease	(958,955)
Repayment of capital lease principal	625,471
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 accretion payable	(144,976)
Change in bond interest payable	129,769
Amortization of deferred charges on bond refundings	(227,503)
Amortization of bond premiums	613,601
Pension contributions made during the measurement year	941,018
Change in pension contributions made after the measurement date	3,599
Proportionate share of collective pension expense	(454,843)
Adjustment for ending deferred inflows and outflows related to net pension liability	(1,045,841)
OPEB contributions made during the measurement year	190,989
Change in OPEB contributions made after the measurement date	58,861
Proportionate share of collective OPEB expense	11,925,435
Adjustment for ending deferred inflows and outflows related to net OPEB liability	(6,618,891)
Change in net position of governmental activities	\$ 9,074,642

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended August 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 14,862,194	17,342,646	16,942,459	(400,187)
State program revenues	24,707,084	25,144,253	25,090,222	(54,031)
Federal program revenues	711,069	711,069	657,289	(53,780)
Total revenues	<u>40,280,347</u>	<u>43,197,968</u>	<u>42,689,970</u>	<u>(507,998)</u>
EXPENDITURES:				
Current:				
Instruction	20,646,132	21,513,950	21,193,005	320,945
Instructional resources and media services	459,251	459,251	438,114	21,137
Curriculum and staff development	852,121	846,121	744,949	101,172
Instructional leadership	1,432,449	1,440,349	1,411,066	29,283
School leadership	2,334,293	2,241,315	2,185,225	56,090
Guidance, counseling, and evaluation services	1,072,572	1,032,572	1,002,506	30,066
Social work services	125,130	130,130	123,023	7,107
Health services	266,148	274,148	259,548	14,600
Student transportation	1,953,530	2,053,130	1,944,905	108,225
Extracurricular activities	1,281,340	1,339,208	1,279,049	60,159
General administration	1,627,484	1,695,211	1,596,639	98,572
Facilities maintenance and operations	5,392,580	7,169,457	6,195,982	973,475
Security and monitoring services	275,138	267,138	260,424	6,714
Data processing services	795,580	795,580	757,509	38,071
Community services	349,944	349,944	313,148	36,796
Debt service	450,754	659,393	654,803	4,590
Facilities acquisition and construction	301,001	4,507,825	1,247,912	3,259,913
Payments related to shared services arrangements	30,000	30,000	19,206	10,794
Other intergovernmental charges	249,900	249,900	247,506	2,394
Total expenditures	<u>39,895,347</u>	<u>47,054,622</u>	<u>41,874,519</u>	<u>5,180,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>385,000</u>	<u>(3,856,654)</u>	<u>815,451</u>	<u>4,672,105</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	966,575	958,955	(7,620)
Transfers out	-	(540,000)	(540,000)	-
Total other financing sources, net	<u>-</u>	<u>426,575</u>	<u>418,955</u>	<u>(7,620)</u>
Net change in fund balance	385,000	(3,430,079)	1,234,406	4,664,485
Fund balance - beginning	<u>15,834,524</u>	<u>15,834,524</u>	<u>15,834,524</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,219,524</u>	<u>12,404,445</u>	<u>17,068,930</u>	<u>4,664,485</u>

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Position
Agency Fund
August 31, 2018

	<u>Agency Fund</u>
ASSETS-	
Cash and temporary investments	\$ 24,676
Total assets	<u>\$ 24,676</u>
LIABILITIES:	
Accounts payable	\$ 9
Due to student groups	24,667
Total liabilities	<u>\$ 24,676</u>

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

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Elgin 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 District has no business-type activities.

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 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 fiduciary fund 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 and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; 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.

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 Agency Fund is an unbudgeted fund and is used to account for activities of student groups and other types of activities requiring clearing accounts. This fund has no equity, assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the District.

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 August 20th 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.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2018 that were provided for in the subsequent year's budget.

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 investment pools. External investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 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 schools.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental activities column 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 - 10 to 30 years, furniture and equipment - 5 to 15 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/Net Position - 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.

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 August 31, 2021.

2. CASH AND TEMPORARY 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
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- 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 August 31, 2018, the carrying amount of the District's deposits was \$6,678,667 and the bank balance was \$7,743,845.

The District’s deposits with financial institutions at August 31, 2018 and during the year ended August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name. The deposits were collateralized in accordance with Texas law and 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:

- Name of depository bank: Prosperity Bank
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$11,732,029.
- Largest cash, savings and time deposit combined account balance amounted to \$9,503,631 and occurred during the month of December 2017.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2018 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local governmental investment pools:			
Texas TERM	\$ 10,000,000	29	AAAf
Texas DAILY	220,288	1	AAAm
Lone Star	<u>5,281,652</u>	1	AAA
Total	<u>\$ 15,501,940</u>		

The District had investments in three external local government investment pools at August 31, 2018: Texas TERM Local Investment Pool (“Texas TERM”), TexasDAILY Local Investment Pool (“TexasDAILY”), and Lone Star Investment Pool (“Lone Star”). Although Lone Star is not registered with the SEC as an investment company, it operates 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*.

Texas TERM is organized in conformity with the Public Funds Investment Act. Texas TERM provides for a fixed rate, fixed-term investment for a period of 60 days to one year. TexasDAILY is a portfolio of Texas TERM and provides daily access to funds. Texas TERM is overseen by an advisory board composed of participants and non-participant members elected by the participant shareholders of Texas TERM. The advisory board is responsible for the overall management of Texas TERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of Texas TERM and monitor investment performance and the method of valuing the shares. Texas TERM is a floating net assets value fund, which is a non-2a7 fund. It is a fundamental objective of Texas TERM to assure the return of principal and interest at the date planned for redemption of shares; however the net asset value of shares may fluctuate prior to the planned redemption date.

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.

Credit Risk - At August 31, 2018, investments were included in external local government investment pools 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 August 31, 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 August 31, 2018, all of the District's investments were in external local government investment pools.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the external local government investment pools (excluding Texas TERM) 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 August 31, 2018, investments were included in external local government investment pools which have a weighted average maturity of 29 days, 1 day and 1 day for Texas TERM, TexasDAILY and Lone Star, respectively.

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 Bastrop 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 \$1,265,886,875. The District levied taxes based on a combined tax rate of \$1.54 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. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$514,000. The District was not above the equalized wealth level for the 2017-2018 fiscal year.

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 at August 31, 2018.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 131,479	504,691	-	636,170
Federal and state grants	-	-	429,213	429,213
Other	10,570	2,856	-	13,426
Total	<u>\$ 142,049</u>	<u>507,547</u>	<u>429,213</u>	<u>1,078,809</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 at August 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 171,308
Debt Service Fund	General Fund	40,000

During the year, the General Fund transferred \$540,000 to the Debt Service Fund for current year principal and interest payments.

6. UNEARNED REVENUE

At August 31, 2018, unearned revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	-	159,325	159,325
Other	1,200	-	-	1,200
Total	<u>\$ 1,200</u>	<u>-</u>	<u>159,325</u>	<u>160,525</u>

7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,485,355	-	-	1,485,355
Construction in progress	-	501,871	-	501,871
Total capital assets, not being depreciated	<u>1,485,355</u>	<u>501,871</u>	<u>-</u>	<u>1,987,226</u>
Capital assets, being depreciated:				
Buildings and improvements	98,332,146	723,245	(193,038)	98,862,353
Furniture and equipment	7,155,525	590,376	(95,702)	7,650,199
Total capital assets, being depreciated	<u>105,487,671</u>	<u>1,313,621</u>	<u>(288,740)</u>	<u>106,512,552</u>
Less accumulated depreciation for:				
Buildings and improvements	(41,975,322)	(3,141,779)	193,038	(44,924,063)
Furniture and equipment	(3,869,257)	(638,258)	90,732	(4,416,783)
Total accumulated depreciation	<u>(45,844,579)</u>	<u>(3,780,037)</u>	<u>283,770</u>	<u>(49,340,846)</u>
Total capital assets, being depreciated, net	<u>59,643,092</u>	<u>(2,466,416)</u>	<u>(4,970)</u>	<u>57,171,706</u>
Governmental activities capital assets, net	<u>\$ 61,128,447</u>	<u>(1,964,545)</u>	<u>(4,970)</u>	<u>59,158,932</u>

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

Governmental activities:

Instruction	\$ 1,893,102
Instructional resources and media services	39,135
Curriculum and staff development	66,544
Instructional leadership	126,046
School leadership	195,199
Guidance, counseling, and evaluation services	89,551
Social work services	10,989
Health services	23,185
Student transportation	173,732
Food services	233,409
Extracurricular activities	114,154
General administration	142,623
Facilities maintenance and operations	553,467
Security and monitoring services	23,263
Data processing services	67,666
Community services	27,972
Total depreciation expense - governmental activities	<u>\$ 3,780,037</u>

8. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the year ended August 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on bond refundings	<u>\$ 1,827,283</u>	<u>-</u>	<u>(227,503)</u>	<u>1,599,780</u>

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended August 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 53,094,984	-	(4,545,000)	48,549,984
Premium on bonds	5,396,006	-	(613,601)	4,782,405
Capital lease payable	1,797,147	958,955	(625,471)	2,130,631
Accretion payable	1,266,317	144,976	-	1,411,293
Total	<u>\$ 61,554,454</u>	<u>1,103,931</u>	<u>(5,784,072)</u>	<u>56,874,313</u>

Bonded debt consists of the following at August 31, 2018:

General obligation bonds:						
Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-18	Due Within One Year
2006	11-15-06	9,329,984	2021	4.00 - 4.125%	4,984	-
2012	6-1-12	8,860,000	2028	2.50 - 3.50%	6,300,000	1,215,000
2013	5-16-13	8,430,000	2028	2.00 - 3.50%	7,215,000	90,000
2014	6-5-14	8,720,000	2026	2.00 - 4.00%	8,265,000	160,000
2015	9-29-15	8,220,000	2025	2.00 - 4.00%	6,575,000	850,000
2016A	10-13-16	7,785,000	2029	2.00 - 4.00%	7,630,000	155,000
2016B	12-29-16	8,135,000	2024	4.00%	6,520,000	1,680,000
2017	5-4-17	6,040,000	2028	3.00 - 4.00%	6,040,000	505,000
Total		<u>\$ 65,519,984</u>			<u>\$ 48,549,984</u>	<u>\$ 4,655,000</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 the current year is \$0.37.

The annual principal installments for each of the outstanding issues vary each year. At August 31, 2018, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2019	\$ 4,655,000	1,619,650	6,274,650
2020	4,058,968	2,271,558	6,330,526
2021	4,536,016	1,641,810	6,177,826
2022	4,185,000	2,043,701	6,228,701
2023	5,130,000	1,100,176	6,230,176
2024 - 2028	25,020,000	2,804,503	27,824,503
2029 - 2033	965,000	38,600	1,003,600
Total	<u>\$ 48,549,984</u>	<u>11,519,998</u>	<u>60,069,982</u>

The outstanding Series 2006 and Series 2014 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.

As of August 31, 2018, there were no general obligation bonds authorized by voters of the District, but unissued.

The District financed the purchase of teacher laptops through a capital lease agreement (the “Laptop Agreement”) with a finance company. The purchase price of the laptops was \$321,341 which equates to the capital lease principal amount. Under the terms of the Laptop Agreement, principal and interest payments of \$69,851 are due annually beginning on January 1, 2015 through January 1, 2019. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 2.07%.

The District financed the purchase of copiers through a capital lease agreement (the “Copier Agreement”) with a finance company. The purchase price of the copiers was \$515,275 which equates to the capital lease principal amount. Under the terms of the Copier Agreement, principal and interest payments of \$9,415 are due monthly beginning on July 15, 2017 through June 15, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase all copiers for one dollar. Per the Copier Agreement, the District has the option of purchasing the copiers starting in July 2019. The effective interest rate on the lease is 3.49%.

The District financed the purchase of a server through a capital lease agreement (the “Server Agreement”) with a finance company. The purchase price of the server was \$41,676 which equates to the capital lease principal amount. Under the terms of the Second Server Agreement, principal and interest payments of \$14,555 are due annually beginning on November 1, 2016 through September 1, 2018. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 4.85%.

The District financed the purchase of maintenance vehicles through a capital lease agreement (the “Vehicle Agreement”) with a finance company. The purchase price of the vehicles was \$136,010 which equates to the capital lease principal amount. Under the terms of the Vehicle Agreement, principal and interest payments of \$2,442 are due monthly beginning on June 26, 2017 through May 26, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the vehicles for no consideration. The effective interest rate on the lease is 2.98%.

The District financed the purchase of school buses through a capital lease agreement (the “Bus Agreement”) with a finance company. The purchase price of the buses was \$991,570 which equates to the capital lease principal amount. Under the terms of the Bus Agreement, principal and interest payments of \$207,342 are due annually beginning on September 20, 2017 through September 20, 2021. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the buses for no consideration. The effective interest rate on the lease is 2.50%.

The District financed the purchase of Chromebook laptops through a capital lease agreement (the “Laptop Agreement”) with a finance company. The purchase price of the laptops was \$958,955 which equates to the capital lease principal amount. Under the terms of the Chromebook Agreement, principal and interest payments of \$208,400 are due annually beginning on August 1, 2018 through August 1, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 7.97%.

Capital lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2019	\$ 571,397	71,036	642,433
2020	509,498	50,773	560,271
2021	526,832	33,439	560,271
2022	522,904	11,208	534,112
Total	<u>\$ 2,130,631</u>	<u>166,456</u>	<u>2,297,087</u>

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 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 15.

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 may also assign fund balance for a specific purpose.

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 August 31, 2018, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 14,079,459	4,438,913	-	18,518,372
Food service	-	-	383,450	383,450
Investment income	304,967	44,973	7,722	357,662
Penalties, interest, and other tax related income	193,360	61,492	-	254,852
Tuition and fees from patrons	225,174	-	-	225,174
Co-curricular student activities	82,986	-	343,335	426,321
Other	2,056,513	-	212,337	2,268,850
Total	<u>\$ 16,942,459</u>	<u>4,545,378</u>	<u>946,844</u>	<u>22,434,681</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 cost-of-living-adjustments ("COLAs"). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

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

	<u>2017</u>	<u>2018</u>
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		\$ 946,437
FY 2018 Member Contributions		\$ 2,135,162
FY 2018 NECE On-behalf Contributions		\$ 1,352,699

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 <u>(7.0%)</u>	Discount Rate <u>(8.0%)</u>	1% Increase in Discount Rate <u>(9.0%)</u>
District's proportionate share of the net pension liability	\$ 15,506,630	\$ 9,198,367	\$ 3,945,715

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

At August 31, 2018, the District reported a liability of \$9,198,367 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 9,198,367
State's proportionate share that is associated with the District	<u>12,605,874</u>
Total	<u><u>\$ 21,804,241</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 0.0288% which was an increase of 0.0032% 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 August 31, 2018, the District recognized pension expense of \$1,502,504 and revenue of \$961,526 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 134,576	\$ 496,056
Changes in actuarial assumptions	419,000	239,868
Difference between projected and actual investment earnings	-	670,357
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,604,161	568
Contributions paid to TRS subsequent to the measurement date	<u>946,437</u>	<u>-</u>
Total	<u>\$ 4,104,174</u>	<u>\$ 1,406,849</u>

The \$946,437 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 August 31, 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 August 31:	
2019	\$ 278,199
2020	865,355
2021	233,083
2022	58,195
2023	203,033
Thereafter	113,023

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>
Contribution Rates:		
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		\$ 241,095
FY 2018 Member Contributions		\$ 180,245
FY 2018 NECE On-behalf Contributions		\$ 325,827

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	\$ 18,682,340	\$ 15,829,161	\$ 13,535,849

- 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 August 31, 2018, the District recognized OPEB expense of \$(5,313,355) and revenue of \$6,898,208 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 330,446
Changes in actuarial assumptions	-	6,290,922
Difference between projected and actual investment earnings	2,404	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	73	-
Contributions paid to TRS subsequent to the measurement date	<u>241,095</u>	<u>-</u>
Total	<u>\$ 243,572</u>	<u>\$ 6,621,368</u>

The \$241,095 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 August 31, 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 August 31:	
2019	\$ (873,370)
2020	(873,370)
2021	(873,370)
2022	(873,370)
2023	(873,971)
Thereafter	(2,251,440)

14. HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the "Health Plan"). The District contributed \$250 per month per employee to the Health Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The Health Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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 August 31, 2018, reimbursements of \$86,604 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 August 31, 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.

The District participates in a public entity risk pool for its workers compensation insurance (the Worker's Compensation Plan"), administered by the Texas Association of School Boards Worker's Compensation Self-Insurance Fund. The District pays overhead expenses annually and actual claims liabilities up to a maximum amount determined annually. Claims in excess of the District's guaranteed annual cap are paid by the pool. The Worker's Compensation Plan is documented by contractual agreement. The contract between the District, the licensed insurer and other participants of the self-funded pool is renewable in September 2018, and the terms of coverage and contributions and premium costs are included in the contractual provisions. Under the Worker's Compensation Plan, the District's estimated aggregate liability is \$292,111 for fiscal year 2017-18 of which \$98,807 has been paid. The District's estimated outstanding loss and aggregate liability at August 31, 2018 was \$266,543 and is reflected with accounts payable in the District's governmental funds balance sheet.

16. 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 August 31, 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 August 31, 2018, the District was obligated under operating leases for certain office equipment. Rent expenditures incurred under operating leases for the year ended August 31, 2018 were \$6,843. Future minimum lease payments on these operating leases is as follows:

2019	\$ 6,843
2020	6,473
2021	4,624
2022	3,468
Total	<u>\$ 21,408</u>

At August 31, 2018, the District is also committed under construction contracts with a remaining balance of \$1,865,268.

17. SHARED SERVICES ARRANGEMENTS

The District participates in a Shared Services Arrangement which provides speech therapists for special education to member districts, including Hays Consolidated ISD, Bastrop ISD, La Grange ISD, Smithville ISD, the City of Bastrop, the City of Smithville, Bastrop County and Region XIII Education Service Center. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent.

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 August 31, 2017. As of August 31, 2017, the District's receivable and revenues in the Debt Service Fund were understated due to additional instructional facilities allotment ("IFA") allocations in the current fiscal year that related to previous fiscal years. As a result, fund balance in the Debt Service Fund and net position as of August 31, 2017, as previously reported, have been restated as follows:

Fund balance, Debt Service Fund - August 31, 2017	\$ 268,967
Effect of adjustment for IFA receivable and revenue	<u>325,594</u>
Fund balance, Debt Service Fund - August 31, 2017, as restated	<u>\$ 594,561</u>
Net position - August 31, 2017	\$ 13,623,029
Net OPEB liability - August 31, 2016	(27,945,585)
District contributions - September 1, 2016 - August 31, 2017	182,234
Effect of adjustment for IFA receivable and revenue	<u>325,594</u>
Net position - August 31, 2017, as restated	<u>\$ (13,814,728)</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
8/31/2018**

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>	<u>2013*</u>
District's proportion of the net pension liability	0.0288%	0.0256%	0.0258%	0.0164%	0.0164%
District's proportionate share of the net pension liability	\$ 9,198,367	9,684,542	9,127,203	4,377,302	5,374,968
State's proportionate share of the net pension liability associated with the District	<u>12,605,874</u>	<u>15,052,449</u>	<u>13,887,393</u>	<u>11,787,479</u>	<u>14,469,625</u>
Total	<u>\$ 21,804,241</u>	<u>24,736,991</u>	<u>23,014,596</u>	<u>16,164,781</u>	<u>19,844,593</u>
District's covered-employee payroll (for Measurement Year)	\$ 27,678,861	25,591,885	23,761,108	22,326,922	21,154,912
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.23%	37.84%	38.41%	19.61%	25.41%
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.

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

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 946,437	\$ 942,838	\$ 814,257	\$ 764,556	\$ 426,572
Contributions in relation to the contractual required contributions	946,437	942,838	814,257	764,556	426,572
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 27,729,952	\$ 27,678,861	\$ 25,591,885	23,761,108	22,326,922
Contributions as a percentage of covered payroll	3.41%	3.41%	3.18%	3.22%	1.91%
	2013	2012	2011	2010	2009
Contractually required contributions	\$ 488,370	\$ 274,011	\$ 331,234	\$ 304,601	\$ 354,261
Contributions in relation to the contractual required contributions	488,370	274,011	331,234	304,601	354,261
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	21,154,912	20,034,111	\$ 20,529,357	20,230,568	18,690,630
Contributions as a percentage of covered payroll	2.31%	1.37%	1.61%	1.51%	1.90%

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Teacher Retirement System of Texas
8/31/2018**

	2017*
District's proportion of the net OPEB liability	0.0364%
District's proportionate share of the net OPEB liability	\$ 15,829,161
State's proportionate share of the net OPEB liability associated with the District	20,614,642
Total	\$ 36,443,803
District's covered-employee payroll (for Measurement Year)	\$ 27,678,861
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	57.19%
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.

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

	2018	2017
Contractually required contributions	\$ 241,095	\$ 182,234
Contributions in relation to the contractual required contributions	241,095	182,234
Contribution deficiency (excess)	\$ -	\$ -
District's covered employee payroll	\$ 27,729,952	\$ 27,678,861
Contributions as a percentage of covered payroll	0.87%	0.66%

*Note: No information was available for fiscal years prior to August 31, 2017.

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED AUGUST 31, 2018

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**

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
August 31, 2018

	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Assets:							
Cash and temporary investments	\$ -	-	-	-	-	1,487,194	152,862
Receivables:							
Due from other governments	-	82,711	8,774	81,294	-	132,315	-
Other receivables	-	1,137	-	-	-	1,673	-
Inventory	-	-	-	-	-	21,697	-
Total assets	<u>\$ -</u>	<u>83,848</u>	<u>8,774</u>	<u>81,294</u>	<u>-</u>	<u>1,642,879</u>	<u>152,862</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	2,451	-	11,231	-	71,184	-
Accrued wages payable	-	27,211	-	35,625	-	52,631	-
Due to other funds	-	54,186	8,774	34,438	-	-	-
Unearned revenue	-	-	-	-	-	21,697	-
Total liabilities	<u>-</u>	<u>83,848</u>	<u>8,774</u>	<u>81,294</u>	<u>-</u>	<u>145,512</u>	<u>-</u>
Fund balances:							
Restricted	-	-	-	-	-	1,497,367	152,862
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,497,367</u>	<u>152,862</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>83,848</u>	<u>8,774</u>	<u>81,294</u>	<u>-</u>	<u>1,642,879</u>	<u>152,862</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2018

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Elementary and Secondary School Counseling Programs	Innovative Approaches to Literacy Program
Assets:							
Cash and temporary investments	\$ -	-	-	-	7,929	-	-
Receivables:							
Due from other governments	26,011	28	14,528	52,952	-	23,889	-
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 26,011</u>	<u>28</u>	<u>14,528</u>	<u>52,952</u>	<u>7,929</u>	<u>23,889</u>	<u>-</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ 7,898	-	-	15,671	-	4,238	-
Accrued wages payable	-	-	-	22,482	-	-	-
Due to other funds	18,113	28	14,528	14,799	-	19,651	-
Unearned revenue	-	-	-	-	7,929	-	-
Total liabilities	<u>26,011</u>	<u>28</u>	<u>14,528</u>	<u>52,952</u>	<u>7,929</u>	<u>23,889</u>	<u>-</u>
Fund balances:							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 26,011</u>	<u>28</u>	<u>14,528</u>	<u>52,952</u>	<u>7,929</u>	<u>23,889</u>	<u>-</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2018

	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	State Supplemental Visually Impaired	Advanced Placement Initiatives	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity
Assets:							
Cash and temporary investments	\$ -	-	-	-	30,711	700	221,013
Receivables:							
Due from other governments	-	3,211	-	3,500	-	-	-
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>3,211</u>	<u>-</u>	<u>3,500</u>	<u>30,711</u>	<u>700</u>	<u>221,013</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	-	-	-	-	-	8,319
Accrued wages payable	-	-	-	-	-	-	-
Due to other funds	-	3,211	-	3,500	-	-	80
Unearned revenue	-	-	-	-	30,711	700	-
Total liabilities	<u>-</u>	<u>3,211</u>	<u>-</u>	<u>3,500</u>	<u>30,711</u>	<u>700</u>	<u>8,399</u>
Fund balances:							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	212,614
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,614</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>3,211</u>	<u>-</u>	<u>3,500</u>	<u>30,711</u>	<u>700</u>	<u>221,013</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2018

	San Marcos Civic Foundation Grant	Bastrop County Cares	Michael and Susan Dell Foundation	Feeding Texas	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
Assets:							
Cash and temporary investments	\$ 5,750	2,000	29,730	-	88,824	934	2,027,647
Receivables:							
Due from other governments	-	-	-	-	-	-	429,213
Other receivables	-	-	-	-	-	-	2,810
Inventory	-	-	-	-	-	-	21,697
Total assets	<u>\$ 5,750</u>	<u>2,000</u>	<u>29,730</u>	<u>-</u>	<u>88,824</u>	<u>934</u>	<u>2,481,367</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	-	28,873	-	-	77	149,942
Accrued wages payable	-	-	-	-	-	-	137,949
Due to other funds	-	-	-	-	-	-	171,308
Unearned revenue	5,750	2,000	857	-	88,824	857	159,325
Total liabilities	<u>5,750</u>	<u>2,000</u>	<u>29,730</u>	<u>-</u>	<u>88,824</u>	<u>934</u>	<u>618,524</u>
Fund balances:							
Restricted	-	-	-	-	-	-	1,650,229
Assigned	-	-	-	-	-	-	212,614
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,862,843</u>
Total liabilities and fund balances	<u>\$ 5,750</u>	<u>2,000</u>	<u>29,730</u>	<u>-</u>	<u>88,824</u>	<u>934</u>	<u>2,481,367</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended August 31, 2018

	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	389,435	574
State program revenues	-	-	-	-	-	24,685	-
Federal program revenues	2,380	991,445	155,716	724,937	1,316	2,404,180	56,518
Total revenues	<u>2,380</u>	<u>991,445</u>	<u>155,716</u>	<u>724,937</u>	<u>1,316</u>	<u>2,818,300</u>	<u>57,092</u>
Expenditures:							
Current:							
Instruction	2,380	703,248	109,789	557,438	1,316	-	-
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	195,847	117	18,030	-	-	-
Instructional leadership	-	80,660	45,810	129,181	-	-	-
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	20,288	-	-	-
Social work services	-	5,084	-	-	-	-	-
Health services	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	2,573,706	39,279
Extracurricular activities	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	61,866	-
Community services	-	6,606	-	-	-	-	-
Total expenditures	<u>2,380</u>	<u>991,445</u>	<u>155,716</u>	<u>724,937</u>	<u>1,316</u>	<u>2,635,572</u>	<u>39,279</u>
Excess of revenues over expenditures	-	-	-	-	-	182,728	17,813
Fund balances - beginning	-	-	-	-	-	1,314,639	135,049
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,497,367</u>	<u>152,862</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2018

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Elementary and Secondary School Counseling Programs	Innovative Approaches to Literacy Program
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-
Federal program revenues	106,302	138,311	108,130	1,097,603	-	532,387	7,721
Total revenues	<u>106,302</u>	<u>138,311</u>	<u>108,130</u>	<u>1,097,603</u>	<u>-</u>	<u>532,387</u>	<u>7,721</u>
Expenditures:							
Current:							
Instruction	103,802	29,210	43,854	660,939	-	-	1,132
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	2,500	108,651	64,276	-	-	-	-
Instructional leadership	-	-	-	128,564	-	81,828	6,589
School leadership	-	450	-	172,444	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	-	353,837	-
Social work services	-	-	-	-	-	96,722	-
Health services	-	-	-	3,928	-	-	-
Student transportation	-	-	-	72,816	-	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	-	-	-	58,912	-	-	-
Total expenditures	<u>106,302</u>	<u>138,311</u>	<u>108,130</u>	<u>1,097,603</u>	<u>-</u>	<u>532,387</u>	<u>7,721</u>
Excess of revenues over expenditures	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2018

	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	State Supplemental Visually Impaired	Advanced Placement Initiatives	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	-	344,498
State program revenues	-	-	2,827	3,500	174,811	8,170	-
Federal program revenues	7,123	23,565	-	-	-	-	-
Total revenues	<u>7,123</u>	<u>23,565</u>	<u>2,827</u>	<u>3,500</u>	<u>174,811</u>	<u>8,170</u>	<u>344,498</u>
Expenditures:							
Current:							
Instruction	7,123	20,354	2,827	-	171,268	1,170	-
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	-	-	3,500	3,543	7,000	-
Instructional leadership	-	-	-	-	-	-	-
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	-	-	-
Social work services	-	3,211	-	-	-	-	-
Health services	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	332,716
General administration	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Total expenditures	<u>7,123</u>	<u>23,565</u>	<u>2,827</u>	<u>3,500</u>	<u>174,811</u>	<u>8,170</u>	<u>332,716</u>
Excess of revenues over expenditures	-	-	-	-	-	-	11,782
Fund balances - beginning	-	-	-	-	-	-	200,832
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,614</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2018

	San Marcos Civic Foundation Grant	Bastrop County Cares	Michael and Susan Dell Foundation	Feeding Texas	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
Revenues:							
Local and intermediate sources	\$ -	-	116,700	1,452	75,907	18,278	946,844
State program revenues	-	-	-	-	-	-	213,993
Federal program revenues	-	-	-	-	-	-	6,357,634
Total revenues	<u>-</u>	<u>-</u>	<u>116,700</u>	<u>1,452</u>	<u>75,907</u>	<u>18,278</u>	<u>7,518,471</u>
Expenditures:							
Current:							
Instruction	-	-	-	-	1,584	7,196	2,424,630
Instructional resources and media services	-	-	-	-	-	11,082	11,082
Curriculum and staff development	-	-	88,311	-	375	-	492,150
Instructional leadership	-	-	-	-	80	-	472,712
School leadership	-	-	28,389	-	380	-	201,663
Guidance, counseling and evaluation services	-	-	-	-	73,488	-	447,613
Social work services	-	-	-	-	-	-	105,017
Health services	-	-	-	-	-	-	3,928
Student transportation	-	-	-	-	-	-	72,816
Food services	-	-	-	-	-	-	2,612,985
Extracurricular activities	-	-	-	-	-	-	332,716
General administration	-	-	-	1,452	-	-	1,452
Facilities maintenance and operations	-	-	-	-	-	-	61,866
Community services	-	-	-	-	-	-	65,518
Total expenditures	<u>-</u>	<u>-</u>	<u>116,700</u>	<u>1,452</u>	<u>75,907</u>	<u>18,278</u>	<u>7,306,148</u>
Excess of revenues over expenditures	-	-	-	-	-	-	212,323
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,650,520</u>
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,862,843</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 4,556,314	4,556,314	4,545,378	(10,936)
State program revenues	5,798,554	1,242,240	1,286,406	44,166
Total revenues	<u>10,354,868</u>	<u>5,798,554</u>	<u>5,831,784</u>	<u>33,230</u>
EXPENDITURES-				
Debt service	6,308,650	6,308,650	6,305,850	2,800
Total expenditures	<u>6,308,650</u>	<u>6,308,650</u>	<u>6,305,850</u>	<u>2,800</u>
Excess (Deficiency) of revenues over (under) expenditures	4,046,218	(510,096)	(474,066)	36,030
OTHER FINANCING SOURCES-				
Transfers in	-	540,000	540,000	-
Net change in fund balance	4,046,218	29,904	65,934	36,030
Fund balance - beginning, as restated	594,561	594,561	594,561	-
Fund balance - ending	<u>\$ 4,640,779</u>	<u>624,465</u>	<u>660,495</u>	<u>36,030</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 412,700	412,700	389,435	(23,265)
State program revenues	26,000	26,000	24,685	(1,315)
Federal program revenues	3,012,355	2,573,655	2,404,180	(169,475)
Total revenues	<u>3,451,055</u>	<u>3,012,355</u>	<u>2,818,300</u>	<u>(194,055)</u>
EXPENDITURES:				
Current:				
Food services	3,111,428	3,437,802	2,573,706	864,096
Facilities maintenance and operations	158,789	96,474	61,866	34,608
Total expenditures	<u>3,270,217</u>	<u>3,534,276</u>	<u>2,635,572</u>	<u>898,704</u>
Excess (Deficiency) of revenues over (under) expenditures	180,838	(521,921)	182,728	704,649
OTHER FINANCING SOURCES-				
Gain on sale of real property	-	3,000	-	(3,000)
Net change in fund balances	180,838	(518,921)	182,728	701,649
Fund balance - beginning	<u>1,314,639</u>	<u>1,314,639</u>	<u>1,314,639</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,495,477</u>	<u>795,718</u>	<u>1,497,367</u>	<u>701,649</u>

OTHER SCHEDULES

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2018

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2017	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2018
	Maintenance	Debt Service							
2009 & Prior	Various	Various	\$ Various	\$ 135,149	-	7,707	3,261	(13,076)	111,105
2010	1.04	0.41	840,425,203	45,531	-	1,846	728	(327)	42,630
2011	1.04	0.50	858,363,312	47,557	-	2,239	1,077	(421)	43,820
2012	1.04	0.50	834,387,200	45,967	-	3,417	1,643	(425)	40,482
2013	1.17	0.37	873,949,606	58,660	-	6,104	1,930	(517)	50,109
2014	1.17	0.37	883,145,467	75,307	-	17,249	5,455	(470)	52,133
2015	1.17	0.37	943,149,397	127,348	-	29,285	9,261	(18,975)	69,827
2016	1.17	0.37	1,013,763,136	191,073	-	67,768	21,431	12,703	114,577
2017	1.17	0.37	1,055,525,950	497,475	-	188,396	59,578	(11,104)	238,397
2018	1.17	0.37	1,265,886,875	-	18,549,623	13,755,448	4,334,549	114,836	574,462
Totals				\$ 1,224,067	18,549,623	14,079,459	4,438,913	82,224	1,337,542

ELGIN INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 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 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.	\$ 1,411,293
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 9,198,367
SF13	Pension Expense (6147) at fiscal year-end.	\$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 15,829,161

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
Elgin 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, each major fund, and the aggregate remaining fund information of Elgin Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 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

ML&R WEALTH MANAGEMENT LLC

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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 a 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
December 11, 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
Elgin Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Elgin Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each 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 each of its major federal programs for the year ended August 31, 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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
December 11, 2018

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education Cluster			
Direct Funding:			
Elementary and Secondary School Counseling Programs	84.215E	S215E150093-16	\$ 188,977
Elementary and Secondary School Counseling Programs	84.215E	S215E150093-16	67,270
Elementary and Secondary School Counseling Programs	84.215E	S215E150091-16	206,447
Elementary and Secondary School Counseling Programs	84.215E	S215E150091-16	82,751
Total CFDA Number 84.215E			545,445
Innovative Approaches to Literacy Program	84.215G	S215G140035	7,721
Total Fund for the Improvement of Education Cluster			553,166
Total Direct Funding			553,166
Passed Through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	17610101011902	1,131
Title I Grants to Local Educational Agencies	84.010A	18610101011902	914,631
Title I Grants to Local Educational Agencies	84.010A	19610101011902	67,135
Title I 1003 School Improvement	84.010A	18610123011902	24,277
Total CFDA Number 84.010A			1,007,174
Migrant Education State Grant Program	84.011A	18615001011902	148,745
Migrant Education State Grant Program	84.011A	19615001011902	8,738
Total CFDA Number 84.011A			157,483
Special Education Cluster			
Special Education Grants to States	84.027A	186600010119026000	673,127
Special Education Grants to States	84.027A	196600010119026000	51,810
Total CFDA Number 84.027A			724,937
Special Education Preschool Grants	84.173A	186610010119026000	1,316
Total CFDA Number 84.173A			1,316
Total Special Education Cluster			726,253
Career and Technical Education - Basic Grants to States	84.048A	18420006011902	48,710
Perkins Career Cluster	84.048A	184200557110013	57,591
Total CFDA Number 84.048A			106,301
Twenty-First Century Community Learning Centers	84.287	186950247110011	1,066,103
Twenty-First Century Community Learning Centers	84.287	196950247110010	48,621
Total CFDA Number 84.287			1,114,724
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	17694501011902	16,286
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	18694501011902	123,741
Total CFDA Number 84.367A			140,027
English Language Acquisition State Grants	84.365A	18671001011902	94,243
English Language Acquisition State Grants	84.365A	19671001011902	13,887
Total CFDA Number 84.365A			108,130
Grants for State Assessments and Related Activities	84.369A	69551702	7,123
Student Support and Academic Enrichment Program	84.424A	18680101011902	20,650
Student Support and Academic Enrichment Program	84.424A	19680101011902	3,211
Total CFDA Number 84.424A			23,861
Total Passed Through Texas Education Agency			3,391,076
Passed Through Education Service Center Region XIII-			
Education for Homeless Children and Youth	84.196	011902	2,380
Total Passed Through Education Service Center Region XIII			2,380
TOTAL DEPARTMENT OF EDUCATION			3,946,622
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster			
Passed Through Texas Education Agency:			
National School Lunch Program	10.555	71301701	183,861
National School Lunch Program	10.555	71301801	1,349,609
School Breakfast Program	10.553	71401701	81,680
School Breakfast Program	10.553	71401801	607,834
Total CFDA Number 10.553			689,514
Total Passed Through Texas Education Agency			2,222,984
Passed Through Texas Department of Agriculture-			
Summer Food Service Program for Children	10.559		56,518
Total Passed Through Texas Department of Agriculture			56,518
Passed Through the Texas Department of Human Services-			
Non-cash assistance - Food Distribution Program	10.555		181,196
Total Passed Through Texas Department of Human Services			181,196
Total CFDA Number 10.555			1,714,666
Total Child Nutrition Cluster			2,460,698
TOTAL DEPARTMENT OF AGRICULTURE			2,460,698
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,407,320

ELGIN INDEPENDENT SCHOOL DISTRICT

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Elgin Independent School District (the "District") under programs of the federal government for the year ended August 31, 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 Summer Feeding Program for Children, 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 Summer Feeding Program for Children, 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.

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 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 major federal programs:

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

Type of auditors' report issued on compliance for major federal programs:

Child Nutrition Cluster

Unmodified

Title I Grants to Local Educational Agencies

Unmodified

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

yes no

Identification of major federal programs:

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
10.559	Summer Food Service Program for Children
84.010A	Title I Grants to Local Educational Agencies

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2018 and 2017.

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 years ended August 31, 2018 and 2017.