

Northwest Independent School District

Fort Worth, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

Prepared by the Financial Services Department

Jon Graswich, CPA
Deputy Superintendent for Business and Operations

Brian Carter
Chief Financial Officer

**NORTHWEST INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	Exhibit Number	Page Number
Introductory Section		
Title Page.....		1
Table of Contents.....		3
Transmittal Letter.....		8
GFOA Certificate of Achievement for Excellence in Financial Reporting.....		28
ASBO Certificate of Excellence in Financial Reporting.....		29
Administrative Organizational Chart.....		30
Board of Trustees.....		31
School Board and Administrators.....		32
Consultants and Advisors.....		34
 Financial Section		
Independent Auditor's Report.....		37
Management's Discussion and Analysis.....		39
Basic Financial Statements:		
Government Wide Financial Statements:		
Statement of Net Position.....	A-1	48
Statement of Activities.....	B-1	49
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	C-1	50
Reconciliation of the Governmental Funds Balance Sheet to the		
Statement of Net Position.....	C-2	53
Statement of Revenues, Expenditures, and Changes in		
Fund Balance - Governmental Funds.....	C-3	54
Reconciliation of the Governmental Funds Statement of Revenues,		
Expenditures, and Changes in Fund Balances to the Statement of Activities.....	C-4	56
Statement of Net Position - Proprietary Funds.....	D-1	58
Statement of Revenues, Expenses, and Changes in Fund Net Position -		
Proprietary Funds.....	D-2	59
Statement of Cash Flows - Proprietary Funds.....	D-3	60
Statement of Fiduciary Assets and Liabilities.....	E-1	61
Notes to the Financial Statements.....		62

**NORTHWEST INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

Financial Section (Continued)	Exhibit Number	Page Number
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund.....	G-1	98
Schedule of the District's Proportionate Share of the Net Pension Liability.....	G-6	99
Schedule of District Pension Contributions.....	G-7	100
Schedule of the District's Proportionate Share of the Net OPEB Liability.....	G-8	101
Schedule of District OPEB Contributions.....	G-9	102
Notes to Required Supplementary Information.....		103
Combining and Individual Fund Statements and Schedules:		
Nonmajor Governmental Funds - Special Revenue Funds.....		104
Combining Balance Sheet - Nonmajor Governmental Funds.....	H-1	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	H-2	110
Combining Statement of Net Position - Internal Service Funds.....	H-3	116
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds.....	H-4	118
Combining Statement of Cash Flows - Internal Service Funds.....	H-5	120
Combining Statement of Changes in Assets and Liabilities - All Agency Funds.....	H-9	122
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program.....	J-2	123
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund.....	J-3	124
Compliance Schedules:		
Schedule of Delinquent Taxes Receivable.....	J-1	126

**NORTHWEST INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

Statistical Section	Exhibit Number	Page Number
Net Position By Component Last Ten Years.....	Sch. 1	130
Expenses, Program Revenues and Net (Expense)/Revenue Last Ten Fiscal Years.....	Sch. 2	132
General Revenues and Total Change in Net Position Last Ten Fiscal Years.....	Sch. 3	134
Fund Balances, Governmental Funds Last Ten Fiscal Years.....	Sch. 4	136
Governmental Funds Revenues Last Ten Fiscal Years.....	Sch. 5	138
Governmental Funds Expenditures and Debt Service Ratio Last Ten Fiscal Years.....	Sch. 6	140
Other Financing Sources and Uses and Net Change in Fund Balances, Governmental Funds Last Ten Fiscal Years.....	Sch. 7	142
Assessed Value and Actual Value of Taxable Property Last Ten Fiscal Years.....	Sch. 8	144
Direct and Overlapping Property Tax Rates Last Ten Fiscal Years.....	Sch. 9	146
Principal Property Taxpayers Current Year and Nine Years Ago.....	Sch. 10	148
Property Tax Levies and Collections Last Ten Fiscal Years.....	Sch. 11	150
Outstanding Debt By Type Last Ten Fiscal Years.....	Sch. 12	151
Direct and Overlapping Governmental Activities Debt.....	Sch. 13	153
Legal Debt Margin Information Last Ten Fiscal Years.....	Sch. 14	154
Demographic and Economic Statistics Last Ten Fiscal Years.....	Sch. 15	157
Principal Employers Current Year and Nine Years Ago.....	Sch. 16	158
Full-Time Equivalent District Employees by Type Last Ten Fiscal Years.....	Sch. 17	160
Expenditures, Enrollment and Per Pupil Cost Last Ten Fiscal Years.....	Sch. 18	161
School Building Information Last Ten Fiscal Years.....	Sch. 19	162
 Single Audit Section		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements in Accordance with Governmental Auditing Standards.....		169
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with Uniform Guidance.....		171
Schedule of Findings and Questioned Costs.....		173
Schedule of Status of Prior Findings.....		174
Schedule of Expenditures of Federal Awards.....	K-1	175
Notes on Accounting Policies for Federal Awards.....		176

This page left blank intentionally.



INTRODUCTORY SECTION



October 22, 2018

To the Board of Trustees and Taxpayers of the Northwest Independent School District:

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with the generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to the requirement, we hereby issue the Comprehensive Annual Financial Report of the Northwest Independent School District (the District) for the fiscal year ended June 30, 2018.

The Comprehensive Annual Financial Report consists of four major sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, a copy of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for 2017, a copy of the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting for 2017, a list of principal consultants and advisors and an organizational chart. The financial sections include the auditor's report, the basic financial statements, including the Government Wide Financial Statements and the Governmental Fund Financial Statements. Also included are the combining schedules and required supplementary information. The statistical section includes selected financial and demographic information, generally presented in a multi-year basis. The single audit section includes the schedule of federal awards, auditor's reports and the schedule of findings for current and prior years.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles (GAAP). Because the costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Hankins, Eastup, Deaton, Tonn & Seay, a firm of licensed certified public accountants, has issued an unmodified opinion based upon the audit of the District's financial statement for the fiscal year ended June 30, 2018. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special need of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements,

with special emphasis on internal controls and legal requirements involving the administration of federal rewards. These reports are available in the Single Audit Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

In the late 1800's, schools began appearing in the area amid railroads, general stores, and livery stables. Descendants of early settlers recall tales of early schoolhouses and how in 1949 the one-school districts in Justin, Haslet, Rhome, and Roanoke joined hands to form the Northwest Independent School District. Newark was annexed in 1973. Residents of the district elect a seven-member Board of Trustees (the Board), each of which serves for three years. Monthly meetings of the Board are posted and advertised as prescribed under state law so that the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed. The Board has final control over all school matters except as limited by state law.

Serving the communities of Haslet, Justin, Newark, Rhome, Roanoke, Trophy Club, Aurora, Avondale, Drop, New Fairview, and Northlake, along with portions of Fort Worth, Southlake, Keller, Westlake and Flower Mound, the District's boundaries encompass approximately 234 square miles in Denton, Tarrant, and Wise Counties. The District provides a well-rounded program of public education for children from pre-kindergarten through grade twelve. In addition to basic instructional programs, the District offers special education, gifted and talented, bilingual/ESL, remedial, college preparatory, and career and technical programs. The District is fully accredited by the Texas Education Agency (TEA).

The District operates eighteen elementary schools, six middle schools, four high schools, an alternative education program campus, an outdoor learning center and one special campus. Enrollment for the 2017-2018 year was 23,163 students, an increase of approximately 5 percent over the previous year. A total of 1,429 seniors graduated from the District in 2018.

A high degree of professionalism exists among our employees, and an on-going recognition of student and staff excellence contributes to this environment. The instructional program is geared toward having the student meet or exceed grade level expectations. Emphasis is placed on higher level thinking skills, including research methodologies and independent, complex and critical thinking skills.

The District attracts highly qualified personnel because of its commitment to excellence. During the 2017-2018 school year, the District employed 2,243 employees consisting of 1950 professionals, 228 educational aides, and 221 auxiliary staff. Professional employees include 1,578 classroom teachers with an average of 10 years of experience. 25.9 percent of the teaching staff has earned a master's degree and .7 percent of the teaching staff has earned a doctorate degree. The average student/teacher ratio is 15.2 in the District. Texas law mandates that no more than 22 students can be assigned to one classroom teacher in kindergarten through fourth grade. The District set district policy with TEA waiver exception of a 24-to-1 limit for third and fourth grades.

Strategic Planning

Our Mission. Northwest ISD, in collaboration with students, families, communities, and global partners, will engage in a culture of learning that prepares all students to confidently navigate their future.

Our Vision. Northwest ISD empowers learners and leaders to positively impact the world.

Our Core Beliefs. Kids come first; continuous learning is essential to prepare for college and career opportunities; each student's success is the shared responsibility of students, families, schools and communities; and learning is influenced by environment.

Budget Process.

The annual budget serves as the foundation for the District's financial planning and control. The District budget process is instructionally driven and guided by the strategic plan. District budget planning begins with the senior administrative staff and the Board of Trustees holding goal setting sessions. The budget calendar and five-year forecast are reviewed with the Board of Trustees. Also, campuses annually prepare the required campus improvement plans.

Budget preparation begins with a training session with principals and program managers. At that time, the budget manual and budget worksheets are distributed and budgets are prepared on-line for submissions. The District uses site-based budgeting to enhance the ability of principals to serve as effective instructional leaders and places the principal at the center of the budget preparation process. The campus budget worksheet reflects the initial campus funding allocations addressing equity issues between campuses. They are designed around three cost drivers: pupils, staff, and buildings. Pupil allocations reflect both the number of students and additional funds for special needs students. Staff allocations provide for campus staff development. Building allocations are based on building size, age, and reflect past usage. The initial allocation represents 80 percent of the campus funding allocation based on projected enrollment. The remaining amount is distributed in October based on actual enrollment and staff on hand at the end of the first six weeks. The allocation may be revised by the Principal per the Campus Improvement Plan subject to review.

After the completed campus and program budget packages have been returned, they are reviewed in detail by the Superintendent with the senior staff. The review focuses on the instructional impact and goals. The Board of Trustees regularly receives budget updates that include any revisions to the earlier five-year financial forecast. The Texas Legislatures meet biannually and revisions to school finance are reviewed with the Board of Trustees.

The Board of Trustees received budget updates that included any revisions to the original Five-Year Financial Forecast. The Preliminary Budget including the Personnel & Compensation Plan was reviewed in detail throughout April. The 2017 – 2018 Personnel & Compensation Plan was then adopted May 22nd. Early adoption provides advantages in teacher recruitment and allows for the salary detail to be loaded into the adopted budget. Compensation for 2017-2018 increased two percent of midpoint from 2016-2017.

The proposed budget is presented for approval to the Board of Trustees for a July 1 fiscal year start date. The board president must call a board meeting for the purpose of discussing and adopting the budget and the tax rate. Notice of this meeting is required to be published at least 10 days but no more than 30 days before the public meeting. The budget must be adopted prior to June 30th for a July 1 fiscal year start date.

Budget Adoption. The Central Appraisal Districts ("CAD") 2017 Certified Estimate Appraisal Roll Totals occurred in early June and the rollback tax rate was calculated shortly thereafter. The required legal notice was published on June 17th. The Board of Trustees held the required public meeting and adopted the budget on June 26, 2017.

Tax Rate Adoption. The Central Appraisal Districts ("CAD") Certification of the 2017 Appraisal Records occurred in late July and the Denton County Tax Assessor-Collector calculated the effective and rollback tax rates shortly thereafter. The required legal notice was published on August 19th. The Board of Trustees held the required public meeting and adopted the tax rate on August 28, 2017.

The District maintains budgetary controls throughout all of its financial systems. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the official budget adopted by the Board. The Board adopts an official budget for the general fund, debt service fund, and child nutrition program (which is included in special revenue funds). In accordance with procedures prescribed by the State Board of Education, budget amendments that affect the total amount in a fund or functional

spending category must be approved by the Board prior to the expenditure of funds. The functional level is specified by Board policy as the legal level of encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Outstanding encumbrances at the end of the fiscal year are accounts payable and treated as expenditures in the prior year upon receipt of the goods and services.

Tax Rate. The District's Maintenance & Operations ("M&O") tax rate remained unchanged at \$1.0400 and the Interest & Sinking ("I&S") tax rate set at \$0.4500 reflecting the passage of the 2017 Bond Authorization election. The total rate is \$1.4900 for purposes of the adopted budget. The District's 2017 tax rate of \$1.4900 per \$100 of assessed value is below the limitation set by state statute. The District provides homestead exemptions, over 65 exemptions, disabled persons exemptions and disabled veterans exemptions to qualified taxpayers.

A ten year comparison of tax rates is presented in the statistical section. The Interest and Sinking ("I&S") 2017 tax rate increase reflects the passage of the 2017 bond authorization election.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates.

Introduction. The Northwest Independent School District, uniquely situated northwest of the Fort Worth/Dallas Metroplex, lies within one of the fastest growing areas in Texas. Northwest stretches across 234 square miles and is located in Denton, Tarrant and Wise Counties, Texas.

Population. The population of the Northwest Independent School District in 2000 was 35,364 as compared to 133,984 in 2018.

Local economy. The commercial, industrial, and residential growth of the District has kept pace with that of the Fort Worth/Dallas area, and has been aided by the District's close proximity to both the Dallas/Fort Worth International Airport and Fort Worth's Alliance Airport. Diversified manufacturing is responsible for the local economy with increasing growth in commercial aviation. Agriculture-oriented industries relating to livestock marketing, grain and agri-business related industry and services join with the aerospace products, food and beverage, mobile homes, auto making, and medical industries to offer numerous manufacturing jobs in the Metropolitan Area.

District Educational Campuses. The District is considered a fast-growth district in the state of Texas. In the 1997-1998 school year, the District had one high school, one middle school and five elementary schools. The District has constructed additional schools as follows: three elementary schools and two middle schools in 1998-1999; two elementary schools in 2005-2006; one elementary school in 2007-2008; two elementary schools in 2008-2009; one high school and one elementary school in 2009-2010; one middle school and one elementary school in 2010-2011; two elementary schools in 2011-2012; one middle school in 2012-2013; one elementary school in 2013-2014; and an additional comprehensive high school that opened at the beginning of the 2015-2016 school year.

The ages of the instructional school buildings range from one to thirty-four years (original dates of construction included within schedule 19).

Dedication for the impressive and newly renovated Outdoor Learning Center on October 20, 2016 provided the community with exploration of the property. The OLC features several buildings and trails designed to facilitate new vantage points of nature. The facility, which is composed of five buildings on 193 acres reopened for the 2016-2017 academic year with a plan to foster unique learning experience not found anywhere else.

Leo Adams middle school and Lizzie Curtis elementary school are currently under construction and scheduled to be open at the beginning of the 2018-2019 school year.

Area Developments

AllianceTexas – A Development of Hillwood, a Perot Company

AllianceTexas is located in the northwest corner of the Dallas/Fort Worth Metroplex, primarily within the northern limits of the City of Fort Worth, but also in the cities of Haslet, Northlake, Roanoke and Westlake. Alliance's access to highway, rail and air transportation offers an excellent opportunity for future commercial and industrial growth. The 18,000-acre master-planned, mixed-use development is one of the premier job generators in the Southwestern United States – a bustling city-within-a-city employing more than 47,500 people and containing over 470 companies.

Alliance Global Logistics Hub. AllianceTexas development is anchored by the Alliance Global Logistics Hub, one of the world's premier inland ports; connecting air, road and rail throughout the state. The Alliance Global Logistics Hub offers unparalleled multi-modal transportation options, including BNSF Railway's Alliance Intermodal Facility, Two Class I rail lines (BNSF and Union Pacific), Fort Worth Alliance Airport - the world's first 100 percent industrial airport, connecting state and interstate highways, the FedEx Southwest Regional Sort Hub, and UPS Ground Hub.

Significant Fortune 500 and Global 500 companies have established their logistics and distribution operations within the Alliance Global Logistics Hub.

In addition to the established transportation infrastructure at the Alliance Global Logistics Hub, there are significant economic benefits and supply-chain services available to help companies improve the efficiency of their operations. These advantages include Foreign-Trade Zone (FTZ) #196, user-friendly FTZ services, Triple Freeport Inventory Tax Exemption, air cargo ground handling, aviation services, existing rail-served facilities, third-party logistics, and workforce recruitment and retention services. With the combined multi-modal program, economic benefits and services, the Alliance Global Logistics Hub is a one-of-kind supply-chain port not found anywhere else in the world.

Within the AllianceTexas development, as the industrial real estate market continues to expand, the area has seen exceptional growth with more than 43.3 million square feet developed, creating jobs, generating an economic impact to the North Texas economy and contributing in property taxes to the District. With only a portion of the AllianceTexas development built-out, the future for the community looks bright.

There are several business sectors within the Alliance Global Logistics Hub, including:

Alliance Center. At the heart of Alliance Center is the 414-acre Fort Worth Alliance Airport (AFW) which officially opened December 14, 1989. Today, Fort Worth Alliance Airport features the full complement of flight services and is the cornerstone for the nation's fastest growing industrial complex. AFW is one of few North Texas airports capable of accommodating heavy transport aircraft such as the DC-10 and 747. This city owned airport is managed by privately held Alliance Air Services. A major milestone for the airport was realized when dirt was turned on the runway extension project after a 20 year effort to secure funding and complete infrastructure improvements. By extending runways to 11,000 feet, Alliance Airport will expand its range globally. AFW provides state-of-the-art infrastructure and an award winning FAA Control Tower. It is FAR Part 139 certified and operates 24/7/365.

Alliance Airport continues to play an integral part in the operations of some of the aviation and aerospace industry's leading names. This includes being home for FedEx's Southwest Regional Sort Hub; an aviation training center for the FAA. In late 2013, BAE Systems announced that it would join the airport's already impressive roster, consolidating its entire North Texas operations into one location.

In early 2015, GDC Technics received approval for a 25-year lease of 840,000 square feet of space formerly occupied by American Airlines. Texas based GDC modifies next-generation aircraft, including the Boeing 787B, to unique specifications for customers worldwide.

In September of 2014, Tarrant County College opened its TCC Northwest Campus Center of Excellence for Aviation, Transportation and Logistics (CEATL) – renamed Erma C. Johnson Hadley- a 163,500 square foot facility at Fort Worth Alliance Airport that was previously owned by Bell Helicopter. Among the aviation courses at CEATL are avionics technology, airframe and power plant maintenance technology, advanced composite technology and professional pilot training. In partnership with TCC and Embry

Riddle Aeronautical University, Northwest ISD students are provided with a premier educational experience through the Academy of Aeronautics & Aviation Sciences (AAAS) located at V.R. Eaton High School.

The Federal Aviation Administration operates the Alliance Airport Air Traffic Control Tower, A Flight Standards District Office and an Airways Facilities Sector field office in Alliance Center, supervising aircraft, agencies and personnel in 30 Texas counties.

Federal Express, a Fortune 500 firm, is the world's largest express transportation company. Federal Express currently maintains two major facilities: its Southwest Regional Sort Hub and FedEx Freight. In 1994, FedEx purchased 158 acres for its 660,000 square foot Regional Sort Hub, which opened in 1996 and a 40,000 square foot heavy cargo-hauling facility for FedEx Freight that opened in 2011. In addition, FedEx Ground added more than 300,000 square feet of space. With its two bases of operations, they are able to offer a range of business solutions. The Southwest Regional Hub at Alliance is the company's only completely automated hub and includes seven buildings, aircraft ramp areas and parking for delivery trucks.

CEVA Logistics, one of the world's leading non-asset-based supply-chain management companies, also opened a 100,000 square foot warehouse at the airport. Adjacent to the runway, this warehouse location enables chartered flights to unload cargo directly into the new facility.

Galderma, a leading research based pharmaceutical company dedicated to developing prescription and over the counter dermatological products, established its U.S. headquarters and national distribution center at Alliance. In 2017, Galderma expanded to add a \$22 million research and development center and building a 100,000 square foot expansion next to its headquarters.

The U.S. Drug Enforcement Agency operates a 140,000 square foot National Airwing Headquarters on the airport grounds. Since this facility is owned by the City, the facility is not subject to ad valorem taxation.

A density of new office space has been built at Alliance Center with DynCorp International and Daimler Financial Services as corporate residents. DynCorp International is a leading professional services and project-management firm serving governments, corporations and international organizations worldwide. Daimler Financial Services provides financing for Mercedes-Benz dealers' inventories and their retail customers. Daimler Financial is part of DaimlerChrysler Financial Services Americas LLC's group of companies that operate in the United States, Canada, Mexico, Puerto Rico and parts of South America.

Alliance Gateway. The Alliance Gateway sector covers approximately 2,400 acres and was developed for large-scale distribution, manufacturing and industrial users. Customers include major Fortune 500 and Global 500 companies. In 2013, Flextronics partnered with Motorola to open a manufacturing center to build the MotoX, the first smartphone manufactured in the United States.

Immediate availability of space, access to transportation, and building versatility are key factors for attracting tenants such as Exodus Wireless Corp., a specialist in cellular phone retail and refurbishing. They are expanding into a 64,000 square foot manufacturing operation. Group O, a provider of managed products and services, is relocating into an 113,000 square foot facility and American Tire Distributors (ATD) has plans to open a 756,000 square foot regional distribution center.

Data centers continue to be one of the fastest growing segments in the industrial real estate sub-market. Facebook, a social media giant, selected a site at Alliance Gateway for its \$1 billion data center. Situated on a 140-acre site at Park Vista and state highway 170, the Facebook Data Center originally planned three buildings totaling 750,000 square feet but later announced it was going to triple the size of the complex and construct five buildings totaling nearly 2.5 million square feet of space. Facebook joins other "high profile" data center residents including Citigroup, Blue Cross/Blue Shield and AIG, among others.

Alliance Commerce Center. The Alliance Commerce Center sector includes 300 acres for regional and national distribution facilities. The addition of the 1.1 million square foot Amazon fulfillment center and 788,000 square foot fulfillment center for Walmart.com in 2013 capitalized on the burgeoning e-commerce fulfillment industry with focus on bringing goods purchased online to customers with maximum efficiency,

including same-day delivery. Amazon utilizes its Haslet site to distribute high-volume, conveyable items and smaller items, such as books, DVDs and small electronics.

Alliance Westport. Burlington Northern/Santa Fe Railway Company (BNSF Railway), a Fortune 500 firm, operates three facilities at Alliance: the BNSF Automotive Facility, the BNSF Alliance Intermodal Facility and the BNSF Rail Yard. The Alliance Intermodal Facility is a key component to the multi-modal transportation options of the Alliance Global Logistics Hub. Companies locating near to the intermodal terminal benefit from significant savings in drayage costs. Corporations located in this 3,500-acre sector include JCPenney Logistics Center, Michaels, KRAFT Foods, Coca-Cola, Williamson-Dickie, Teleflex Medical, Volkswagen/Audi, SC Johnson, and more.

The state-of-the-art JCPenney Alliance Logistics Center features one of the largest steel rack-supported systems in the nation. With 17 levels and 105 bays of storage space, the 145,520 load cells can store approximately 72,000 pounds of merchandise. The distribution center annually processes more than 10,000 shipping containers from international ports, taking advantage of its proximity to the intermodal yard at Alliance.

Developers are building two speculative buildings located at the entrance of the BNSF Railway Alliance Intermodal Facility. The larger of the two will be 800,000 square feet with ability to expand to 1.3 million square feet, while the second will total 360,000 square feet. Both buildings offer 360-degree, on-site truck circulation and access to adjacent land for additional car or trailer parking expansion opportunities.

Alliance Crossing. Alliance Crossing includes corporate office, financial, healthcare, lodging, and restaurant facilities. The U.S. Postal Service operates a full-service retail outlet and the City of Fort Worth Police Department operates a police substation from the Alliance Crossing retail center. A garden office complex of 300,000 square feet called Heritage Commons houses Hillwood Development Operations. Alliance Opportunity Center provides employee placement services and Tarrant County College offers on-site employee training.

Two industrial sectors launched which complements other industrial sectors offering 1.5 miles of frontage on Interstate Highway I-35W, giving close proximity to the logistics hub resulting in excellent visibility and access is Alliance Center North and Alliance Northport:

Alliance Center North. Alliance Center North, a 650-acre development for large scaled distribution launched in 2014 quickly became the site of two of the biggest industrial deals in North Texas. A 1.1 million square foot facility was selected by LG Electronics to serve as a consolidated distribution center for the region; followed by Walmart.com which selected Alliance Center North 2 to be its newest regional e-commerce fulfillment center for the distribution of larger sale items.

Alliance Northport. Alliance Northport a 260-acre development launched in 2015 is located in Northlake at one of the area's busiest intersections. I-35W at state highway 114 provides a range of best-in-class distribution centers, from under 100,000 square feet up to 1.3 million square feet, along with adjacent retail offerings.

A speculative 588,000 square foot distribution center is underway on the south side of Eagle Parkway with flexibility to expand to over 700,000 square feet plus room to increase the amount of car and trailer parking spaces.

Other Area Developments

Burlington Northern/Santa Fe Railway (BNSF Railway). BNSF Railway constructed its \$100 million Network Operations Center ("NOC") on the company's Western Center Boulevard property in north Fort Worth. The NOC comprised of two buildings totaling more than 250,000 square feet, is a high-tech, state-of-the-art facility which serves as the control and tracking center for all of Burlington's railroads through the United States.

Lone Star Crossing. Lone Star Crossing is an Alliance sector designed for retail, dining and entertainment. The 980-acre TIF District is anchored by Cabela's. Known as the World's Foremost Outfitter of hunting, fishing and outdoor gear, the 230,000 square foot mega store contains an aquarium, museum, and exhibit space, in addition to the retail.

Texas Motor Speedway. Located in far north Fort Worth at the intersection of I-35W and state highway 114, the \$110 million Texas Motor Speedway was completed in the Spring of 1997. The facility includes a 1.5 mile racing oval, grandstand seating for more than 200,000 spectators and approximately 200 luxury suites. An office tower and condominiums have also been constructed on the property. Pursuant to the terms of an agreement between the speedway developer and the Fort Worth Sports Authority, Inc., Texas Motor Speedway is owned by the Authority and leased to the developer, and most of the property comprising the Speedway is exempt from ad valorem taxes. Texas Motor Speedway is the second-largest sports and entertainment facility in the nation where dual-bank turns allow for NASCAR and IRL IndyCar racing, plus every major form of American automobile racing. NASCAR Winston Cup (now known as the Nextel Cup) races have been held at the Texas Motor Speedway as well as sanctioned IRL Indy Car races. NASCAR has sanctioned two Nextel Cup races for the speedway. The facility has hosted several major music concerts and other large events since opening.

Champions Circle. Buc-ee's, a travel convenience store, opened May 2016 across from Texas Motor Speedway. It is part of a 279-acre outlet mall and travel convenience store development. Along with retail and existing Marriott Hotel conference center and golf club, the development will include office, residential and entertainment components. Tanger Factory Outlet Centers Inc. constructed a 350,000 square feet retail space with more than 70 upscale brand name and designer outlet retailers. Grand opening scheduled for October 27, 2017.

Speedway Town Center. In the same area is the Speedway Town Center located in Northlake, a mixed-use development that offers almost 2.5 million square feet of retail, office, entertainment and multi-family residential complexes on 158 acres.

GE Manufacturing Solutions. General Electric opened facilities in 2012 to manufacture locomotives and heavy mining equipment. The 236,000 square foot, \$95 million plant builds electric-drive wheel systems for huge off-road vehicles that perform heavy hauling work such as moving ore extracted from mines. In addition, a conversion and expansion to an existing building at a cost of \$96 million was renovated as a manufacturing plant for locomotive production.

Farmer Brothers Co. A manufacturer, wholesaler and distributor of coffee, tea and culinary products founded in 1912 moved their headquarters from southern California to a new office, manufacturing and distribution facility in Northlake previously owned by a group of private real estate investors. The 538,000 square foot facility is on the east side of I-35W and north of state highway 114 across the interstate from Texas Motor Speedway.

Community Development. Several master-planned communities are in various phases of new construction. These new communities offer affordable living for all lifestyles with convenient access to shopping, entertainment and attractions, featuring housing from as low as \$100,000 all the way up to luxury home estates that exceed \$1 million.

Historical Employment Data

Annual Averages

Denton County	2018	2017	2016	2015	2014
Civilian Labor Force	460,630	455,380	443,801	403,838	395,048
Total Employment	444,969	439,123	428,611	384,713	373,134
Unemployment	15,661	16,257	15,190	19,125	21,914
Percent Unemployment	3.40%	3.57%	3.42%	4.74%	5.55%

Source: <http://reports.dfwjobs.com/LMI/Profiles/Denton.pdf>

Tarrant County

Civilian Labor Force	1,060,200	1,029,217	1,008,020	983,469	970,566
Total Employment	1,020,973	988,578	968,246	932,624	911,064
Unemployment	39,227	40,639	39,774	50,845	59,502
Percent Unemployment	3.70%	3.95%	3.95%	5.17%	6.13%

Source: <https://fred.stlouisfed.org/series/TXTARR9LFN>

Wise County

Civilian Labor Force	29,755	29,581	29,155	29,574	29,218
Total Employment	28,795	28,282	27,769	28,149	27,498
Unemployment	960	1,299	1,386	1,425	1,720
Percent Unemployment	3.22%	4.39%	4.75%	4.82%	5.89%

State of Texas

Civilian Labor Force	13,844,971	13,284,623	12,989,684	12,819,871	12,626,593
Total Employment	12,833,841	12,671,801	12,307,481	12,007,481	11,762,217
Unemployment	621,914	612,822	682,203	812,541	864,376
Percent Unemployment	4.62	4.61%	5.25%	6.34%	6.85%

Source: Texas Workforce Commission.

Health Services. The Metroplex area, including the District, is served by more than 70 hospitals which offer specialized services such as organ transplantation, major trauma care, cancer treatment, kidney dialysis and chemical dependency treatment. A wide variety of physicians, surgeons, dentists, orthodontists, optometrists and pharmacists have facilities in the area.

Driven by a booming population, a vibrant health care community has emerged with leading medical groups constructing and expanding facilities that provide north Fort Worth residents access to premier medical facilities within the region. On September 19, 2012, Texas Health Harris Methodist Hospital Alliance opened the first full-service general hospital in the area. The 262,000-square-foot facility is the first hospital to serve the AllianceTexas community. It provides traditional hospital services that include general medicine, inpatient and outpatient surgery, emergency services, imaging service, rehabilitation, women and infant services and wellness and prevention services. Harris Methodist Hospital Alliance also includes a 73,000-square-foot medical office complex for physicians.

ER at Alliance, parent company HCA, expanded a previously constructed urgent care/emergency room facility into the region's second full-service hospital equipped to handle any medical crisis, with a trauma/code room, complete medical laboratory, on-site blood bank, and wide array of sophisticated testing and imaging technologies.

Wise Regional Health System completed a comprehensive surgery center within the Alliance community. The 29,053-square-foot facility opened in late 2013 and offers four operating rooms, two procedure rooms and 12 inpatient beds. It also includes a laboratory, radiology and pre-operative services, as well as an emergency room and a variety of other services.

Air Transport and Airline Industry. The Dallas/Fort Worth International Airport (the "Airport") is the fourth busiest airport in the United States in terms of operations and passengers. The Airport is the principal air carrier facility serving the Dallas/Fort Worth metropolitan area, providing service to national and international destinations. The Airport provides nonstop services to Europe, the Far East, Canada, Mexico, Central and South America, the Caribbean and the Bahamas. American Airlines is the predominant airline servicing the Airport.

Meacham International Airport, a Fort Worth municipally owned and operated general aviation airport, located in northern Fort Worth is a fixed based operation for private and commercial services equipped with a 7,500 foot runway. Meacham provides sophisticated instrument approach facilities, lighted runways, terminal facilities and fuel and maintenance services. Fort Worth Spinks Airport, a general aviation airport located in the southwestern portion of the City is equipped with a 6,000 foot runway and two taxiways.

Alliance Airport the world's first 100 percent industrial airport is expanding aviation capacity with the construction of two aircraft hangers and extension of both runways. These projects allow the airport to accommodate the increased demand driven by a robust economy and rapid corporate growth. Two hangars will total 72,150 square feet and include adjacent office and storage space. A multi-year project to extend two existing runways and taxiway from their current lengths of 8,200 and 9,600 feet to 11,000 feet began construction in 2015 being a top priority for both state and federal transportation officials since 2000. The expansion will allow greater flight capability and enable long haul flights fully fueled to almost anywhere in the world.

Surface Transport. Three interstate highways (Interstate 20, Interstate 30 and Interstate 35), five federal and four state highways provide all-weather routes within Fort Worth and to and from the rest of the nation.

Interstate 820, which encircles the City, allows quick access to all parts of the Fort Worth area. The Texas Highway Commission has completed a master highway construction plan for Tarrant County to provide for transportation needs through the foreseeable future, including relocation of Interstate 30 from a point just east of downtown to several miles west. This project is underway and will promote redevelopment of the south end of the Central Business District and the Hospital District southwest of downtown. Funding for the expansion of Interstate 35W from downtown Fort Worth to AllianceTexas was approved by the U.S. Department of Transportation and though it will take several years to complete, the expansion of I-35W will have a profound effect on the potential future growth within the District.

Fort Worth is served by six major railroad systems. Burlington Northern/Santa Fe Railroad has its corporate headquarters in Fort Worth. Rail passenger service is provided through Fort Worth, including AMTRAK service between Houston and Chicago. Fort Worth's position as a major southwest distribution center is supported by the presence of 75 regular route motor carriers with over 750 schedules. Local transit service is provided by The T, operated by the Fort Worth Transportation Authority. Trinity Railway Express provides service for the Metroplex. Greyhound/Trailways Bus Lines furnish Fort Worth with transcontinental passenger service; intrastate bus service is provided by Transportation Enterprises and Texas Bus Lines.

State Funding

Demographic predictions indicate that the District's enrollment will reach 28,336 by the 2021-2022 school year as outlined below. State funding is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). For fiscal year 2016-2017, the Basic Allotment is \$5,140 for each student in average daily attendance. The allotment is adjusted by several different weights to address varying economic conditions, district size and sparsity of district's student population.

The Texas Legislature enacted House Bill 1, referred to as the "Reform Legislation," which made substantive changes in the way the Finance System is funded. Since the enactment of the Reform Legislation in 2006, most districts in the State have operated with a "target" funding level per student that is based upon the "hold harmless" principles embodied in the legislation. This system of target revenue was superimposed on the Foundation School Program.

Under the State of Texas Finance System, school districts are guaranteed to receive State funding necessary to provide the district the greater of the amount of State and local revenue per student for the district in the 2005-06 fiscal year or the amount of State and local revenue per student the district would have been entitled to for the 2006-07 fiscal year based on the funding elements in place prior to Reform Legislation. To make up for the shortfall, the Reform Legislation authorized Additional State Aid Reduction ("ASATR") in an amount equal to the difference between the amount received under the Foundation School Program and the Target Revenue funding level.

The 2009 Legislative Session enacted an increase to the Basic Allotment and increased target revenue; 2011 Legislative Session enacted budget cuts; and no significant modifications were made to the underlying school finance structure during the 2013 and subsequent legislative sessions.

In general terms, funds are allocated to districts in a manner that requires districts to "compress" their tax rates in order to receive increased State funding at a level that equalizes local tax wealth. To limit disparities in school district funding abilities, the Finance System compels districts with taxable property wealth per weighted student higher than the "equalized wealth level" to reduce their wealth to such amount or to divert a portion of their tax revenues to other districts.

State Equalization. The District's wealth per student was less than the equalized wealth value. The District received from the Texas Education Agency a notification of chapter 41 status and in response, the District reduced its wealth per student by exercising Option 3 (sending money to the State) as a means of equalizing wealth. As a so-called "Chapter 41 district", the District does not receive any State funding to pay debt service requirements on its outstanding indebtedness, including the Bonds.

A district's wealth per student must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. During the year, the District continually monitors values, enrollment figures and tax collections to determine state equalization status.

The District did not make any Chapter 41 district payments during the fiscal year 2016-2017. The District continues to be able to adopt its own tax rate as prescribed by the statutes to provide "recaptured" monies and to "enrich" its programs beyond that which is funded through state aid if needed.

Capital Projects History

In 1990 the District passed a \$22 million dollar bond for one middle school, three elementary schools, bus maintenance facility and renovations/additions to high school and two elementary schools.

October 12, 1996 the District passed a \$45 million dollar bond adding six new campuses, technology updates, performing arts center and refurbishing of the oldest structures.

February 24, 2001 the District passed a \$182.2 million dollar bond for renovations at every school, classroom additions, campus improvements and a new stadium.

October 1, 2005 the District passed a \$224.5 million bond election with an impressive 70 percent voter approval. Ninety-six percent of this bond addressed student enrollment growth.

May 10, 2008 the District's voters passed a \$260 million bond election with an impressive 72 percent voter approval. Ninety-two percent of this bond addressed student enrollment growth. The bond package contained \$216 million for one middle school and seven elementary schools, \$17 million for technology infrastructure and hardware for the new schools, replacement and initiatives, \$9.9 million for classroom additions and four HVAC, three roof and five floor replacement projects, \$9.5 million for one middle school and eight elementary school sites and \$7.6 million for educational programs such as orchestra classrooms and career pathways/academies.

November 6, 2012 the District's voters passed a \$255 million bond election. Eighty-nine percent of this bond addressed the district's continuing student population growth. The bond package contained \$212 million that provides 4,000 new student seats, career academies/pathways, classrooms for science, math and environmental studies, \$25 million for technology infrastructure and hardware for new schools, five-year technology replacement cycle, technology for all classrooms and \$18 million for additions and improvements including safety and security equipment updates, additions to increase elementary school capacity, roof replacements, flooring replacements and HVAC system replacements.

May 6, 2017 the District's voters passed a \$399 million bond election addressing growth and facility improvements with 61 percent voter approval. More than two-thirds of the approved bond package addresses student growth. Major new or improved facility highlights (\$264 million) include three new elementary schools, replacement of Haslet Elementary with renovation of existing campus to serve as a district facility, expansions of two high schools, two middle schools and three existing elementary schools, addition to Beck Elementary, land acquisitions for future school sites and a district aquatic center to serve all campuses. Other areas addressed were advancing student programs (\$51.2 million), technology infrastructure and devices (\$37.4 million), aging conditions of existing facilities (\$32.3 million) and safety and security of students and staff (\$14.1 million).

Enrollment Projections - Methodology

Enrollment projections are generated using new home census information and specific neighborhood forecasts provided through a contract with Templeton Demographics. The projections are updated annually and regular reports are presented to the Board of Trustees and Administration to explain the findings, provide comments on new and potential housing developments and create an understanding of future residential development's impact on the school district.

This allows the District to take a proactive stance with regard to new school locations so sites can be targeted not only where the need is greatest, but also far enough in advance of actual new home construction to minimize acquisition costs. This methodology provides significant accuracy in addressing the District's rapid growth and large areas of undeveloped land.

The regular reports help the District keep abreast of the area development as the 2008 and 2012 bond issues near depletion and as the 2017 bond issue begins implementation.

This year the District is projected to grow 1,119 students for a 5.08 percent increase. District projected growth is expected to reach 35,311 students in ten years.

Demographics

<u>Year</u>	<u>Total</u>	<u>Elementary (EC-5th)</u>	<u>Middle (6th-8th)</u>	<u>High School (9th-12th)</u>
Actual:				
2007-2008	11,824	6,136	2,665	3,023
2008-2009	12,935	6,737	2,974	3,224
2009-2010	14,088	7,267	3,203	3,618
2010-2011	15,293	7,834	3,468	3,991
2011-2012	16,556	8,411	3,788	4,357
2012-2013	17,752	8,904	4,100	4,748
2013-2014	18,893	9,346	4,425	5,122
2014-2015	19,760	9,652	4,612	5,496
2015-2016	20,900	10,122	4,798	5,980
2016-2017	22,044	10,563	5,130	6,351
2017-2018	23,163	11,081	5,419	6,663
Budget:				
2018-2019	24,298	11,611	5,714	6,973
Projections:				
2019-2020	25,480	12,240	6,021	7,219
2020-2021	26,857	12,907	6,359	7,591
2021-2022	28,336	13,670	6,572	8,094

Financial Policies

The Comprehensive Annual Financial Report for the year ended June 30, 2018 is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). All funds of the District are covered by this report.

The District's financial policies address accounting and fiscal operations of the District, with an emphasis on asset, procurement, and budget management.

Internal Controls

The management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of "reasonable assurance" recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the District's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the year ended June 30, 2018 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls

The District maintains budgetary controls, and the objective is to ensure compliance with legal provisions embodied in the annual budget approved by the District's Board of Trustees. The annual expenditure budget serves as the foundation for the District's financial planning and control. Every school district in Texas is required, by law, to prepare and file a budget with the Texas Education Agency (TEA). The Board legally adopts a budget for the General Fund, Debt Service Fund and Child Nutrition Fund and budget-to-actual comparisons for these three funds are found in the financial section of this report. Budgets for Special Revenue Funds (other than Child Nutrition) and Capital Projects Fund are prepared on a project bases, based on grant regulations or applicable bond ordinances.

Budgetary control (the level at which expenditures cannot legally exceed appropriations) is mandated at the functional category level within each fund. These functional categories are defined by TEA and identify the purpose of transactions. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end.

Major Initiatives and Accomplishments

The Northwest Independent School District has consistently received a rating of "Superior Achievement" under the State of Texas School FIRST – financial accountability rating system. The Superior Achievement rating is the state's highest, demonstrating the quality of the District's financial management and reporting system. Northwest Independent School District's Schools FIRST rating shows that the District is making the most of the taxpayers' dollars and that Northwest's schools are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently.

This is the 16th year of School FIRST (Financial Integrity Rating System of Texas), a financial accountability system of Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of Schools FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

School FIRST – Financial Integrity Rating System of Texas

<u>Description</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
School FIRST Rating	Superior Achievement	Superior Achievement	Superior Achievement	Superior Achievement	Superior Achievement

State Accountability System

The Texas Assessment of Knowledge and Skills ("TAKS") used as the state test beginning 2003 measured the statewide curriculum of specific subjects at specific grade levels and included a broad assessment of the Texas Essential Knowledge and Skills ("TEKS"), statewide curriculum.

Texas Accountability System Campus Rating

<u>Description</u>	<u>TAKS Actual 2006-2007</u>	<u>TAKS Actual 2007-2008</u>	<u>TAKS Actual 2008-2009</u>	<u>TAKS Actual 2009-2010</u>	<u>TAKS Actual 2010-2011</u>
Exemplary	1	5	12	12	5
Recognized	11	8	3	7	14
Acceptable	2	2	2	1	2
District Rating	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable

Texas Assessment of Knowledge and Skills ("TAKS")

Description	Actual 2006-2007	Actual 2007-2008	Actual 2008-2009	Actual 2009-2010	Actual 2010-2011
Reading/English					
Language Arts	95.0%	95.0%	97.0%	95.0%	95.0%
Writing	94.0%	96.0%	96.0%	96.0%	94.0%
Social Studies	94.0%	96.0%	98.0%	98.0%	99.0%
Mathematics	86.0%	88.0%	91.0%	92.0%	92.0%
Science	82.0%	86.0%	89.0%	93.0%	94.0%
District Rating	Acceptable	Recognized	Recognized	Recognized	Recognized

Starting with 2011-2012 school year the Texas Education Agency transitioned from TAKS to State of Texas Assessment of Academic Readiness ("STAAR") for students in grades 3-9 while students in grades 10 and 11 took TAKS. Part of the new assessment system required students entering ninth grade during the 2011-2012 school year or after to pass the End of Course Exams ("EOC") in order to graduate. With the new STAAR program, the TAKS exit-level tests were replaced with 15 end-of-course assessments.

STAAR, a more rigorous standardized testing program for elementary, middle and high school students emphasized "readiness" standards, which are the knowledge and skills considered most important for success in the grade or subject that follows and for college and career readiness. The 2011 TEA accountability suspended assignments of performance ratings for 2012.

In 2013, the state of Texas implemented a new accountability system to focus on the achievement of postsecondary readiness for all Texas public school students. The new accountability system assigned a rating label of Met Standard, Met Alternative Standard or Improvement Required based on the evaluation of the four performance indexes for Student Achievement, Student Progress, Closing Achievement Gaps, and Postsecondary Readiness. The indexes include assessment results from the State of Texas Assessments of Academic Readiness (STAAR) testing program, graduation rates, and rates of students achieving the Recommended High School Program and Distinguished Achievement High School Program. Campuses that receive an accountability rating of *Met Standard* are eligible for distinction designations.

TEA maintained the same accountability rating labels 2014 through 2017. Campuses are eligible to earn up to seven Academic Achievement Distinction Designations in the areas of Reading/ELA, Mathematics, Science, Social Studies, Top 25 Percent Student Progress, Top 25 Percent Closing Achievement Gaps and Postsecondary Readiness. Districts are eligible to earn an Academic Achievement Distinction Designation in Postsecondary Readiness.

TEA maintained the same accountability rating labels for campuses, but changed the accountability labels for districts. Campuses are still rated as Met Standard or Improvement Required, while districts are rated A-F. Campuses are still eligible to earn up to seven Academic Achievement Distinction Designations in the areas of Reading/ELA, Mathematics, Science, Social Studies, Top 25 Percent Student Progress, Top 25 Percent Closing Achievement Gaps and Postsecondary Readiness. Districts are still eligible to earn an Academic Achievement Distinction Designation in Postsecondary Readiness.

Campus Rating	2014	2015	2016	2017	2018
Met Standard	23	25	26	26	27
Earned one or more Distinctions	10	5	9	7	12
Total Distinctions Earned	15	9	14	11	22
Improvement Required	2	0	0	0	0
Not Rated (TYC Campus)	1	1	1	1	1

District Rating	Met Standard	Met Standard	Met Standard	Met Standard	A
------------------------	--------------	--------------	--------------	--------------	---

District, Student and Staff Accomplishments

District/Campus Accomplishments.

Northwest ISD is a member of the Texas High Performance Schools Consortium, selected by the Texas Education Agency, which extends the ongoing work of the Public Education Visioning Institute. The vision encourages innovation, creativity and more meaningful assessment and accountability measures.

Northwest ISD received high marks on a recent security audit. Results showed a significant amount of work and capital has been invested in the schools' physical security.

Northwest ISD earned a 4.0 star rating in the Financial Allocation Study for Texas (FAST) report for low cost, high efficiency operations. The district received a rating of "Superior Achievement" under Texas' Schools First Financial accountability rating system for the tenth consecutive year.

The Northwest ISD budget document was awarded the Meritorious Budget Award by ASBO for the fiscal years 2001-2002 through 2017-2018 and the Distinguished Budget Presentation Award by GFOA for the fiscal years 2002-2003 through 2017-2018. Additionally, the Northwest Independent School District Comprehensive Annual Financial Report has been awarded the Certificate of Excellence in Financial Reporting by the Association of School Business Officials for the 19th time and the Meritorious Budget Award for the 17th year.

Northwest ISD received the Award of Merit for Purchasing Operations with Recognized Status from the Texas Association of School Business Officials for the seventh consecutive year.

For the third consecutive year, NISD has been recognized as a Fit-Friendly Workplace by the American Heart Association.

The National Parent Teacher Association named six Northwest ISD schools- Beck, Justin, Love, and Schluter elementary schools as well as Byron Nelson and Northwest high schools – to its list of 2018-20 Schools of Excellence. The schools were named to the list for maintaining positive community environments with their associations.

Northwest ISD was named a 2017-2018 Common Sense District for its lessons on digital citizenship and use of technology. All district students engage in digital citizenship lessons based on Common Sense resources as well as local stakeholder resources and input.

The Northwest ISD Twitter account, @NorthwestISD, was ranked among the top 10 school district Twitter accounts in Region XI by Texas Social Media Research Institute. The account was top-ranked among school districts with Northwest ISD's enrollment or smaller.

Medlin Middle School was named a 2018 Texas School of Character-one of only seven state schools to receive the recognition-for its commitment to nurturing well-rounded students who represent their school and community with honor. Medlin and Granger Elementary School were later named 2018 National Schools of Character, a recognition awarded to just 73 schools across the United States. Also, Medlin Middle School earned a Promising Practice award at the National Forum of Character Education for its work on seventh-grade empathy education projects.

The Outdoor Learning Center's design earned the Caudill Class Recognition in the Texas Association of School Administrators' annual architecture competition, the top honor available for school's architecture. Also, it was named a finalist in the 2017-2018 Exhibit of School Architecture competition, which honors excellence in planning and designing of learning environments.

Nance Elementary Schools and Byron Nelson and Eaton high schools were named recipients of the Counselors Reinforcing Excellence for Students in Texas – or Crest-Award. This award is the top honor for public school counseling staffs in the state.

Northwest ISD was included among the winners in the Center for Digital Education's and National School Board Association's 2017-2018 Digital School Districts Survey. The selection annually goes

to school district that demonstrates pioneering uses of technology and most fully implementing technology benchmarks as part of digital education.

Chisholm Trail Middle School has been named to the Texas Schools to Watch list for the third consecutive time, honoring the school's commitments to academics and ensuring all students reach lofty achievement levels. The program honors middle-level schools across the state based on academic excellence, responsiveness to the needs and interests of students, a commitment to all students, and strong organizational structures and processes.

The National Association of Music Merchants Foundation named Northwest ISD to its 2018 Best Communities for Music Education list, marking the tenth consecutive time the district has received the honor. School districts selected to this list are awarded for their demonstration of outstanding achievement in efforts to provide music education and access to all students.

Steele Accelerated High School has been named to the U.S. News & World Report 2018 Best High Schools list, earning the bronze ranking. The recognition places Steele in the top third of schools across the nation, according to the publication.

Educational Results Partnership and the Institute for Productivity in Education recognized Steele Accelerated High School as a 2017-2018 Texas Honor Roll awardee. Steele earned the recognition for the demonstrating consistently high levels of student academic achievement, student improvement over time and a reduction in achievement gaps.

Beck Elementary School and Wilson Middle School were honored as Schools Transforming Learning by the Principal' Institute, recognizing each school's commitment to providing innovative educational services. Just 31 schools across Texas received the honor in 2018

Niche.com ranks Northwest ISD among the top 100 school districts in Texas for the 2017-2018 school year. The website gave the district high marks in all categories, particularly health and safety, academics, college prep, and club activities.

The Texas Energy Summit Steering and Awards committee recognized Northwest ISD with the Outstanding K-12 School award for its energy efficiency during the 2017 CATEE Texas Energy Summit. Northwest ISD's energy conservation efforts are led by Charles Ashby, energy manager.

Student Accomplishments.

The class of 2018 earned a combined total of more than \$31.9 million in scholarships.

Three Northwest ISD students were named National Merit Finalists, placing them among the top-scoring PSAT-takers in the state and nation. In all Northwest ISD has 26 students receive a form of National Merit distinction for their scores.

Byron Nelson High School student Haniyah Burney earned a perfect score of 36 on the ACT exam, placing her among the top .01 percent of students who take the college entrance exam.

As of May 2018, 57 Northwest ISD students-athletes have signed to play collegiate sports, spanning all three of the district's comprehensive high schools

The Eaton High School baseball team earned the UIL 5A State Baseball Championship, which was the school's first state athletic team championship ever in just its second year of varsity competition and first year with a senior class.

Eight Northwest ISD wrestlers earned medals at the 2018 UIL Wrestling State Tournament, including four state champions.

Northwest High School's boys basketball team advanced to the UIL State Basketball Tournament for the second time in school and district history, falling in the state final in 2018. The team earned district, bi-district, area and region championships along the way to the state tournament.

Six Northwest ISD students qualified and competed in the UIL Cross Country State Championships.

Byron Nelson High School cheerleading squad performed in the 2017 Macy's Thanksgiving Day Parade in New York City in front of 50 million television viewers and 3 million in-person viewers.

The Byron Nelson High School cheerleading squad won the 2018 UIL State Spirit Championships' 6A Division Band Dance competition, while Eaton High School cheerleading squad finished third overall in the 5A Division I finals.

The Byron Nelson High School softball team recognized by the National Fastpitch Coaches Association for having the highest high school team grade point average in the nation for five consecutive years. Additionally, Eaton High School placed fifth on the list of top weighted team GPAs in its first year of eligibility.

Northwest ISD's high school fine arts programs combined to have 16 students named to the Texas Music Educator Association's all-state music groups

All three Northwest ISD high school marching bands earned the top score possible, Division 1 at the UIL Region 2 contest.

Wilson Middle School's wind ensemble received commended status in the Foundation for Music Education's mark of excellence competition making it one of the top ensembles in its category.

Eaton High School earned 11 nominations in the Betty Lynn Buckley Awards, while Northwest High School earned 2 nominations in the awards program.

Byron Nelson High School earned 11 nominations in the seventh annual Dallas Musicals High School Musical Theatre Awards, the second-most nominations of any school.

Eaton High School's one-act play advanced to the region round of 2018 UIL competition for the first time in school history.

Byron Nelson High School FFA programs agronomy team was named State Reserve Champions in its category at the State Career Development Events competition, while the program's entomology team finished third in its category.

Northwest ISD's Academy of Business Management & Entrepreneurship, housed at Eaton High School, earned second place in Junior Achievements' national Company of the Year competition for student-run businesses. Additionally, the Academy of Business Management & Entrepreneurship qualified 39 students to compete in the DECA's State Career Development Conference

Three Northwest ISD Destination Imagination teams advanced to the Texas Destination Imagination State Tournament. These three teams are part of 32 district teams that medaled at Destination Imagination's Greater Fort Worth Regional Tournament. Of those teams, a team from Northwest advanced to the Destination Imagination Global Finals, the top national and international round of competition.

Eaton High School's Current Issues Team earned silver medals at the 2018 UIL Academic State Meet.

The staff of NHSTV, the student-run television network at Northwest High School operated by the Academy of Media & Arts Technology, was named the Best Daily Live Show in the Southwest Region by the Student Television Network for the third consecutive year.

Eaton High School's robotics team advanced to the national First Championship in Houston following qualification in their Dallas regional qualifier, where they earned the Rookie All-Star Team award.

Byron Nelson High School student, Kwame Ambaah, was named the second alternate in the Texas Youth Senate Program, placing him among the top four individuals in the program. He also won the public speaking contest at the Southern Association of Student Council conference.

Staff Accomplishments.

The Northwest ISD Education Foundation presented 29 grants to 14 campuses totaling \$100,000.

Michael Griffin, Ed. D., was named Executive Director of Elementary Education, has been accepted as a member of Learning Forward's Academy Class of 2018.

Byron Nelson High School's counseling team received 2018 RAMP distinction from the American School Counselor Association, designating it as one of the top counseling staffs in the nation for five years.

Byron Nelson High School's Wendy Bramlett earned the best direction award at the 2018 Dallas Summer Musicals High School Musical Theatre Awards.

Todd Rogers, associate principal of Byron Nelson High School, was named the Texas PTA's Secondary Principal of the Year for his work in promoting student success through family and community engagement.

Northwest ISD's communications and community relations team earned five awards in the National Public Relations Association's Publications and Media Awards. The district's website, by Melissa Shawn, and Northwest News newsletter, by Anthony Tosie, received awards of excellence in their categories. Rachel Bobbit earned two awards for videos, and Emily Conklin earned an award for the Northwest Vision print newsletter.

Eaton High School counselor Shana Jackson was named a Texas OnCourse leader fellow, making her one of just 29 counselors and advisers in the state selected among the top in their field.

Wilson Middle School teacher Andrea Driver recently helped set national performance standards in her certificate area of English language arts for the National Board for her Professional Teaching Standards, an honor just 271 educators across the U.S. assisted in setting.

Byron Nelson High School teacher Monica Valenta was named Biomedical Science Teacher of the Year by Project Lead the Way, a Texas-based technical education initiative.

Thompson Elementary School teacher Kelly Suarez was named a third-place winner in the Texas Medical Association's Ernest and Sarah Butler Awards for Excellence for Science teaching. Mrs. Suarez received the award based on her creativity and passion for teaching science.

Awards

GFOA Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northwest Independent School District for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017. The District has received a Certificate of Achievement for the last sixteen consecutive years.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

ASBO Certificate of Excellence. The Certificate of Excellence in Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to Northwest Independent School District for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2003 – 2009; for the fiscal years ended June 30, 2011 – 2016; and for the year ended June 30, 2017.

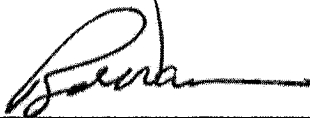
The GFOA and ASBO award is for school districts whose comprehensive annual financial reports substantially conform to the recommended principles and standards of financial reporting adopted by that organization. The award is granted after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials.

Management believes that the current year comprehensive annual report meets the Certificate of Achievement and Certificate of Excellence programs' requirements and will be submitted for review to determine award eligibility.


Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated efforts of the entire staff of the Financial Services Department. We would like to express our sincere appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to express appreciation to the Board of Trustees for their interest and support in the financial operations of the District. Finally, we would like to thank the residents of the District for their support of, and belief in, our public schools, and principals and teachers who provide the quality education for which Northwest ISD has become known.

Respectfully submitted,



Ryder Warren, Ed. D.
Superintendent of Schools



Jon Graswich, CPA
Associate Superintendent for Business and Operations



Brian Carter
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Northwest Independent School District
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Northwest Independent School District

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in cursive script, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

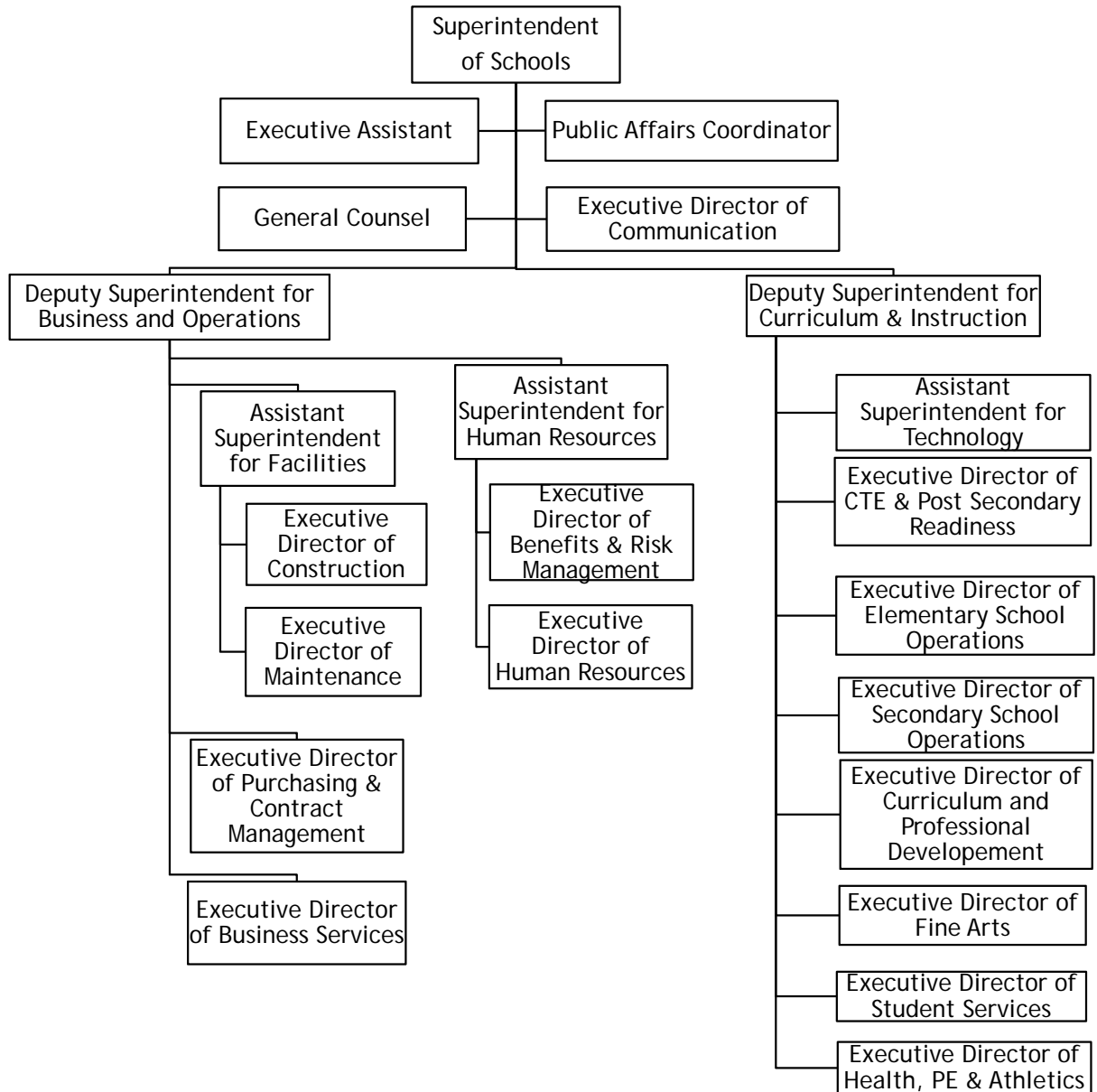
A handwritten signature in cursive script, reading 'John D. Musso'.

John D. Musso, CAE
Executive Director

NORTHWEST INDEPENDENT SCHOOL DISTRICT ADMINISTRATIVE ORGANIZATIONAL CHART

BOARD OF TRUSTEES

Judy Copp, President
Anne Davis-Simpson, Ph.D., Vice President
Lillian Rauch, Ph.D., Secretary
Ron Hastings
Mark Schluter
Steve Sprowls
Josh Wright



**NORTHWEST INDEPENDENT SCHOOL DISTRICT
2018 - 2019 BOARD OF TRUSTEES**



Judy Copp
President, Place 4
Retired Educator
Elected 2012
Term Ends 2019



Dr. Anne Davis-Simpson
Vice President, Place 3
Professor
Elected 2013
Term Ends 2019



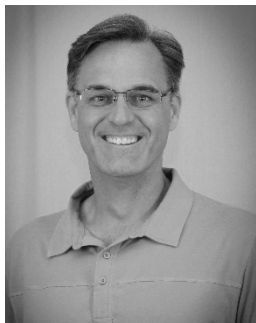
Dr. Lillian Rauch
Member, Place 6
Retired Educator
Elected 2014
Term Ends 2020



Ron Hastings
Member, Place 7
Retired Educator
Elected 2018
Term Ends 2020



Mark Schluter
Member, Place 2
Senior Project Engineer
Elected 2006
Term Ends 2021



Steve Sprowls
Member, Place 5
Airline Pilot
Elected 2017
Term Ends 2020



Josh Wright
Member, Place 1
Consultant
Elected 2009
Term Ends 2021



Ryder Warren, Ed.D.
Superintendent
Appointed by Board of
Trustees in 2016

Board Meetings: All Northwest ISD board meetings are open to the public. Regular meetings are held at 6:30 p.m. on the second and fourth Monday of each month in the board room located at the NISD Administration Building at 2001 Texan Drive, Justin. With public notice, trustees will also hold special meetings and work sessions as needed. Within the limits of the Texas Open Meetings Act, parts of the board meetings may be closed to the public for topics including, but not limited to, real estate transactions, personnel matters, student hearings, and legal matters.

If You Wish to Address the Board: The public may address the board during the public participation portion of the board meeting. Remarks may be related to any topic, whether agenda items or non-agenda items, and are usually limited to three minutes. Those wishing to speak during public participation may sign the roster in the room within the hour preceding the meeting.

NORTHWEST INDEPENDENT SCHOOL DISTRICT

School Board and Administrators

Board of Trustees

Judy Copp	President
Anne Davis-Simpson, Ph.D.	Vice President
Lillian Rauch, Ph. D.	Secretary
Ron Hastings	Member
Mark Schluter	Member
Steve Sprowls	Member
Josh Wright	Member

Administration

Ryder Warren, Ed. D.	Superintendent of Schools
Christie Hobbs, J.D.	General Counsel
Jon Graswich, CPA	Deputy Superintendent for Business and Operations
Robert Thornell, Ed. D.	Deputy Superintendent for Curriculum and Instruction
Kim Caley, Ed. D.	Assistant Superintendent for Human Resources
Adam Feind, CETL.	Chief Technology Officer
Tim McClure, AIA	Assistant Superintendent for Facilities
Brian Carter	Chief Financial Officer
Emily Conklin	Executive Director of Communication

Principals

Carrie Jackson	Northwest High School
Ron Myers, Ph. D.	Byron Nelson High School
Mike Blankenship	V.R. Eaton High School
Bobby Morris-Director of College Career Readiness-Building Facilitator...	Steele Accelerated High School
Monty Brown, Ed. D.	Denton Creek
Susan Moore	Alternative Education Program
Paige Cantrell.	Medlin Middle School
Chris Jones	Gene Pike Middle School
Matrice Raven, Ed. D.	Chisholm Trail Middle School
Rhett King, Ph. D.	John M. Tidwell Middle School
Natalie Arnold	Truett Wilson Middle School
Cynthia Webber, Ed. D.	Leo Adams Middle School
Melissa Webber	Haslet Elementary School
Lisa Ransleben, Ed. D.	Justin Elementary School
Mary Seltzer, Ed. D.	Lakeview Elementary School
Kristi King	Roanoke Elementary School

NORTHWEST INDEPENDENT SCHOOL DISTRICT
School Board and Administrators

Principals – continued

Kim Blackburn	Seven Hills Elementary School
Sandy Conklin, Ed. D.	Samuel Beck Elementary School
Jim Mahler	W.R. Hatfield Elementary School
Yolanda Wallace	Prairie View Elementary School
Jessica McDonald.....	J. Lyndal Hughes Elementary School
Penny Bowles	Sonny & Allegra Nance Elementary School
Michelle McAdams	Kay Granger Elementary School
John Booles	Sendra Ranch Elementary School
Justin Vercher.....	O.A. Peterson Elementary School
Lisa Crosslin.....	Clara Love Elementary School
Leigh Anne Romer, Ed. D.	J.C. Thompson Elementary School
Amy Howell	Carl E. Schluter Elementary School
Kim Beacon.....	Wayne A. Cox Elementary School
Carrie Pierce.....	Lizzie Curtis Elementary School

Northwest ISD offers an easy and free way to get the latest district information. Subscribe to the electronic mail list and stay informed about district activities and urgent news such as school closings. Join today by completing the *Northwest News* registration form on the District's homepage at www.nisdtx.org

NORTHWEST INDEPENDENT SCHOOL DISTRICT
Consultants and Advisors

<u>ARCHITECTS</u>	Buechler & Associates, P.C
Huckabee	3660 Stoneridge Road, Suite D-101
801 Cherry Street, Suite 500	Austin, Texas 78746
Fort Worth, Texas 76102	
PBK Architects, Inc.	<u>OFFICIAL DEPOSITORY</u>
100 Throckmorton Street, Suite 1550	BBVA Compass Bank
Fort Worth, Texas 76102	300 W 7 th Street
	Fort Worth, Texas 76102
Stantec Architecture, Inc.	
5717 Legacy Drive, Suite 250	
Plano, Texas 75024	<u>TAX COLLECTION COUNSEL</u>
	Linebarger Goggan Blair & Sampson, LLP
Perkins + Will	100 Throckmorton, Suite 300
10100 N. Central Expressway, Suite 300	Fort Worth, Texas 76102
Dallas, Texas 75231	
	<u>BOND FISCAL AGENTS</u>
<u>ACCOUNTANTS</u>	<u>SERIES 2006, 2007, 2008, 2009, 2010, 2011</u>
Hankins, Eastup, Deaton, Tonn & Seay	<u>2012, 2013, 2013A, 2014, 2015, 2015A, 2015B</u>
PO Box 977	<u>and 2016</u>
902 N Locust Street	Regions Bank Corporate Trust
Denton, Texas 76202	1717 St James Place, Suite 500
	Dallas, Texas 75201
<u>BOND COUNSEL</u>	<u>SERIES 2016A, 2017, 2018</u>
McCall, Parkhurst & Horton, LLP	UMB Corporate Trust
717 North Harwood	P O Box 419692
Dallas, Texas 75201	Kansas City, MO 64141
<u>FINANCIAL ADVISORS</u>	
Hilltop Securities	
1201 Elm Street, Suite 3500	
Dallas, Texas 75270	
<u>GENERAL COUNSEL</u>	
Abernathy, Roeder, Boyd & Joplin	
P O Box 1210	
1700 Redbud Boulevard, Suite 300	
McKinney, Texas 75069	
The Fowler Law Firm	
919 Congress Avenue, Suite 1150	
Austin, Texas 78701	



FINANCIAL SECTION

This page left blank intentionally.

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

Independent Auditor's Report

To the Board of Trustees
Northwest Independent School District
Fort Worth, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Independent School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Notes 10 and 22 to the financial statements, in the current fiscal year, the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other post-employment benefit (OPEB) plan – a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Positions. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 39 through 46, the budgetary comparison information on page 98 and the Teacher Retirement System schedules on pages 99 through 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

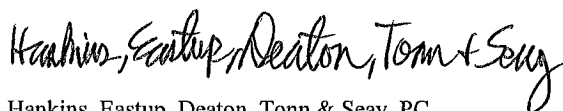
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwest Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the schedules listed in the table of contents, 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the District. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 on our consideration of Northwest Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Independent School District's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 22, 2018

**NORTHWEST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

As management of Northwest Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2017. Please read this narrative in conjunction with the independent auditors' report on page 37, and the District's Basic Financial Statements that begin on page 48.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of Northwest Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$19,889,109 (deficit net position).
- The District's total net position decreased by \$59,951,440 during the fiscal year. However, total net position decreased by \$84,556,611 due to new standards that required recording of the District's proportionate share of the Teacher Retirement System's net OPEB liability. Net position increased \$24,605,171 as the result of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$262,146,720. Over 36% of this total amount (\$94,960,888) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, the unassigned fund balance of the general fund of \$94,960,888 was 48.32% of the total general fund expenditures.
- The District is defined by Chapter 41 of the Texas Education Code (TEC) as a high wealth District but the District's wealth per student was less than the equalized wealth value; therefore, during 2018 the District did not pay anything for contracted instructional services between schools as part of the state wealth equalization requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 48 and 49). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 50) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 62) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Single Audit Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 48. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

In the Statement of Net Position and the Statement of Activities, information is divided into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—Activities in which the District charges a fee to “customers” to help cover the cost of services it provides are reported as business-type activities. The District had no business-type activities at June 30, 2018.

Reporting the District's Most Significant Funds

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 fund financial statements begin on page 50 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-one governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other eighteen governmental 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 its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 50 through 57 of this report.
- **Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (one category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs and student devices.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and 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 assets and liabilities that can be found on page 61. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Governmental Activities

Net Position. The net position of the District's governmental activities at June 30, 2018 was a \$19,889,109 deficit. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was a deficit of \$33,890,083 at June 30, 2018. 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 are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's governmental activities net position (\$44,712,830) represents resources that are subject to external restrictions on how they may be used. There is no unrestricted net position at June 30, 2018.

Changes in Net Position. The District's total revenues of its governmental activities were \$254,408,996. A significant portion, approximately 88.3 percent, of the revenue comes from property taxes. Another 10.0 percent comes from state aid - formula grants while only 3.3 percent relates to charges for services. This reflects a \$1.7 million decrease in revenues from 2016-2017, primarily from increases in property taxes. The total revenues were used to fund the cost of all programs and services in the amount of \$208,652,960, and to pay down the District's debt. This reflects a \$60.8 million decrease in expenses from 2016-2017.

Governmental Activities. The District's total net position of its governmental activities increased \$45,756,036. The total cost of all government activities for the fiscal year ended June 30, 2018 was \$208,652,960. Funding for these governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to \$700,358 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was \$207,952,602, which were primarily funded by property taxes in the amount of \$224,577,047 and state revenue of \$25,361,540.

Table I
NET POSITION

	Governmental Activities		
	2017	2018	Change
Current and other assets	\$ 294,280,075	\$ 305,509,867	\$ 11,229,792
Capital and non-current assets	701,797,369	793,750,987	91,953,618
Total assets	996,077,444	1,099,260,854	103,183,410
Deferred outflows of resources	56,503,751	56,286,881	(216,870)
Total assets and deferred outflows of resources	1,052,581,195	1,155,547,735	102,966,540
Long-term liabilities	968,724,910	1,088,666,380	119,941,470
Other liabilities	36,400,637	49,297,992	12,897,355
Total liabilities	1,005,125,547	1,137,964,372	132,838,825
Deferred inflows of resources	7,393,317	37,472,472	30,079,155
Total liabilities and deferred inflows of resources	1,012,518,864	1,175,436,844	162,917,980
Net Position (Deficit):			
Net investments in capital assets	(71,696,653)	(33,890,083)	37,806,570
Restricted	42,627,513	44,712,830	2,085,317
Unrestricted	69,131,471	(30,711,856)	(99,843,327)
Total Net Position (Deficit)	\$ 40,062,331	\$ (19,889,109)	\$ (59,951,440)

Table II
CHANGES IN NET POSITION

	Governmental Activities		
	2017	2018	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 7,952,378	\$ 8,439,664	\$ 487,286
Operating grants and contributions	23,962,854	(7,739,306)	(31,702,160)
General Revenues:			
Maintenance and operations taxes	138,928,782	156,878,029	17,949,247
Debt service taxes	55,070,829	67,699,018	12,628,189
State aid - formula grants	28,336,530	25,361,540	(2,974,990)
Interest earnings	1,321,883	3,088,434	1,766,551
Miscellaneous	583,167	681,617	98,450
Total Revenue	<u>256,156,423</u>	<u>254,408,996</u>	<u>(1,747,427)</u>
Expenses:			
Instruction, curriculum and media services	155,875,025	104,347,642	(51,527,383)
Instructional and school leadership	13,804,644	9,658,721	(4,145,923)
Student support services	20,945,761	17,409,214	(3,536,547)
Food services	8,051,120	8,091,202	40,082
Extracurricular activities	10,042,711	8,323,837	(1,718,874)
General administration	5,901,273	5,332,880	(568,393)
Plant maintenance, security and data process	25,942,525	22,377,449	(3,565,076)
Community services	206,999	109,181	(97,818)
Debt services	26,506,132	30,728,976	4,222,844
Intergovernmental charges	2,216,763	2,273,858	57,095
Total Expenses	<u>269,492,953</u>	<u>208,652,960</u>	<u>(60,839,993)</u>
Increase (Decrease) in Net Position	(13,336,530)	45,756,036	59,092,566
Net Position - beginning of year	53,398,861	40,062,331	(13,336,530)
Prior period adjustment	-	(105,707,476)	(105,707,476)
Net Position - end of year	<u>\$ 40,062,331</u>	<u>\$ (19,889,109)</u>	<u>\$ (59,951,440)</u>

Implementation of GASB 75 was effective at the beginning of the 2018 fiscal year. Changes for revenues and expenses in the prior fiscal year relating to the implementation have not been calculated and are not available for comparison.

The dramatic change in operating grants and contributions activity from year to year of \$31,702,160 is reflective of a negative adjustment brought about by the implementation of the new OPEB standards promulgated by the Government Accounting Standards Board (GASB) and significant changes in the benefits provided by the TRS retiree healthcare plan (TRS-Care). The reduction in plan benefits resulted in a sizable decrease in the District's Net OPEB Liability and a resulting negative OPEB expense in accordance with newly implemented accounting standards. Under these standards, the District is required to report what is essentially both negative on-behalf expenses and negative on-behalf revenues for the portion of the reduction in the OPEB liability that is the responsibility of the State, or \$34,671,309.

- The Board of Trustees maintained the maintenance and operation property tax rate of \$1.04 for the fiscal year 2017-2018. This is the maximum rate allowed by law without a rollback election. The debt service rate was set at \$0.45. The total tax rate necessary to fund the 2017-2018 budget was \$1.49.
- The District continues to experience an increase in property values over the prior year. The actual increase in certified values for fiscal year 2018 was \$2,503,675,765 or 20.15%.

The cost of all governmental activities for the current fiscal period was \$208,652,960. However, as shown in the Statement of Activities on page 49, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$224,577,047 because some of the costs were paid by those who directly benefited from the programs (\$8,439,664) or by State equalization funding (\$25,361,540).

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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$262,146,720 a decrease of \$642,393. Approximately 37 percent of this total amount (\$97,579,875) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$42,093,843), or for capital projects (\$120,226,251), or for Federal grants (\$1,066,210), or already spent on prepaid items (\$1,180,541).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$94,960,888, while the total fund balance was \$96,141,429. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 48.32 percent of the total general fund expenditures, while the total fund balance represents 48.93 percent of that same amount.

The fund balance of the District's general fund decreased by \$16,400,844 during the current fiscal year, compared to a \$35,774,036 increase in the previous year. Key factors related to this change are as follows:

- A \$18,947,633 increase in property tax and other local revenues combined with a \$2,023,071 decrease in foundation, per capita and other state funding contributed to a \$17,539,554 overall increase in total revenues. Expenditures increased \$10,302,299 or 5.5% with increases in most functional categories.
- In the prior year, \$39,077,467 of non-bond funds that had been set aside for future capital replacement projects in the capital projects fund was transferred back to the general fund. In the current year, \$20,341,855 was transferred from the general fund to the capital projects fund for payment of bus purchases.

The debt service fund has a total fund balance of \$42,093,843, all of which is reserved for the payment of debt service. The net increase in fund balance during the period from current year operations was \$2,911,644, compared to a \$141,469 decrease in the previous year. Tax revenues were \$12,531,953 higher than the previous year, but debt service expenditures were \$9,370,376 higher as well.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$12,496,278 due primarily to \$100,000,000 net proceeds from the sale of bonds, offset by \$108,719,170 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 4 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2017). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$96,141,429 reported on page 50 differs from the General Fund's budgetary fund balance of \$84,365,177 reported in the budgetary comparison schedule on page 98. For the year ended June 30, 2018, actual general fund expenditures on a budgetary basis were \$196,505,737, above the original budget expenditures of \$191,496,440 but below the revised final budget of \$210,222,751. The majority of the actual variance of \$13,717,014 consists of savings achieved in payroll costs in several areas. Actual revenue on a budgetary basis was \$200,459,993 compared to the original budget of \$181,496,440 and a revised budget of \$202,387,510. The actual variance of \$1,927,517 was due primarily to lower than expected tax revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$793,750,987 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$91,953,618, or 13.1 percent, above last year.

This fiscal year's major additions include:

Continuing construction costs on a new middle school, paid for with proceeds of general obligation bonds.	\$38,677,630
Continuing construction costs on a new elementary school, paid for with proceeds of general obligation bonds.	15,630,255
Turf and field improvements at several schools, paid for with proceeds of general obligation bonds	13,251,956
Initial construction costs on renovations/additions at several schools, paid for with proceeds of general obligation bonds.	8,509,972
Totaling	<u>\$76,069,813</u>

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$875,695,478 in bonds outstanding (including accreted interest on bonds) versus \$811,161,295 last year—an increase of 7.96 percent. New debt was incurred during the fiscal period through the issuance of one refunding bond series and one building bond series. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$1,492,418,476, which is significantly in excess of the District's outstanding general obligation debt.

Other obligations include accrued vacation benefits and special termination benefits. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when setting the fiscal year 2019 budget and tax rates, including the economy, student enrollment growth, and funding levels by the State of Texas.

The District has adopted a balanced budget for 2018-2019 for the general fund. Budgeted revenues for the general fund are \$544,801 higher than actual 2017-2018 revenues, but budgeted expenditures are \$4,499,057 higher than actual 2017-2018 expenditures.

The District has adopted a \$1,513,894 surplus budget for 2018-2019 for the debt service fund. Budgeted revenues for the debt service fund are \$686,110 lower than actual 2017-2018 revenues but budgeted expenditures are \$360,849 higher than actual 2016-2017 expenditures.

The 2018 tax rate was set at \$1.49 per \$100 valuation (\$1.04 maintenance and operations and \$.45 debt service) which is the same as the 2017 tax rate.

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 funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Northwest Independent School District, P.O. Box 77070, Fort Worth, Texas 76177-0070.

This page left blank intentionally.

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

EXHIBIT A-1

Data Control Codes	Primary Government	Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 33,234,529
1120	Current Investments	258,430,968
1220	Property Taxes Receivable (Delinquent)	5,537,657
1230	Allowance for Uncollectible Taxes	(415,324)
1240	Due from Other Governments	5,792,328
1250	Accrued Interest	441,839
1290	Other Receivables, net	1,307,329
1410	Prepayments	1,180,541
	Capital Assets:	
1510	Land	53,615,771
1520	Buildings, Net	591,442,510
1530	Furniture and Equipment, Net	6,982,576
1540	Other Capital Assets, Net	15,348,355
1580	Construction in Progress	126,361,775
1000	Total Assets	1,099,260,854
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	34,678,249
1705	Deferred Outflow Related to TRS Pension	20,761,506
1706	Deferred Outflow Related to TRS OPEB	847,126
1700	Total Deferred Outflows of Resources	56,286,881
LIABILITIES		
2110	Accounts Payable	13,345,682
2160	Accrued Wages Payable	20,287,152
2200	Accrued Expenses	15,320,771
2300	Unearned Revenue	344,387
	Noncurrent Liabilities	
2501	Due Within One Year	36,173,072
2502	Due in More Than One Year	952,230,576
2540	Net Pension Liability (District's Share)	40,047,246
2545	Net OPEB Liability (District's Share)	60,215,486
2000	Total Liabilities	1,137,964,372
DEFERRED INFLOWS OF RESOURCES		
2603	Deferred Resource Inflow Related to TRS OPEB	25,188,251
2605	Deferred Resource Inflow Related to TRS Pension	12,284,221
2600	Total Deferred Inflows of Resources	37,472,472
NET POSITION		
3200	Net Investment in Capital Assets	(33,890,083)
3850	Restricted for Debt Service	42,093,843
3870	Restricted for Campus Activities	2,618,987
3900	Unrestricted	(30,711,856)
3000	Total Net Position	\$ (19,889,109)

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 97,411,111	\$ 261,089	\$ (12,616,401)	\$ (109,766,423)
12 Instructional Resources and Media Services	2,061,453	-	(254,119)	(2,315,572)
13 Curriculum and Staff Development	4,875,078	-	(551,501)	(5,426,579)
21 Instructional Leadership	1,213,788	-	(167,219)	(1,381,007)
23 School Leadership	8,444,933	-	(1,169,309)	(9,614,242)
31 Guidance, Counseling and Evaluation Services	5,697,928	-	58,994	(5,638,934)
32 Social Work Services	221,461	-	46,939	(174,522)
33 Health Services	1,539,175	1,236,937	(260,523)	(562,761)
34 Student (Pupil) Transportation	9,950,650	-	3,667,547	(6,283,103)
35 Food Services	8,091,202	5,906,944	2,521,443	337,185
36 Extracurricular Activities	8,323,837	530,952	1,084,229	(6,708,656)
41 General Administration	5,332,880	-	(162,078)	(5,494,958)
51 Facilities Maintenance and Operations	16,496,477	503,742	(280,091)	(16,272,826)
52 Security and Monitoring Services	1,692,346	-	(15,545)	(1,707,891)
53 Data Processing Services	4,188,626	-	(491,685)	(4,680,311)
61 Community Services	109,181	-	6,693	(102,488)
72 Debt Service - Interest on Long Term Debt	29,514,645	-	831,320	(28,683,325)
73 Debt Service - Bond Issuance Cost and Fees	1,214,331	-	-	(1,214,331)
93 Payments related to Shared Services Arrangements	12,000	-	12,000	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	6,764	-	-	(6,764)
97 Payments to Tax Increment Fund	975,287	-	-	(975,287)
99 Other Intergovernmental Charges	1,279,807	-	-	(1,279,807)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 208,652,960	\$ 8,439,664	\$ (7,739,306)	(207,952,602)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	156,878,029
DT	Property Taxes, Levied for Debt Service	67,699,018
SF	State Aid - Formula Grants	25,361,540
IE	Investment Earnings	3,088,434
MI	Miscellaneous Local and Intermediate Revenue	681,617
TR	Total General Revenues	253,708,638
CN	Change in Net Position	45,756,036
NB	Net Position - Beginning	40,062,331
PA	Prior Period Adjustment "Required by GASB 75"	(105,707,476)
NE	Net Position--Ending	\$ (19,889,109)

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 14,433,770	\$ 5,026	\$ 11,625,518
1120 Investments - Current	95,127,402	41,656,787	119,984,995
1220 Property Taxes - Delinquent	4,039,865	1,497,792	-
1230 Allowance for Uncollectible Taxes (Credit)	(302,990)	(112,334)	-
1240 Receivables from Other Governments	5,079,767	-	-
1250 Accrued Interest	221,597	213,329	-
1260 Due from Other Funds	412,851	-	-
1290 Other Receivables	484,811	-	-
1410 Prepayments	1,180,541	-	-
1000 Total Assets	<u>\$ 120,677,614</u>	<u>\$ 43,260,600</u>	<u>\$ 131,610,513</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,415,745	\$ -	\$ 11,265,547
2160 Accrued Wages Payable	19,889,006	-	-
2170 Due to Other Funds	-	-	118,298
2200 Accrued Expenditures	13,724	4,989	417
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>21,318,475</u>	<u>4,989</u>	<u>11,384,262</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	3,217,710	1,161,768	-
2600 Total Deferred Inflows of Resources	<u>3,217,710</u>	<u>1,161,768</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	1,180,541	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	120,226,251
3480 Retirement of Long-Term Debt	-	42,093,843	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	94,960,888	-	-
3000 Total Fund Balances	<u>96,141,429</u>	<u>42,093,843</u>	<u>120,226,251</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 120,677,614</u>	<u>\$ 43,260,600</u>	<u>\$ 131,610,513</u>

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

	Other Funds		Total Governmental Funds
\$	2,805,878	\$	28,870,192
	1,661,784		258,430,968
	-		5,537,657
	-		(415,324)
	712,561		5,792,328
	6,913		441,839
	-		412,851
	58,965		543,776
	-		1,180,541
\$	5,246,101	\$	300,794,828
\$	416,619	\$	13,097,911
	386,861		20,275,867
	412,851		531,149
	186		19,316
	344,387		344,387
	1,560,904		34,268,630
	-		4,379,478
	-		4,379,478
	-		1,180,541
	1,066,210		1,066,210
	-		120,226,251
	-		42,093,843
	2,618,987		2,618,987
	-		94,960,888
	3,685,197		262,146,720
\$	5,246,101	\$	300,794,828

This page left blank intentionally.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 262,146,720
1 Assets and liabilities of the internal service funds are not included in the fund financial statements.	3,194,134
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	966,891,818
3 Accumulated depreciation is not reported in the fund financial statements.	(173,140,831)
4 Bonds payable are not reported in the fund financial statements.	(870,670,379)
5 Bond premiums are not recognized in the fund financial statements.	(111,875,191)
6 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(13,508,457)
7 Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	4,379,478
8 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$40,047,246, a Deferred Resource Inflow related to TRS in the amount of \$12,284,221, and a Deferred Resource Outflow related to TRS in the amount of \$20,761,506. This amounted to a decrease in Net Position in the amount of \$31,569,961.	(31,569,961)
9 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) required by GASB 75 in the amount of \$60,215,486, a Deferred Resource Inflow related to TRS OPEB in the amount of \$25,188,251, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$847,126. This amounted to a net decrease in Net Position in the amount of \$84,556,611.	(84,556,611)
10 Deferred charge on bond refundings is not recognized in the fund financial statements.	34,678,249
11 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.	(5,025,099)
12 Accrued vacation benefits have not been recorded in the fund financial statements.	(832,979)
19 Net Position of Governmental Activities	\$ (19,889,109)

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

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

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 161,291,823	\$ 68,223,912	\$ 873,601
5800	State Program Revenues	37,024,657	831,320	-
5900	Federal Program Revenues	2,143,513	-	-
5020	Total Revenues	200,459,993	69,055,232	873,601
EXPENDITURES:				
Current:				
0011	Instruction	117,360,957	-	372,443
0012	Instructional Resources and Media Services	2,413,494	-	-
0013	Curriculum and Instructional Staff Development	5,770,654	-	-
0021	Instructional Leadership	1,435,838	-	-
0023	School Leadership	10,002,859	-	-
0031	Guidance, Counseling and Evaluation Services	6,510,393	-	-
0032	Social Work Services	189,687	-	-
0033	Health Services	1,880,892	-	1,359
0034	Student (Pupil) Transportation	9,950,650	-	14,741,663
0035	Food Services	-	-	-
0036	Extracurricular Activities	7,122,170	-	394,775
0041	General Administration	5,854,699	-	-
0051	Facilities Maintenance and Operations	17,926,220	-	1,936
0052	Security and Monitoring Services	1,618,868	-	-
0053	Data Processing Services	5,248,109	-	-
0061	Community Services	111,740	-	-
Debt Service:				
0071	Principal on Long Term Debt	-	27,626,649	-
0072	Interest on Long Term Debt	-	38,389,599	-
0073	Bond Issuance Cost and Fees	-	478,131	736,200
Capital Outlay:				
0081	Facilities Acquisition and Construction	846,649	-	93,207,002
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	6,764	-	-
0097	Payments to Tax Increment Fund	975,287	-	-
0099	Other Intergovernmental Charges	1,279,807	-	-
6030	Total Expenditures	196,505,737	66,494,379	109,455,378
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	3,954,256	2,560,853	(108,581,777)
OTHER FINANCING SOURCES (USES):				
7901	Refunding Bonds Issued	-	30,290,000	-
7911	Capital Related Debt Issued (Regular Bonds)	-	-	94,890,000
7912	Sale of Real and Personal Property	99	-	-
7915	Transfers In	-	-	20,341,855
7916	Premium or Discount on Issuance of Bonds	-	4,390,701	5,846,200
8911	Transfers Out (Use)	(20,355,199)	-	-
8949	Other (Uses)	-	(34,329,910)	-
7080	Total Other Financing Sources (Uses)	(20,355,100)	350,791	121,078,055
1200	Net Change in Fund Balances	(16,400,844)	2,911,644	12,496,278
0100	Fund Balance - July 1 (Beginning)	112,542,273	39,182,199	107,729,973
3000	Fund Balance - June 30 (Ending)	\$ 96,141,429	\$ 42,093,843	\$ 120,226,251

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

		Total	
Other Funds		Governmental Funds	
\$	9,489,987	\$	239,879,323
	1,969,349		39,825,326
	6,198,747		8,342,260
	17,658,083		288,046,909
	4,864,171		122,597,571
	52,306		2,465,800
	268,119		6,038,773
	9,943		1,445,781
	222,084		10,224,943
	1,705,899		8,216,292
	61,066		250,753
	15,553		1,897,804
	-		24,692,313
	8,091,202		8,091,202
	1,770,294		9,287,239
	144,714		5,999,413
	59,723		17,987,879
	14,625		1,633,493
	-		5,248,109
	29,199		140,939
	-		27,626,649
	-		38,389,599
	-		1,214,331
	-		94,053,651
	12,000		12,000
	-		6,764
	-		975,287
	-		1,279,807
	17,320,898		389,776,392
	337,185		(101,729,483)
	-		30,290,000
	-		94,890,000
	-		99
	13,344		20,355,199
	-		10,236,901
	-		(20,355,199)
	-		(34,329,910)
	13,344		101,087,090
	350,529		(642,393)
	3,334,668		262,789,113
\$	3,685,197	\$	262,146,720

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (642,393)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	110,378,782
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(18,425,164)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(671,230)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	(96,363)
Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	10,550,048
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	2,729,168
The net income (loss) of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.	(257,577)
Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	27,626,649
The premium on the current year issuances of bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements.	(10,236,901)
Current year issuances of bonds are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(125,180,000)
Payments to the refunded bonds escrow agent are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.	34,329,910
Current year net increases in accrued vacation benefit obligations are shown as expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	(79,882)

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

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

EXHIBIT C-4

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2017 caused the ending net position to increase in the amount of \$3,613,940. Contributions made before the measurement date but during the 2018 FY were also de-expended and recorded as a reduction in the net pension liability for the District. This caused a decrease in the net position in the amount of \$706,331. These contributions were replaced with the District's pension expense for the year of \$6,007,115, which caused a decrease in net position. The impact of all of these is to decrease net position by \$1,686,844.	(1,686,844)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2017 but during the current fiscal year caused the ending net position to increase in the amount of \$835,294. These contributions were replaced with the District's OPEB expense for the year, which was a \$20,315,571 benefit and also caused an increase in net position. The impact of both of these is to increase net position by \$21,150,865.	21,150,865
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(3,733,032)
Change in Net Position of Governmental Activities	<u><u>\$ 45,756,036</u></u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,364,337
Other Receivables	881,851
	<hr/>
Total Assets	5,246,188
	<hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	247,771
Accrued Wages Payable	11,285
Accrued Expenses	1,792,998
	<hr/>
Total Liabilities	2,052,054
	<hr/>
NET POSITION	
Unrestricted Net Position	3,194,134
	<hr/>
Total Net Position	\$ 3,194,134
	<hr/> <hr/>

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 14,308,143
Total Operating Revenues	<u>14,308,143</u>
OPERATING EXPENSES:	
Payroll Costs	12,497
Professional and Contracted Services	1,205,148
Supplies and Materials	13,618
Other Operating Costs	<u>13,334,457</u>
Total Operating Expenses	<u>14,565,720</u>
Operating Income (Loss)	(257,577)
Total Net Position - July 1 (Beginning)	<u>3,451,711</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 3,194,134</u></u>

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 15,441,486
Cash Payments to Employees for Services	(1,212)
Cash Payments for Insurance Claims	(10,458,874)
Cash Payments for Suppliers	(13,966)
Cash Payments for Other Operating Expenses	(1,207,135)
Net Cash Provided by Operating Activities	<u>3,760,299</u>
Net Increase in Cash and Cash Equivalents	3,760,299
Cash and Cash Equivalents at Beginning of Year	<u>604,038</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,364,337</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ (257,577)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	3,958,490
Decrease (increase) in Receivables	(305,223)
Increase (decrease) in Accounts Payable	232,074
Increase (decrease) in Accrued Wages Payable	11,285
Increase (decrease) in Accrued Expenses	121,250
Net Cash Provided by Operating Activities	<u>\$ 3,760,299</u>

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

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

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 65,173
Due from Other Funds	118,298
	<hr/>
Total Assets	\$ 183,471
	<hr/>
LIABILITIES	
Payroll Deductions and Withholdings Payable	\$ 25,421
Due to Student Groups	158,050
	<hr/>
Total Liabilities	\$ 183,471
	<hr/>

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northwest Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

In 2002, the District implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB Statement No. 34), GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes. The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve *fiscal accountability* and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's *operational accountability*. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Based on the aforementioned criteria, Northwest Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (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, within the governmental and business-type activities columns, has been removed from these statements, except that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Internal Service Funds** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its student devices, marketing & advertising activities and various self-insurance plans.
3. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts, and are accounted for on the accrual basis of accounting. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

The internal service funds are proprietary fund types. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETS

Legal requirements for school district budgets are formulated by the state, TEA, and the local district. The Board adopts an "appropriated budget" on a basis consistent with GAAP for the general fund, debt service fund and child nutrition program (which is included in special revenue funds). At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds.

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

- Prior to June 19th, the District prepares a budget based on the planning-programming budgeting method for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to June 30th the Board of Trustees legally adopts the budget for the general fund, debt service fund and child nutrition program.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year. Budget amendments throughout the year were not significant.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate budget manager (principal, department director or divisional administrator).

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

E. CASH AND CASH EQUIVALENTS

The cash and cash equivalents portion of this caption in the accompanying fund financial statements is comprised of demand accounts, imprest funds and money market savings accounts. The District maintains a demand account on an imprest basis through which most obligations are paid. Checking account balances for most government fund expenditures are pooled into one demand account.

All District's deposits are legally insured by the Federal Deposit Insurance Corporation and additionally protected by appropriate pledges of securities issued by the State of Texas, other Texas municipalities or the Federal government.

F. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and prepaid items are shown as nonspendable fund balance to signify that they are not available for other subsequent expenditures. Prepaid balances are reported using the consumption method, in which the prepaid item is recorded as an asset when paid and is charged to expenditure or expense each fiscal year in an amount equal to the related benefits received that year.

G. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

H. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the governmental activities column of the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land	N/A
Buildings	50 Years
Building improvements	1-20 Years
Furniture and equipment	7 Years
Computer equipment	3 Years
Vehicles	7 Years

I. COMPENSATED ABSENCES

The District requires overtime compensation to be paid or taken in the form of compensatory time off. The District generally does not allow hourly employees to carry forward unused vacation time. Effective July 1, 2000 the District's full-time employees in positions that require twelve months of service are eligible for two weeks of vacation with pay annually. This vacation is accrued at the rate of five-sixths of a day for each month of employment, for a maximum of forty days. As of June 30, 2018 the amount accrued and vested was \$832,979 and is reported as a long-term debt in the accompanying financial statements. Typically, the general fund is used to liquidate the liability for compensated absences.

Beginning Balance			Ending Balance
<u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
<u>\$753,097</u>	<u>\$476,494</u>	<u>\$396,612</u>	<u>\$832,979</u>

The District allows employees to carry forward unused sick leave to subsequent years. As of June 30, 2018 the contingent liability to the District for sick leave carried forward totaled approximately \$14,548,508. This amount is not paid to employees upon retirement or termination, therefore the District has not recorded a liability for accumulated sick leave.

J. CASH EQUIVALENTS

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with original maturities of three months or less.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

K. NET POSITION

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2018 was \$34,678,249.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2018 was \$20,761,506.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The 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 next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported in the governmental activities for deferred OPEB expense at June 30, 2018 was \$847,126.

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

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2018 was \$4,379,478.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2018, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$12,284,221.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2017 measurement year). In fiscal year 2018, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$25,188,251.

N. FINANCIAL REPORTING MODEL

The District follows the financial reporting model for state and local governments that includes the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve *fiscal accountability* and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's *operational accountability*. The GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

As a result, the financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. The government-wide financial statements split the District programs between governmental and business-type activities.

O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2018, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. DATA CONTROL CODES

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

R. IMPLEMENTATION OF NEW STANDARD

In the current fiscal year the District implemented the following new standard:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are on percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

NOTE 2. FUND BALANCE

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2018 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned no fund balance as of June 30, 2018.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

During the current fiscal period, the Board of Trustees adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 50 and 51) and are described below:

General Fund

The General Fund has unassigned fund balance of \$94,960,888 at June 30, 2018. Deferred expenditures (prepaid items) of \$1,180,541 are considered nonspendable fund balance.

Other Major Funds

The Debt Service Fund has restricted funds of \$42,093,843 at June 30, 2018 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$120,226,251 at June 30, 2018 consisting primarily of unspent bond funds.

Other Funds

The fund balance of \$2,618,987 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of \$1,066,210 in the Child Nutrition Fund is shown as restricted for the food service program.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At June 30, 2018, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$33,289,202 and the bank balance was \$40,517,241. The District's deposits at June 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the District's cash balances totaled \$40,517,241. This entire amount was either secured by pledged securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

At June 30, 2018, the District held a portion of its investments in the Texpool investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

- c. **Credit Risk -** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investors Service. The District's policy manages credit risk by authorizing only the safest types of investments backed by the federal or state government or their obligations and/or with ratings from nationally recognized rating firms of at least AA or its equivalent. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAm (Standard & Poor's).
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool investments is less than 60 days. The District has no formal policy related to interest rate risk.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2018, the District was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk -** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

The District's investments at June 30, 2018, are shown below:

Name	Carrying Amount	Fair Value
TexPool investment pool	\$122,469,866	\$122,469,866
Certificates of deposit	5,000,000	5,000,000
U.S. Government securities	<u>131,286,197</u>	<u>131,286,197</u>
Total	<u>\$258,756,063</u>	<u>\$258,756,063</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

<u>Fair Value Measurements Using</u>				
	Balance at 6/30/18	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value level:</u>				
Certificates of Deposit	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
U.S. Government Securities	<u>131,286,197</u>	<u>-</u>	<u>131,286,197</u>	<u>-</u>
Total	<u>\$136,286,197</u>	<u>\$ -</u>	<u>\$136,286,197</u>	<u>\$ -</u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The fair value of the certificates of deposit and U.S. Government securities at June 30, 2018 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the TexPool Investment Pool (a statewide 2a7-like external investment pool) is not required to be measured at fair value but is measured at amortized cost.

NOTE 4. CAPITAL ASSETS

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

	Balance July 1	Additions/ Completions	Retirement/ Sales	Balance June 30
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 46,837,288	\$ 6,778,483	\$ -	\$ 53,615,771
Construction in Progress	<u>53,629,425</u>	<u>84,880,372</u>	<u>(12,148,022)</u>	<u>126,361,775</u>
Total capital assets, not being depreciated	<u>100,466,713</u>	<u>91,658,855</u>	<u>(12,148,022)</u>	<u>179,977,546</u>
Capital assets, being depreciated:				
Buildings and Improvements	740,220,108	12,793,119	-	753,013,227
Furniture and Equipment	13,531,527	3,416,017	-	16,947,544
Vehicles	<u>2,294,688</u>	<u>14,658,813</u>	<u>-</u>	<u>16,953,501</u>
Total capital assets, being depreciated	<u>756,046,323</u>	<u>30,867,949</u>	<u>-</u>	<u>786,914,272</u>
Less accumulated depreciation for:				
Buildings and Improvements	(144,499,957)	(17,070,760)	-	(161,570,717)
Furniture and Equipment	(8,964,014)	(1,000,954)	-	(9,964,968)
Vehicles	<u>(1,251,696)</u>	<u>(353,450)</u>	<u>-</u>	<u>(1,605,146)</u>
Total accumulated depreciation	<u>(154,715,667)</u>	<u>(18,425,164)</u>	<u>-</u>	<u>(173,140,831)</u>
Total capital assets being depreciated, net	<u>601,330,656</u>	<u>12,442,785</u>	<u>-</u>	<u>613,773,441</u>
Governmental activities capital assets, net	<u>\$ 701,797,369</u>	<u>\$ 104,101,640</u>	<u>\$ (12,148,022)</u>	<u>\$ 793,750,987</u>

Construction in progress includes the following construction contract in progress as of June 30, 2018:

Project	Estimated Cost to Complete	Expended to Date	Balance to Complete
Middle School Construction	\$56,454,154	\$55,204,307	\$ 1,249,847
Elementary School Construction	25,261,126	16,511,852	8,749,274
Elementary School Addition	<u>8,536,769</u>	<u>5,395,886</u>	<u>3,140,883</u>
Total	<u>\$90,252,049</u>	<u>\$77,112,045</u>	<u>\$13,140,004</u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

Governmental activities:	
Instruction	\$13,444,729
Instructional Resources & Media Services	231,449
Curriculum & Instructional Staff Development	536,914
Instructional Leadership	135,591
School Leadership	1,106,976
Guidance, Counseling & Evaluation Services	898,789
Health Services	214,225
Cocurricular/Extracurricular Activities	469,597
General Administration	521,294
Plant Maintenance and Operations	371,645
Data Processing Services	450,155
Security & Monitoring	28,877
Community Services	<u>14,923</u>
Total depreciation expense-Governmental activities	<u>\$18,425,164</u>

Land and construction in progress are not depreciated.

NOTE 5. LONG-TERM DEBT

Long-term debt includes seventeen series of general obligation bonds, accreted interest on capital appreciation bonds, premiums on issuance of debt, compensated absences, interest rate swap agreements, and special termination benefits. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2018:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 7/1/16	Additions	Refunded/ Retired	Amounts Outstanding 6/30/17	Due Within One Year
Bonded Indebtedness:							
2006 Building	3.44%	20,000,000	\$ 13,820,000	\$ -	\$ -	\$ 13,820,000	\$ -
2008 Bldg/Ref CAB	2.43-4.89%	209,661	69,171	-	19,233	49,938	14,463
2009 Building	3.20-4.93%	63,820,000	1,125,000	-	1,125,000	-	-
2010 Building	3.95-4.70%	51,805,000	1,450,000	-	1,450,000	-	-
2011 Building	3.00-5.00%	47,415,000	20,000	-	-	20,000	-
2012 Bldg/Refunding	3.00-5.00%	91,585,000	87,355,000	-	32,820,000	54,535,000	2,590,000
2013 Building	3.00-5.00%	47,625,000	47,625,000	-	-	47,625,000	-
2013A Refunding	3.00-5.00%	44,180,000	43,080,000	-	2,125,000	40,955,000	2,280,000
2014 Building	2.00-5.00%	66,300,000	64,390,000	-	200,000	64,190,000	200,000
2015 Refunding	2.00-5.00%	83,565,000	83,190,000	-	1,080,000	82,110,000	1,495,000
2015 Building	1.00-5.00%	67,435,000	63,435,000	-	1,000,000	62,435,000	1,000,000
2015A Refunding	5.00%	118,740,000	118,740,000	-	-	118,740,000	-
2015A Refunding CAB	0.30-1.48%	3,083,475	422,857	-	287,416	135,441	135,441
2015B Refunding	1.50-5.00%	82,115,000	72,250,000	-	5,845,000	69,405,000	6,225,000
2016 Refunding	1.00-5.00%	49,510,000	48,545,000	-	560,000	47,985,000	3,875,000
2016A Refunding	2.00-5.00%	64,870,000	64,370,000	-	440,000	63,930,000	445,000
2017 Building	2.25-5.00%	90,520,000	90,520,000	-	10,500,000	80,020,000	1,725,000
2017 Refunding	2.00-5.00%	29,825,000	-	29,825,000	-	29,825,000	170,000
2017 Refunding CAB	1.25%	465,000	-	465,000	465,000	-	-
2018 Building	3.00-5.00%	94,890,000	-	94,890,000	-	94,890,000	4,720,000
Total Bonded Indebtedness			<u>803,407,028</u>	<u>125,180,000</u>	<u>57,916,649</u>	<u>870,670,379</u>	<u>24,874,904</u>
Accreted Interest			7,754,267	159,183	2,888,351	5,025,099	3,630,095
Premiums on Bond Issuance			112,188,338	10,236,901	10,550,048	111,875,191	7,268,073
Accrued Vacation Benefits			753,097	476,494	396,612	832,979	400,000
Total Other Obligations			<u>120,695,702</u>	<u>10,872,578</u>	<u>13,835,011</u>	<u>117,733,269</u>	<u>11,298,168</u>
Total Obligations of District			<u>\$924,102,730</u>	<u>\$136,052,578</u>	<u>\$ 71,751,660</u>	<u>\$988,403,648</u>	<u>\$36,173,072</u>

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment. Governmental funds typically have been used in prior years to liquidate the liability for accrued vacation benefits.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2018.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2019	\$ 24,874,904	\$ 43,086,502	\$ 67,961,406
2020	27,270,694	40,277,669	67,548,363
2021	28,958,042	39,120,221	68,078,263
2022	32,031,147	37,742,491	69,773,638
2023	32,424,546	36,262,779	68,687,325
2024-2028	197,551,046	154,494,979	352,046,025
2029-2033	192,775,000	103,436,925	296,211,925
2034-2038	149,845,000	64,323,100	214,168,100
2039-2043	166,325,000	27,047,900	193,372,900
2044-2045	<u>18,615,000</u>	<u>1,413,250</u>	<u>20,028,250</u>
Total	<u>\$870,670,379</u>	<u>\$547,205,816</u>	<u>\$1,417,876,195</u>

NOTE 7. DEFEASED BONDS OUTSTANDING

On December 1, 2017, the District issued \$29,825,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 2.00% to 5.00% and \$465,000 (par value) in capital appreciation bonds with a 1.25% interest rate to advance refund \$30,290,000 of unlimited tax school building and tax refunding bonds. The unlimited tax refunding bonds were issued at a net premium of \$4,390,701, and, after paying issuance costs of \$350,791, the net proceeds were \$34,329,910. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by \$4,596,975 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,657,294.

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On June 30, 2018, \$251,795,000 of bonds outstanding are considered defeased.

NOTE 8. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid \$1,279,807 in fiscal year 2018 for appraising property.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The appraisal and recording of all property within the District is the responsibility of the Denton Central Appraisal District (DCAD), an independent government unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. DCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the DCAD Review Board through various appeals and, if necessary, legal action. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2017-18 fiscal year was based was \$14,924,184,765. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.45 per \$100 valuation, respectively, for a total of \$1.49 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2018 were 99.19% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,736,875 and \$1,385,458 for the General and Debt Service Funds, respectively. The uncollectible allowance has been estimated at 7.5% of outstanding property taxes at June 30, 2018.

Property taxes are recorded as receivables and as unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as unavailable revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2018. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Northwest ISD FY2018 Employer Contributions	\$	4,317,863
Northwest ISD FY2018 Member Contributions	\$	10,248,308
Northwest ISD 2018 NECE On-Behalf Contributions	\$	5,855,656

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

As the non-employer contributing entity for public education, 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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability 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 primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Northwest ISD's proportionate share of the net pension liability:	\$67,511,716	\$40,047,246	\$17,178,580

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, Northwest Independent School District reported a liability of \$40,047,246 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Northwest Independent School District. The amount recognized by Northwest Independent School 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 Northwest Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 40,047,246
State's proportionate share that is associated with the District	<u>57,248,134</u>
Total	<u>\$ 97,295,380</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.1252470077%, an increase of 6.1% from its proportionate share of 0.11808398% at August 31, 2016.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

For the year ended June 30, 2018, Northwest Independent School District recognized pension expense of \$4,366,660 and revenue of \$4,366,660 for support provided by the State.

At June 30, 2018, Northwest Independent School 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 585,909	\$ 2,159,695
Changes in actuarial assumptions	1,824,216	1,044,321
Difference between projected and actual investment earnings	6,158,801	9,077,357
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	8,578,640	2,848
Contributions paid to TRS subsequent to the measurement date	3,613,940	-
Total	\$20,761,506	\$12,284,221

\$3,613,940 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2019	\$ 676,821
2020	3,233,141
2021	480,407
2022	(267,465)
2023	501,374
Thereafter	239,067

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

TRS-Care Plan Premium Rates Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1 <u>Basic Plan</u>	TRS-Care 2 <u>Optional Plan</u>	TRS-Care 3 <u>Optional Plan</u>
Retiree*	\$ 0	\$ 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 .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.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
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%
Northwest ISD FY18 Employer Contributions	\$954,768	
Northwest ISD FY18 Member Contributions	\$865,117	
Northwest ISD 2018 NECE On-behalf Contributions	\$1,238,736	

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. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

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

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

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:

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim 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

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

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District’s proportionate share of the Net OPEB Liability:	\$71,069,214	\$60,215,486	\$51,491,539

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$50,135,414	\$60,215,486	\$73,441,819

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2018, the District reported a liability of \$60,215,486 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$ 60,215,486
State's proportionate share that is associated with the District	<u>103,611,938</u>
Total	<u>\$163,827,424</u>

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.1384701776% which was the same proportion measured as of August 31, 2016.

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

1. Significant plan changes were adopted during fiscal year ending 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.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact included assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

The significant changes to the plan benefits and assumptions noted above lowered the OPEB liability related to TRS-Care plan as a whole by \$33.3 billion. As a result, the District's proportional share of the net OPEB liability decreased by \$11,421,819. Because the decrease in the liability was the result of changes to plan benefits, a majority of the decrease has been recognized immediately in the District's financial statements. As a result, the District recognized a total proportional share of negative OPEB expense of \$46,091,913. A portion of this negative expense represents the State's on behalf share of this activity which is offset by what the Governmental Accounting Standards Board refers to as a negative revenue in the amount of \$34,671,309.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,257,044
Changes in actuarial assumptions	-	23,931,207
Difference between projected and actual investment earnings	9,147	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	277	-
Contributions paid to TRS subsequent to the measurement date	837,702	-
Total	\$ 847,126	\$25,188,251

The net amounts of the employer's balance of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	OPEB Expense Amount
2019	\$ (3,322,375)
2020	(3,322,375)
2021	(3,322,375)
2022	(3,322,375)
2023	(3,324,662)
Thereafter	(8,564,665)

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2018, the contribution made on behalf of the District was \$508,211.

NOTE 12. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2018, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund:		
ESEA, Title I	\$187,378	\$ -
IDEA-Part B, Formula	137,767	-
IDEA-Part B Preschool	689	-
Career and Technical-Basic Grant	36,650	-
ESEA II Training and Recruiting	27,822	-
ESEA Title III, LEP	2,165	-
NISD Education Foundation	20,380	-
Special Revenue Fund:		
General Fund	-	412,851
Capital Projects Fund:		
Trust and Agency Fund	-	118,298
Trust and Agency Fund:		
Capital Projects Fund	<u>118,298</u>	<u>-</u>
TOTAL	<u>\$531,149</u>	<u>\$531,149</u>

Virtually all of the above interfund balances are short-term loans due to the fact that checking account balances for most governmental funds are not pooled into one account. There are no interfund balances that are not expected to be repaid within one year.

Interfunds transfers in the governmental funds for the year ended June 30, 2018 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 13,344	\$ -
Capital Projects Fund	20,341,855	-
Special Revenue Fund:		
General Fund	-	13,344
Capital Projects Fund:		
General Fund	<u>-</u>	<u>20,341,855</u>
TOTAL	<u>\$20,355,199</u>	<u>\$20,355,199</u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The purpose of the \$13,344 transfer was to transfer local funds from the general fund to the child nutrition fund to cover negative student account balances and free meals served to employees. The purpose of the \$20,341,855 transfer was to transfer general fund non-bond funds to the capital projects fund to fund bus purchases.

NOTE 13. SELF-INSURANCE

Health Care. The District sponsors a self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Self-Insurance Fund (the "Fund"), an internal service fund of the District. The District contributed \$270,000 to establish the plan. During fiscal year 2018 the District contributed \$325 per month, per employee to the plan. The total contribution was \$5,795,084. The employees at their option, authorizes payroll withholdings to pay contributions or premiums for dependent's health insurance. If the employee chose not to accept the health insurance, the District contributed \$50 per month, which provided an addition to the life insurance policy in the amount of \$50,000, a hospitalization indemnity plan and access for employee and family to the employee assistance plan.

All contributions are retained by the District. Health claim payments are processed by a Third Party Administrator (TPA) acting on behalf of the District.

In September 2012, the District changed TPAs from UnitedHealth Care to Allegiance Benefits Plan Management, Inc., whose latest financial statements are available for the fiscal year ended December 31, 2017 and filed with the Texas State Board of Insurance, Austin, Texas and are public record. At June 30, 2018, a \$10,500 imprest balance due to the district's self-insurance fund is possessed by York/JI Specialties for workers comp.

Methodology for establishment of District medical reserves. The calculation of Medical Incurred but not Reported Claims (IBNR) is an estimate based on current claims data and future trend assumptions. Reports are provided by Allegiance Benefit Plan Management, Inc., the Claims Lag Report, Claims Turnaround Reports, and the Large Claims Reports. In our analysis of the large claim report, we netted out all of the Stop Loss Reimbursements over \$150,000 received by the District before estimating the IBNR. The data is then trended appropriately and converted into an estimated number of days outstanding.

Based upon calculation, our estimation is that there are 45 days of medical incurred but not reported claims of \$1,179,000. Due to the electronic billing of prescription drugs, these claims have a much lower required reserve than medical claims. Estimation of prescription drug claims incurred but not reported is \$166,289. The result is a total reserve of \$1,345,829. These unpaid claims are to be paid within one year.

Changes in the balances of claims liabilities for the District's medical insurance fund during the fiscal year are described below:

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2018
Unpaid claims, beginning	\$ 1,352,439	\$ 1,276,453
Incurred claim	8,147,940	9,562,876
Claims payments	<u>(8,223,926)</u>	<u>(9,701,656)</u>
Unpaid claims, ending	<u>\$ 1,276,453</u>	<u>\$ 1,345,829</u>

Workers' Compensation. Effective July 1, 2012 the District changed from a fully insured arrangement with Deep East Texas Insurance Company into a self-insurance plan to provide worker compensation benefits to staff.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Worker Compensation self-insured payments are currently processed by a third party administrator acting on behalf of the District. The District's third party administrator for workers' compensation is York/JI Companies. Changes in the balances of claims liabilities for the District's self-insured workers compensation insurance fund during the fiscal year are as follows:

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2018</u>
Unpaid claims, beginning	\$ 269,416	\$ 395,205
Incurred claims (including IBNR's)	564,287	277,785
Claims Payments	<u>(438,498)</u>	<u>(225,821)</u>
Unpaid claims, ending	<u>\$ 395,205</u>	<u>\$ 447,169</u>

Estimates of claims payable and of claims incurred, but not reported at June 30, 2018 are reflected as accounts payable and accrued expenses in the medical and workers compensation insurance fund. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The plan is funded to discharge liabilities of the Fund as they become due.

Based on the lag claim history of each fund, the unpaid claims liabilities are shown as current liabilities in the accompanying financial statements and are expected to result in actual payments in the subsequent year.

NOTE 14. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2018, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$4,039,865	\$5,079,767	\$412,851	\$484,811	\$10,017,294
Debt Service Fund	1,497,792	-	-	-	1,497,792
Capital Projects Fund	-	-	-	-	-
Special Revenue Fund	-	712,561	-	58,965	771,526
Total - Governmental Activities	<u>\$5,537,657</u>	<u>\$5,793,238</u>	<u>\$412,851</u>	<u>\$543,766</u>	<u>\$12,286,612</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 415,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,324</u>

Payables at June 30, 2018, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 1,415,753	\$19,889,006	\$ -	\$13,724	\$21,318,483
Debt Service Fund	-	-	-	4,989	4,989
Capital Projects Fund	12,265,547	-	118,298	417	11,384,262
Special Revenue Funds	416,619	386,861	412,851	186	1,216,517
Total-Governmental Activities	<u>\$13,097,919</u>	<u>\$20,275,867</u>	<u>\$531,149</u>	<u>\$19,316</u>	<u>\$33,924,251</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Grants & Entitlements	Federal Grants	Local Governments	Total
General	\$5,079,767	\$ -	\$ -	\$5,079,767
Special Revenue	-	712,561	-	712,561
Total	<u>\$5,079,767</u>	<u>\$712,561</u>	<u>\$ -</u>	<u>\$5,792,328</u>

NOTE 16. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At June 30, 2018, the estimated rebate liability on outstanding bond series was zero.

NOTE 17. LITIGATION AND CONTINGENCIES

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Denton Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$155,919,920	\$ -	\$67,381,377	\$ -	\$223,301,297
Food sales	-	5,906,944	-	-	5,906,944
Investment Income	1,681,309	44,958	536,287	870,838	3,133,392
Penalties, interest and other tax related income	1,065,865	-	306,248	-	1,372,113
Co-curricular student activities	530,952	2,945,178	-	-	3,476,130
TIF funds	650,191	-	-	-	650,191
Tuition and fees	261,089	100,835	-	-	361,924
Gifts and bequests	69,489	492,072	-	-	561,561
Facilities rentals	499,609	-	-	-	499,609
Insurance recovery	4,133	-	-	-	4,133
Other	609,266	-	-	2,763	612,029
Total	<u>\$161,291,823</u>	<u>\$9,489,987</u>	<u>\$68,223,912</u>	<u>\$ 873,601</u>	<u>\$239,879,323</u>

NOTE 19. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Student Lunchroom Balances	\$ -	\$159,805	\$ -	\$159,805
State Textbook Fund	-	486	-	486
Medicaid Admin Claim	-	37,696	-	37,696
Advanced Placement Incentives	-	60,536	-	60,536
Other Special Revenue Funds	-	85,864	-	85,864
Total	<u>\$ -</u>	<u>\$344,387</u>	<u>\$ -</u>	<u>\$344,387</u>

NOTE 20. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>Total Grant or Entitlement</u>
General Fund:	
Medicaid Reimbursement (SHARS)	\$1,236,935
Impact Aid	536,320
Indirect Costs	370,258
Total for General Fund	<u>\$2,143,513</u>

NOTE 21. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in one functional category in the General Fund for the year ended June 30, 2018.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 22. SHARED SERVICE ARRANGEMENTS

The District participates in shared service arrangements for the Title I, Part C Migrant program. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region XI ESC, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Northwest Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangements.

Northwest ISD is a SSA member of the Fort Worth Independent School District's Regional Day School Program for the Deaf as well as, the Denton Regional Day School Program for the Deaf. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agents, Fort Worth ISD and Denton ISD, nor does the District have a net equity interest in the fiscal agents. The fiscal agents are neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Northwest Independent School District. The fiscal agent managers' are responsible for all financial activities of the shared services arrangements.

NOTE 23. EXPENDITURES BY CHARACTER

Section 21.256, Texas Education Code, requires an annual audit and authorizes the State Board of Education, with the approval of the State Auditor, to prescribe minimum regulations and report forms for the annual audit. The Financial Accounting System Resource Guide of the Texas Education Agency prescribes the forms and formats to be filed with the Texas Education Agency. The prescribed format of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds, requires expenditures to be classified by function, meaning capital outlay directly associated with a particular function is charged to that function.

Expenditures by fund and character are as follows:

	Governmental Fund Types				Total (Memorandum Only)
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
Current	\$195,396,242	\$17,240,553	\$ -	\$ 1,644,109	\$214,280,904
Capital Outlay	1,110,503	80,345	-	107,811,269	109,002,117
Debt Service:					
Principal	-	-	27,626,649	-	27,626,649
Interest and Fiscal Charges	-	-	38,867,730	-	38,867,730
Total Expenditures	<u>\$196,506,745</u>	<u>\$17,320,898</u>	<u>\$66,494,379</u>	<u>\$109,455,378</u>	<u>\$389,777,400</u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 24. PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB)*. As a result the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the net OPEB liability and deferred outflows of resources relating to TRS-Care contributions made after the prior measurement date of the plan. The following illustrates the effect of the prior period adjustment:

Beginning Net Position – As Originally Presented	\$ 40,062,331
Restatement due to:	
Net OPEB liability (measurement date as of August 31, 2016)	(106,307,399)
Deferred Outflows:	
District contributions made to TRS during the fiscal year	<u>599,923</u>
Beginning Net Position (Deficit) – As Restated	<u>\$ (65,645,145)</u>

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 168,086,462	\$ 168,936,072	\$ 161,291,823	\$ (7,644,249)
5800 State Program Revenues	31,344,476	31,344,476	37,024,657	5,680,181
5900 Federal Program Revenues	1,573,856	2,106,962	2,143,513	36,551
5020 Total Revenues	201,004,794	202,387,510	200,459,993	(1,927,517)
EXPENDITURES:				
Current:				
0011 Instruction	121,760,561	122,046,107	117,360,957	4,685,150
0012 Instructional Resources and Media Services	2,217,921	2,542,419	2,413,494	128,925
0013 Curriculum and Instructional Staff Development	6,491,240	6,523,013	5,770,654	752,359
0021 Instructional Leadership	1,343,272	1,610,379	1,435,838	174,541
0023 School Leadership	9,986,224	11,233,073	10,002,859	1,230,214
0031 Guidance, Counseling and Evaluation Services	6,620,695	6,719,108	6,510,393	208,715
0032 Social Work Services	193,797	193,797	189,687	4,110
0033 Health Services	1,914,782	2,053,555	1,880,892	172,663
0034 Student (Pupil) Transportation	9,723,211	10,268,931	9,950,650	318,281
0036 Extracurricular Activities	6,387,920	7,607,646	7,122,170	485,476
0041 General Administration	5,469,504	6,552,367	5,854,699	697,668
0051 Facilities Maintenance and Operations	18,718,935	21,039,726	17,926,220	3,113,506
0052 Security and Monitoring Services	1,922,497	2,275,259	1,618,868	656,391
0053 Data Processing Services	5,349,625	6,138,505	5,248,109	890,396
0061 Community Services	143,950	154,530	111,740	42,790
Capital Outlay:				
0081 Facilities Acquisition and Construction	453,813	957,489	846,649	110,840
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	10,000	10,000	6,764	3,236
0097 Payments to Tax Increment Fund	1,046,847	1,046,847	975,287	71,560
0099 Other Intergovernmental Charges	1,250,000	1,250,000	1,279,807	(29,807)
6030 Total Expenditures	201,004,794	210,222,751	196,505,737	13,717,014
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(7,835,241)	3,954,256	11,789,497
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	99	99
8911 Transfers Out (Use)	-	(20,341,855)	(20,355,199)	(13,344)
7080 Total Other Financing Sources (Uses)	-	(20,341,855)	(20,355,100)	(13,245)
1200 Net Change in Fund Balances	-	(28,177,096)	(16,400,844)	11,776,252
0100 Fund Balance - July 1 (Beginning)	112,542,273	112,542,273	112,542,273	-
3000 Fund Balance - June 30 (Ending)	\$ 112,542,273	\$ 84,365,177	\$ 96,141,429	\$ 11,776,252

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

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.125247008%	0.11808398%	0.1196401%	0.0821466%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 40,047,246	\$ 44,622,180	\$ 42,291,183	\$ 21,942,493
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	57,248,134	66,264,758	62,165,127	26,943,583
Total	\$ 97,295,380	\$ 110,886,938	\$ 104,456,310	\$ 48,886,076
District's Covered Payroll	\$ 126,800,958	\$ 117,539,637	\$ 109,517,942	\$ 103,155,465
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	31.58%	37.96%	38.62%	21.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 4,317,863	\$ 4,048,709	\$ 3,703,805	\$ 3,291,771
Contribution in Relation to the Contractually Required Contribution	(4,317,863)	(4,048,709)	(3,703,805)	(3,291,771)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 133,094,908	\$ 125,214,930	\$ 116,272,847	\$ 109,517,942
Contributions as a Percentage of Covered Payroll	3.24%	3.23%	3.19%	3.01%

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

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

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

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.138470178%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 60,215,486
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	103,611,938
Total	<u>\$ 163,827,424</u>
District's Covered Payroll	\$ 126,800,958
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	47.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Contractually Required Contribution	\$ 954,768
Contribution in Relation to the Contractually Required Contribution	(954,768)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 133,094,908
Contributions as a Percentage of Covered Payroll	0.72%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year..

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

1. Significant plan changes were adopted during fiscal year ending 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.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact included assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for particular purposes. Most, but not all, of these funds must be applied for through the Standard Application System (SAS).

211 ESEA, Title I, Part A Improving Basic Programs – Provide opportunities for children served to acquire knowledge and skills to meet the challenging state performance standards developed for all children.

224 IDEA – Part B, Formula – Operate educational programs for children with disabilities.

225 IDEA – Part B, Preschool – Support programs for preschool children with disabilities.

240 National School Breakfast and Lunch Program – Support programs using federal reimbursement revenues from the United States Department of Agriculture (USDA).

244 Career and Technical – Basic Grant – Provide career and technical education to develop new and/or improved marketable skills for paid and unpaid employment.

255 ESEA, Title II, Part A Teacher and Principal Training and Recruiting – Provide financial assistance to increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals.

263 Title III, Part A - English Language Acquisition and Language Enhancement - Funds granted to improve the education of limited English proficient children by assisting the children to learn English and meet challenging State academic content and student academic achievement standards.

272 Medicaid Administrative Claiming Program - MAC – Funds allocated to local education agencies for reimbursement of eligible costs for activities attributed to the implementation of the Medicaid state plan.

289 Summer School LEP – Funds granted for summer education of limited English proficient students.

385 Visually Impaired – Funds granted for visually impaired students.

397 Advanced Placement Incentives – Support professional development of teachers teaching advanced classes.

410 State Textbook Fund – To purchase instructional materials, technological equipment and technology-related services that contributes to student learning or training for educational personnel involved in the use of such materials.

427 Pre-K Grant – High Quality Prekindergarten Program – State funded for prekindergarten students.

429 Other State Special Revenue Fund – State funded special revenue funds not listed above are to be accounted for in this fund.

461 Campus Activity – To account for transactions related to a campus activity fund.

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

465 Campus Activity – To account for transactions related to a principal's discretionary activity fund.

481 Education Foundation – Funds granted through the Northwest Education Foundation.

499 Other Local Special Revenue Funds – These fund classifications are used, at the option of the school district to classify locally funded special revenue funds such as grants by corporations to specific campuses not defined elsewhere.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 85,058	\$ 537	\$ 1,475,518
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	306,023	315,430	5,200	12,058
1250	Accrued Interest	-	-	-	-
1290	Other Receivables	-	-	-	13,924
1000	Total Assets	<u>\$ 306,023</u>	<u>\$ 400,488</u>	<u>\$ 5,737</u>	<u>\$ 1,501,500</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 6,773	\$ -	\$ 275,485
2160	Accrued Wages Payable	118,645	255,948	5,048	-
2170	Due to Other Funds	187,378	137,767	689	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	-	-	-	159,805
2000	Total Liabilities	<u>306,023</u>	<u>400,488</u>	<u>5,737</u>	<u>435,290</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	1,066,210
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,066,210</u>
4000	Total Liabilities and Fund Balances	<u>\$ 306,023</u>	<u>\$ 400,488</u>	<u>\$ 5,737</u>	<u>\$ 1,501,500</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	288 Summer School LEP	289 ESEA Title IV Part A	385 Visually Impaired SSVI	397 Advanced Placement Incentives
\$ -	\$ -	\$ 7	\$ 37,696	\$ -	\$ -	\$ -	\$ 60,536
-	-	-	-	-	-	-	-
36,650	35,042	2,158	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 36,650</u>	<u>\$ 35,042</u>	<u>\$ 2,165</u>	<u>\$ 37,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,536</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	7,220	-	-	-	-	-	-
36,650	27,822	2,165	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	37,696	-	-	-	60,536
<u>36,650</u>	<u>35,042</u>	<u>2,165</u>	<u>37,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,536</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 36,650</u>	<u>\$ 35,042</u>	<u>\$ 2,165</u>	<u>\$ 37,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,536</u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	465 Principal Discretionary
ASSETS					
1110	Cash and Cash Equivalents	\$ 134,347	\$ 15,741	\$ 656,660	\$ 269,655
1120	Investments - Current	-	-	1,661,784	-
1240	Receivables from Other Governments	-	-	-	-
1250	Accrued Interest	-	-	6,913	-
1290	Other Receivables	-	-	24,161	-
1000	Total Assets	<u>\$ 134,347</u>	<u>\$ 15,741</u>	<u>\$ 2,349,518</u>	<u>\$ 269,655</u>
LIABILITIES					
2110	Accounts Payable	\$ 133,861	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	-	-	186	-
2300	Unearned Revenues	486	15,741	-	-
2000	Total Liabilities	<u>134,347</u>	<u>15,741</u>	<u>186</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	2,349,332	269,655
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>2,349,332</u>	<u>269,655</u>
4000	Total Liabilities and Fund Balances	<u>\$ 134,347</u>	<u>\$ 15,741</u>	<u>\$ 2,349,518</u>	<u>\$ 269,655</u>

481 NISD Education Foundation	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 70,123	\$ 2,805,878
-	-	1,661,784
-	-	712,561
-	-	6,913
20,880	-	58,965
<u>\$ 20,880</u>	<u>\$ 70,123</u>	<u>\$ 5,246,101</u>
\$ 500	\$ -	\$ 416,619
-	-	386,861
20,380	-	412,851
-	-	186
-	70,123	344,387
<u>20,880</u>	<u>70,123</u>	<u>1,560,904</u>
-	-	1,066,210
-	-	2,618,987
<u>-</u>	<u>-</u>	<u>3,685,197</u>
<u>\$ 20,880</u>	<u>\$ 70,123</u>	<u>\$ 5,246,101</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 5,934,235
5800 State Program Revenues	-	-	-	27,585
5900 Federal Program Revenues	836,255	2,782,166	17,549	2,202,242
5020 Total Revenues	836,255	2,782,166	17,549	8,164,062
EXPENDITURES:				
Current:				
0011 Instruction	744,138	1,062,357	17,549	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	1,398	9,771	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	1,153	-	-	-
0031 Guidance, Counseling and Evaluation Services	367	1,698,038	-	-
0032 Social Work Services	60,000	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	8,091,202
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	59,723
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	29,199	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	12,000	-	-
6030 Total Expenditures	836,255	2,782,166	17,549	8,150,925
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	13,137
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	13,344
1200 Net Change in Fund Balance	-	-	-	26,481
0100 Fund Balance - July 1 (Beginning)	-	-	-	1,039,729
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ 1,066,210

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	288 Summer School LEP	289 ESEA Title IV Part A	385 Visually Impaired SSVI	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	7,205	4,184
63,306	214,646	52,997	6,950	5,936	16,700	-	-
63,306	214,646	52,997	6,950	5,936	16,700	7,205	4,184
49,881	-	9,648	-	5,936	8,097	6,074	2,334
-	-	-	-	-	-	-	-
300	208,171	43,349	-	-	-	1,131	1,850
9,943	-	-	-	-	-	-	-
-	6,475	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	6,950	-	8,603	-	-
-	-	-	-	-	-	-	-
3,182	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
63,306	214,646	52,997	6,950	5,936	16,700	7,205	4,184
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	465 Principal Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,370	\$ -	\$ 3,087,847	\$ 239,197
5800 State Program Revenues	1,922,954	7,421	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	1,926,324	7,421	3,087,847	239,197
EXPENDITURES:				
Current:				
0011 Instruction	1,926,324	7,397	935,081	-
0012 Instructional Resources and Media Services	-	24	43,562	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	779	213,677
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	1,755,108	12,004
0041 General Administration	-	-	28,160	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	8,691	5,934
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	1,926,324	7,421	2,771,381	231,615
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	316,466	7,582
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	316,466	7,582
0100 Fund Balance - July 1 (Beginning)	-	-	2,032,866	262,073
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ 2,349,332	\$ 269,655

481	499	Total
NISD	Other Local	Nonmajor
Education	Special	Governmental
Foundation	Revenue Funds	Funds
\$ 206,023	\$ 19,315	\$ 9,489,987
-	-	1,969,349
-	-	6,198,747
206,023	19,315	17,658,083
76,005	13,350	4,864,171
8,720	-	52,306
-	2,149	268,119
-	-	9,943
-	-	222,084
4,744	2,750	1,705,899
-	1,066	61,066
-	-	15,553
-	-	8,091,202
-	-	1,770,294
116,554	-	144,714
-	-	59,723
-	-	14,625
-	-	29,199
-	-	12,000
206,023	19,315	17,320,898
-	-	337,185
-	-	13,344
-	-	350,529
-	-	3,334,668
\$ -	\$ -	\$ 3,685,197

This page left blank intentionally.



INTERNAL SERVICE FUNDS

711 Student Devices – account for funds related to the issuance and maintenance of netbooks to District students.

712 Marketing & Advertising – account for funds related to marketing activities of the District.

753 Insurance – account for the District's self-insurance activities concerning health insurance coverage for District employees.

771 Workers Compensation – account for the District's self-insurance activities concerning workers compensation insurance coverage provided to District employees.

772 Unemployment – account for the District's self-insurance activities concerning unemployment insurance coverage provided to District employees.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2018

	711 Student Devices	712 Marketing & Advertising
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,409,291	\$ 82,856
Other Receivables	-	-
Total Assets	<u>1,409,291</u>	<u>82,856</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	-
Accrued Wages Payable	11,285	-
Accrued Expenses	-	-
Total Liabilities	<u>11,285</u>	<u>-</u>
NET POSITION		
Unrestricted Net Position	<u>1,398,006</u>	<u>82,856</u>
Total Net Position	<u><u>\$ 1,398,006</u></u>	<u><u>\$ 82,856</u></u>

753 Insurance	771 Workers Compensation	772 Unemployment	Total Internal Service Funds
\$ 2,314,748	\$ 554,683	\$ 2,759	\$ 4,364,337
881,851	-	-	881,851
3,196,599	554,683	2,759	5,246,188
247,771	-	-	247,771
-	-	-	11,285
1,345,829	447,169	-	1,792,998
1,593,600	447,169	-	2,052,054
1,602,999	107,514	2,759	3,194,134
\$ 1,602,999	\$ 107,514	\$ 2,759	\$ 3,194,134

NORTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	711 Student Devices	712 Marketing & Advertising
<hr/>		
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 115,008	\$ 100,460
Total Operating Revenues	<u>115,008</u>	<u>100,460</u>
OPERATING EXPENSES:		
Payroll Costs	11,285	1,212
Professional and Contracted Services	137,262	12,477
Supplies and Materials	7,069	5,178
Other Operating Costs	7	1,980
Total Operating Expenses	<u>155,623</u>	<u>20,847</u>
Income (Loss) Before Transfers	(40,615)	79,613
Transfer In	-	-
Transfers Out	<u>-</u>	<u>-</u>
Change in Net Position	(40,615)	79,613
Total Net Position - July 1 (Beginning)	<u>1,438,621</u>	<u>3,243</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 1,398,006</u></u>	<u><u>\$ 82,856</u></u>

753 Insurance	771 Workers Compensation	772 Unemployment	Total Internal Service Funds
<u>\$ 13,087,499</u>	<u>\$ 683,463</u>	<u>\$ 321,713</u>	<u>\$ 14,308,143</u>
13,087,499	683,463	321,713	14,308,143
-	-	-	12,497
1,055,311	98	-	1,205,148
1,371	-	-	13,618
<u>12,956,130</u>	<u>370,821</u>	<u>5,519</u>	<u>13,334,457</u>
14,012,812	370,919	5,519	14,565,720
(925,313)	312,544	316,194	(257,577)
670,414	-	-	670,414
<u>-</u>	<u>(345,531)</u>	<u>(324,883)</u>	<u>(670,414)</u>
(254,899)	(32,987)	(8,689)	(257,577)
<u>1,857,898</u>	<u>140,501</u>	<u>11,448</u>	<u>3,451,711</u>
<u><u>\$ 1,602,999</u></u>	<u><u>\$ 107,514</u></u>	<u><u>\$ 2,759</u></u>	<u><u>\$ 3,194,134</u></u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	711 Student Devices	712 Marketing & Advertising
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 1,553,629	\$ 100,486
Cash Payments to Employees for Services	-	(1,212)
Cash Payments for Insurance Claims	-	-
Cash Payments for Suppliers	(7,069)	(5,526)
Cash Payments for Other Operating Expenses	(137,269)	(14,457)
Net Cash Provided by Operating Activities	<u>1,409,291</u>	<u>79,291</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Transfers In	-	-
Transfer (Out)	-	-
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,409,291	79,291
Cash and Cash Equivalents at Beginning of Year	<u>-</u>	<u>3,565</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,409,291</u></u>	<u><u>\$ 82,856</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>		
Operating Income (Loss):	\$ (40,615)	\$ 79,613
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	1,438,566	-
Decrease (increase) in Receivables	55	26
Increase (decrease) in Accounts Payable	-	(348)
Increase (decrease) in Accrued Wages Payable	11,285	-
Increase (decrease) in Accrued Expenses	<u>-</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,409,291</u></u>	<u><u>\$ 79,291</u></u>

753	771	772	
Insurance	Workers Compensation	Unemployment	Total Internal Service Funds
\$ 12,782,195	\$ 683,463	\$ 321,713	\$ 15,441,486
-	-	-	(1,212)
(10,134,498)	(318,857)	(5,519)	(10,458,874)
(1,371)	-	-	(13,966)
(1,055,311)	(98)	-	(1,207,135)
1,591,015	364,508	316,194	3,760,299
670,414	-	-	670,414
-	(345,531)	(324,883)	(670,414)
670,414	(345,531)	(324,883)	-
2,261,429	18,977	(8,689)	3,760,299
53,319	535,706	11,448	604,038
\$ 2,314,748	\$ 554,683	\$ 2,759	\$ 4,364,337
\$ (925,313)	\$ 312,544	\$ 316,194	\$ (257,577)
2,519,924	-	-	3,958,490
(305,304)	-	-	(305,223)
232,422	-	-	232,074
-	-	-	11,285
69,286	51,964	-	121,250
\$ 1,591,015	\$ 364,508	\$ 316,194	\$ 3,760,299

NORTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	BALANCE JULY 1 2017	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2018
PAYROLL CLEARING				
Assets:				
Cash and Temporary Investments	\$ 1,253,887	\$ 51,788,029	\$ 53,134,793	\$ (92,877)
Due From Other Funds	-	468,684	350,386	118,298
Total Assets	<u>\$ 1,253,887</u>	<u>\$ 52,256,713</u>	<u>\$ 53,485,179</u>	<u>\$ 25,421</u>
Liabilities:				
Payroll Deductions & Withholdings	<u>\$ 1,253,887</u>	<u>\$ 52,256,713</u>	<u>\$ 53,485,179</u>	<u>\$ 25,421</u>
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	<u>\$ 170,215</u>	<u>\$ 495,973</u>	<u>\$ 508,138</u>	<u>\$ 158,050</u>
Liabilities:				
Due to Student Groups	<u>\$ 170,215</u>	<u>\$ 495,973</u>	<u>\$ 508,138</u>	<u>\$ 158,050</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 1,424,102	\$ 52,284,002	\$ 53,642,931	\$ 65,173
Due From Other Funds	-	468,684	350,386	118,298
Total Assets	<u>\$ 1,424,102</u>	<u>\$ 52,752,686</u>	<u>\$ 53,993,317</u>	<u>\$ 183,471</u>
Liabilities:				
Payroll Deductions & Withholdings	\$ 1,253,887	\$ 52,256,713	\$ 53,485,179	\$ 25,421
Due to Student Groups	170,215	495,973	508,138	158,050
Total Liabilities	<u>\$ 1,424,102</u>	<u>\$ 52,752,686</u>	<u>\$ 53,993,317</u>	<u>\$ 183,471</u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,093,483	\$ 6,093,483	\$ 5,934,235	\$ (159,248)
5800	State Program Revenues	31,356	31,356	27,585	(3,771)
5900	Federal Program Revenues	2,330,052	2,330,052	2,202,242	(127,810)
5020	Total Revenues	8,454,891	8,454,891	8,164,062	(290,829)
EXPENDITURES:					
0035	Food Services	8,507,636	8,507,636	8,091,202	416,434
0051	Facilities Maintenance and Operations	59,723	59,723	59,723	-
6030	Total Expenditures	8,567,359	8,567,359	8,150,925	416,434
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,468)	(112,468)	13,137	125,605
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	13,344	13,344
1200	Net Change in Fund Balances	(112,468)	(112,468)	26,481	138,949
0100	Fund Balance - July 1 (Beginning)	1,039,729	1,039,729	1,039,729	-
3000	Fund Balance - June 30 (Ending)	\$ 927,261	\$ 927,261	\$ 1,066,210	\$ 138,949

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 68,369,122	\$ 68,369,122	\$ 68,223,912	\$ (145,210)
5800	State Program Revenues	-	-	831,320	831,320
5020	Total Revenues	68,369,122	68,369,122	69,055,232	686,110
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	27,626,649	27,626,649	27,626,649	-
0072	Interest on Long Term Debt	39,048,579	39,048,579	38,389,599	658,980
0073	Bond Issuance Cost and Fees	180,000	530,791	478,131	52,660
6030	Total Expenditures	66,855,228	67,206,019	66,494,379	711,640
1100	Excess of Revenues Over Expenditures	1,513,894	1,163,103	2,560,853	1,397,750
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	30,290,000	30,290,000	-
7916	Premium or Discount on Issuance of Bonds	-	4,390,701	4,390,701	-
8949	Other (Uses)	-	(34,329,910)	(34,329,910)	-
7080	Total Other Financing Sources (Uses)	-	350,791	350,791	-
1200	Net Change in Fund Balances	1,513,894	1,513,894	2,911,644	1,397,750
0100	Fund Balance - July 1 (Beginning)	39,182,199	39,182,199	39,182,199	-
3000	Fund Balance - June 30 (Ending)	\$ 40,696,093	\$ 40,696,093	\$ 42,093,843	\$ 1,397,750

OTHER COMPLIANCE SCHEDULES

Other Compliance Schedules includes various schedules required by the Texas Education Agency that are not required disclosures in the Comprehensive Annual Financial Report.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.020000	0.335000	10,991,418,500
2011	1.040000	0.335000	10,557,293,945
2012	1.040000	0.335000	10,712,617,600
2013	1.040000	0.335000	10,610,204,200
2014	1.040000	0.412500	10,548,852,117
2015	1.040000	0.412500	11,616,927,849
2016	1.040000	0.412500	11,705,540,348
2017	1.040000	0.412500	12,420,509,000
2018 (School year under audit)	1.040000	0.450000	14,924,184,765
1000 TOTALS			

Tax Paid into Tax Increment Zone under Chapter 311, Tax Code \$650,191

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 1,084,966	\$ -	\$ 42,912	\$ 10,507	\$ (59,084)	\$ 972,463
363,006	-	6,714	2,205	-	354,087
241,266	-	5,083	1,637	(40)	234,506
338,603	-	168,358	54,231	27,208	143,222
400,940	-	212,084	68,315	102,011	222,552
420,948	-	210,649	83,551	115,108	241,856
481,810	-	227,134	90,089	198,878	363,465
755,033	-	300,978	119,378	251,568	586,245
1,616,883	-	827,421	328,184	166,615	627,893
-	222,370,353	153,961,171	66,617,814	-	1,791,368
<u>\$ 5,703,455</u>	<u>\$ 222,370,353</u>	<u>\$ 155,962,504</u>	<u>\$ 67,375,911</u>	<u>\$ 802,264</u>	<u>\$ 5,537,657</u>

This page left blank intentionally.



STATISTICAL SECTION

This part of the Northwest Independent School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information. The statistical section includes nineteen schedules. These schedules fall within the following categories:

Financial Trend Data

These schedules contain trend information on how the District's financial performance and well-being have changed over time.

Revenue Capacity Data

These schedules contain information on the District's most significant local revenue source, the property tax.

Debt Capacity Data

These schedules present information to help assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help understand the environment within the District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

SCHEDULE 1

Fiscal Year:	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	\$ (33,890,083)	\$ (71,696,653)	\$ (23,184,957)	\$ 27,255,585
Restricted	44,712,830	42,627,513	41,478,223	31,406,785
Unrestricted	(30,711,856)	69,131,471	35,105,595	3,321,608
Total primary government net position (deficit)	<u>\$ (19,889,109)</u>	<u>\$ 40,062,331</u>	<u>\$ 53,398,861</u>	<u>\$ 61,983,978</u>

Note: FYE 2018 ending net position includes a prior period adjustment due to the implementation of GASB #75 in the amount of (\$105,707,476).

Note: FYE 2015 ending net position includes a prior period adjustment due to the implementation of GASB #68 in the amount of (\$26,943,583).

Source: District's financial records.

2014	2013	2012	2011	2010	2009
\$ 32,114,051	\$ 71,686,971	\$ 51,865,489	\$ 65,756,190	\$ 46,213,837	\$ 31,486,012
27,791,565	23,917,265	26,262,955	8,843,840	7,454,524	5,733,598
50,163,131	9,363,707	9,312,999	7,545,212	4,903,015	54,226,594
\$ 110,068,747	\$ 104,967,943	\$ 87,441,443	\$ 82,145,242	\$ 58,571,376	\$ 91,446,204

NORTHWEST INDEPENDENT SCHOOL DISTRICT
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

SCHEDULE 2

Fiscal Year:	2018	2017	2016	2015
Expenses				
Governmental activities:				
Instruction	\$ 97,411,111	\$ 145,855,827	\$ 122,168,515	\$ 103,989,026
Instruction Resources & Media Services	2,061,453	3,061,696	2,681,310	2,394,024
Curriculum and Staff Development	4,875,078	6,957,502	5,885,439	5,018,657
Instructional Leadership	1,213,788	1,384,516	1,081,077	946,675
School Leadership	8,444,933	12,420,128	10,145,301	8,492,012
Guidance, Counseling & Evaluation Services	5,697,928	9,622,661	7,941,408	6,354,112
Social Work Services	221,461	255,926	904,931	6,124,147
Health Services	1,539,175	2,346,245	2,009,949	1,860,771
Student (Pupil) Transportation	9,950,650	8,720,929	7,252,742	6,195,171
Food Services	8,091,202	8,051,120	9,175,595	7,400,908
Cocurricular/Extracurricular Activities	8,323,837	10,042,711	7,718,196	7,591,117
General Administration	5,332,880	5,901,273	4,458,804	17,019,764
Plant Maintenance and Operations	16,496,477	18,152,263	17,255,030	17,227,868
Security and Monitoring Services	1,692,346	1,611,157	1,248,060	892,184
Data Processing Services	4,188,626	6,179,105	4,752,113	3,877,489
Community Services	109,181	206,999	154,935	199,757
Debt Service - Interest on Long-Term Debt	29,514,645	25,024,932	23,170,568	37,578,564
Debt Service - Bond Issuance Cost & Fees	1,214,331	1,481,200	3,072,446	410,960
Contracted Instructional Services	-	-	-	-
Payments to Fiscal Agent/Member Districts of SSA	12,000	106,000	20,000	65,200
Payments to Juvenile Justice Alternative Education Program	6,764	6,319	-	4,628
Payments to Tax Increment Fund	975,287	917,928	839,876	888,460
Other Intergovernmental Charges	1,279,807	1,186,516	848,664	1,093,516
Total primary government expenses	208,652,960	269,492,953	232,784,959	235,625,010
Program Revenues				
Governmental activities:				
Charges for services				
Instruction	261,089	168,908	90,828	134,603
Health services	1,236,937	893,439	921,133	1,545,525
Student transportation	-	-	-	270
Food services	5,906,944	5,822,270	5,469,920	5,157,545
Extracurricular activities	530,952	572,504	476,021	3,077,228
General administration	-	-	-	220,789
Facilities maintenance	503,742	495,257	514,659	553,506
Community services	-	-	-	7,455
Operating grants and contributions	(7,739,306)	23,962,854	24,157,031	17,152,632
Total primary government program revenues	700,358	31,915,232	31,629,592	27,849,553
Net (Expense)/Revenue				
Total primary government net expense	\$ (207,952,602)	\$ (237,577,721)	\$ (201,155,367)	\$ (207,775,457)

Source: District's financial records.

2014	2013	2012	2011	2010	2009
\$ 96,263,169	\$ 88,337,904	\$ 80,922,877	\$ 78,633,567	\$ 74,785,911	\$ 65,062,528
2,427,968	2,430,659	2,325,843	2,329,969	2,471,979	2,036,498
4,661,666	4,981,051	4,123,336	4,982,855	4,463,416	3,752,400
813,526	772,331	715,094	760,835	765,217	591,184
7,623,396	7,083,647	6,455,946	6,347,367	5,405,205	4,721,937
6,274,031	5,331,059	4,879,777	4,979,758	4,410,180	3,711,492
5,632,064	4,275,156	3,696,246	2,107,638	161,178	142,139
1,837,993	1,744,190	1,573,018	1,436,412	1,211,628	1,122,546
5,982,137	5,725,520	5,695,937	6,348,667	5,889,088	5,194,852
7,519,565	6,072,684	6,431,326	6,422,370	6,115,240	5,676,437
6,933,964	7,403,320	6,190,684	7,810,215	7,488,020	5,363,726
14,769,632	14,427,412	13,165,216	13,572,609	10,526,018	9,101,600
15,991,385	14,685,098	24,072,929	472,410	52,243,642	21,450,859
655,209	725,247	551,453	488,373	471,897	446,041
3,354,317	2,962,845	2,752,765	2,632,703	2,501,806	2,729,536
159,556	152,640	139,215	214,400	213,633	200,271
37,115,936	34,900,424	32,088,442	31,010,642	28,297,159	25,052,026
123,047	2,568,119	326,950	126,648	53,891	104,874
84,867	10,981,987	21,665,083	25,061,695	28,049,228	29,402,497
73,400	85,250	48,000	56,213	-	964,741
-	-	-	29,103	17,800	34,888
904,351	884,261	893,326	897,797	868,901	999,909
1,074,773	1,191,691	1,220,953	1,294,857	1,125,355	1,101,553
220,275,953	217,722,495	219,934,416	198,017,104	237,536,392	188,964,534
107,923	111,895	91,712	3,915,823	3,108,878	3,456,324
1,367,146	1,338,109	1,025,092	-	-	-
-	-	-	-	-	-
5,065,661	4,618,097	4,488,326	4,022,476	4,162,786	3,966,761
2,807,383	2,831,437	2,596,139	-	-	-
-	71,366	105,138	-	-	-
613,751	540,097	469,421	-	-	-
8,132	9,073	6,153	-	-	-
20,615,411	17,516,788	20,021,223	26,982,510	20,964,616	15,450,890
30,585,407	27,036,862	28,803,204	34,920,809	28,236,280	22,873,975
\$ (189,690,546)	\$ (190,685,633)	\$ (191,131,212)	\$ (163,096,295)	\$ (209,300,112)	\$ (166,090,559)

NORTHWEST INDEPENDENT SCHOOL DISTRICT
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

SCHEDULE 3

Fiscal Year:	2018	2017	2016	2015
Net (Expense)/Revenue				
Total primary government net expense	\$ (207,952,602)	\$ (237,577,721)	\$ (201,155,367)	\$ (207,775,457)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purposes	156,878,029	138,928,782	131,549,000	120,895,271
Property taxes levied for capital projects	67,699,018	55,070,829	51,759,384	47,952,873
Unrestricted grants and contributions	-	-	-	-
State aid - formula grants	25,361,540	28,336,530	27,014,580	17,140,982
Miscellaneous	681,617	583,167	556,092	-
Investment earnings	3,088,434	1,321,883	1,100,734	645,145
Transfers in (out)	-	-	(1,210,442)	-
Total primary government	253,708,638	224,241,191	210,769,348	186,634,271
Change in Net Position				
Total primary government	\$ 45,756,036	\$ (13,336,530)	\$ 9,613,981	\$ (21,141,186)

Source: District's financial records.

2014	2013	2012	2011	2010	2009
\$ (189,690,546)	\$ (190,685,633)	\$ (191,131,212)	\$ (163,096,294)	\$ (209,300,112)	\$ (166,090,559)
110,045,806	110,555,045	112,034,483	109,929,304	126,743,916	104,902,416
43,649,455	34,912,120	35,379,311	36,542,449	36,757,605	34,967,471
6,896,560	-	-	1,010,219	6,971,388	6,574,851
29,415,905	31,601,844	33,156,117	33,438,435	-	10,629,847
4,269,919	30,333,823	15,036,005	4,849,405	3,845,504	6,231,396
513,705	809,301	821,497	900,348	2,106,871	4,319,422
-	-	-	-	-	-
194,791,350	208,212,133	196,427,413	186,670,160	176,425,284	167,625,403
\$ 5,100,804	\$ 17,526,500	\$ 5,296,201	\$ 23,573,866	\$ (32,874,828)	\$ 1,534,844

NORTHWEST INDEPENDENT SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

SCHEDULE 4

Fiscal Year:	2018	2017	2016	2015
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	-	-	-	-
Unreserved	-	-	-	-
Nonspendable	1,180,541	300,110	293,148	-
Assigned	61,990,965	61,990,965	39,424,756	29,424,756
Unassigned	32,969,923	50,251,198	37,050,333	43,951,132
Total general fund	<u>\$ 96,141,429</u>	<u>\$ 112,542,273</u>	<u>\$ 76,768,237</u>	<u>\$ 73,375,888</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Special revenue funds	-	-	-	97,797
Restricted				
Federal or State Funds Grant Restriction	1,066,210	1,039,729	1,063,965	2,456,540
Capital Acquisition and Contractual Obligation	120,226,251	107,729,973	76,269,887	43,323,635
Retirement of Long-Term Debt	42,093,843	39,182,199	39,323,668	25,723,034
Other Restricted	-	-	-	1,278,467
Committed				
Other Committed	2,618,987	2,294,939	2,154,555	1,948,744
Assigned				
Construction	-	-	38,095,832	39,648,697
Total all other governmental funds	<u>\$ 166,005,291</u>	<u>\$ 150,246,840</u>	<u>\$ 156,907,907</u>	<u>\$ 114,476,914</u>

Note: During 2011, the District implemented GASB 54, which changed the classifications for fund balances.

Source: District's financial records.

2014	2013	2012	2011	2010	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	10,931,087	33,609,424
-	-	-	-	29,743,954	37,853,057
-	-	-	-	-	-
29,424,756	29,424,756	25,922,849	17,173,729	-	-
42,173,641	31,093,987	30,150,497	32,204,471	-	-
\$ 71,598,397	\$ 60,518,743	\$ 56,073,346	\$ 49,378,200	\$ 40,675,041	\$ 71,462,481
\$ -	\$ -	\$ -	\$ -	\$ 1,315,514	\$ 1,315,514
-	-	-	-	87,690,624	121,442,926
-	-	-	-	23,964,937	19,722,527
-	-	-	-	2,185,299	2,003,145
2,456,540	2,231,779	1,205,944	809,542	-	-
44,009,918	56,984,655	106,289,480	53,645,146	-	-
22,526,879	19,173,538	22,882,344	25,299,911	-	-
1,110,408	894,488	718,799	372,147	-	-
1,697,738	1,617,460	1,455,868	1,264,129	-	-
36,700,973	36,010,011	35,819,479	34,510,579	-	-
\$ 108,502,456	\$ 116,911,931	\$ 168,371,914	\$ 115,901,454	\$ 115,156,374	\$ 144,484,112

NORTHWEST INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL FUNDS REVENUES
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

SCHEDULE 5

Fiscal Year:	2018	2017	2016	2015
Local and Intermediate Sources				
Local maintenance and debt service tax	\$ 224,673,410	\$ 194,478,502	\$ 184,486,074	\$ 168,848,144
Food service sales	5,905,520	5,822,270	5,469,920	5,168,771
Other local revenue	9,300,393	7,063,662	6,396,427	9,122,029
Total Local and Intermediate Sources	239,879,323	207,364,434	196,352,421	183,138,944
State Programs Revenues	39,825,326	41,130,734	40,473,309	35,409,112
Federal Sources				
Federal Program Revenues	6,140,018	4,804,615	5,577,704	9,430,583
Food services	2,202,242	2,217,746	2,156,429	2,064,862
Total Federal Sources	8,342,260	7,022,361	7,734,133	11,495,445
Total Revenues	\$ 288,046,909	\$ 255,517,529	\$ 244,559,863	\$ 230,043,501

Note: This table includes all governmental fund types of the Northwest Independent School District.
Expenditure classifications are in accordance with those prescribed by the Texas Education Agency.

Source: District's financial records.

2014	2013	2012	2011	2010	2009
\$ 156,652,150	\$ 148,220,114	\$ 150,436,519	\$ 153,438,209	\$ 155,372,824	\$ 140,640,767
3,077,273	4,625,703	8,174,543	4,035,928	6,521,753	6,443,470
6,488,164	4,731,123	522,822	206,761	439,669	1,887,530
166,217,587	157,576,940	159,133,884	157,680,898	162,334,246	148,971,767
41,248,007	36,004,504	37,382,303	39,348,994	25,531,776	29,505,955
8,983,639	6,548,919	6,416,491	12,845,347	7,058,740	3,993,839
2,449,650	2,264,884	2,126,303	1,938,667	1,845,337	5,028
11,433,289	8,813,803	8,542,794	14,784,014	8,904,077	3,998,867
\$ 218,898,883	\$ 202,395,247	\$ 205,058,981	\$ 211,813,906	\$ 196,770,099	\$ 182,476,589

NORTHWEST INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

SCHEDULE 6

Fiscal Year:	2018	2017	2016	2015
Expenditures by Function				
Instruction	\$ 122,597,571	\$ 115,295,893	\$ 110,969,993	\$ 99,340,245
Instruction Resources & Media Services	2,465,800	2,499,301	3,145,350	2,280,870
Curriculum and Staff Development	6,038,773	5,724,325	5,397,640	5,078,147
Instructional Leadership	1,445,781	1,111,723	980,556	959,164
School Leadership	10,224,943	9,858,220	9,118,778	8,293,810
Guidance, Counseling & Evaluation Services	8,216,292	7,570,097	7,072,496	6,447,695
Social Work Services	250,753	253,047	904,931	6,151,355
Health Services	1,897,804	1,848,694	1,804,524	1,654,747
Student (Pupil) Transportation	24,692,313	8,720,929	7,335,213	6,189,360
Food Services	8,091,202	8,060,370	9,175,595	7,182,534
Cocurricular/Extracurricular Activities	9,287,239	9,351,768	9,764,314	7,016,227
General Administration	5,999,413	5,643,100	4,689,496	4,815,439
Plant Maintenance and Operations	17,987,879	17,753,235	17,280,200	16,568,143
Security and Monitoring Services	1,633,493	1,745,219	1,276,852	889,197
Data Processing Services	5,248,109	5,166,996	4,448,888	3,876,089
Community Services	140,939	168,780	143,353	203,849
Debt Service - Principal on Long-Term Debt	27,626,649	20,587,528	16,862,238	7,494,393
Debt Service - Interest on Long-Term Debt	38,389,599	35,764,763	38,855,162	37,578,564
Debt Service - Bond Issuance Cost & Fees	1,214,331	1,481,200	1,261,367	410,960
Facilities Acquisition and Construction	94,053,651	66,924,947	41,101,137	72,772,494
Contracted Instructional Services	-	-	-	-
Payments to Fiscal Agent/Member Districts of SSA	12,000	106,000	20,000	65,200
Payments to Juvenile Justice Alternative Education Program	6,764	6,319	-	4,628
Payments to Tax Increment Fund	975,287	917,928	839,876	888,460
Other Governmental Charges	1,279,807	1,186,516	848,664	1,093,516
Total Expenditures	\$ 389,776,392	\$ 327,746,898	\$ 293,296,623	\$ 297,255,086
Debt service as a percentage of noncapital expenditures	24.06%	22.26%	19.41%	18.43%

Note: This table includes all governmental fund types of the Northwest Independent School District.
Expenditure classifications are in accordance with those prescribed by the Texas Education Agency.

Source: District's financial records.

2014	2013	2012	2011	2010	2009
\$ 88,845,925	\$ 81,913,913	\$ 75,675,709	\$ 77,987,324	\$ 71,102,583	\$ 61,075,048
2,299,588	2,316,797	2,217,098	2,226,494	2,390,406	1,938,698
4,659,861	4,981,051	4,123,336	4,982,810	4,463,371	3,752,355
813,526	772,331	715,094	760,835	765,217	591,184
7,311,633	6,811,870	6,210,188	6,129,689	5,264,764	4,552,448
6,261,874	5,321,287	4,869,877	4,969,855	4,401,191	3,700,951
5,632,064	4,275,156	3,696,246	2,107,638	161,178	142,139
1,602,472	1,539,804	1,392,399	1,284,949	1,133,606	1,022,043
5,976,326	5,719,709	5,690,126	6,342,856	5,883,277	5,190,884
7,336,590	5,899,623	6,263,709	6,249,386	5,961,880	5,498,310
6,334,044	6,861,271	5,562,646	7,199,299	6,902,440	4,709,169
4,491,760	4,006,196	3,674,787	4,123,906	4,018,154	3,808,704
15,361,345	14,127,127	12,644,068	13,922,303	12,136,274	10,250,954
650,935	720,355	546,770	478,787	461,894	436,038
3,328,248	2,945,960	2,709,039	2,529,294	2,403,590	2,646,525
159,556	152,640	139,215	214,400	213,633	200,271
3,234,679	4,391,876	6,398,021	4,983,216	4,930,453	4,777,382
37,115,936	34,900,424	32,088,442	31,010,642	28,297,159	25,052,026
123,047	2,568,119	326,953	126,648	53,891	104,874
62,759,061	48,515,352	42,909,725	52,807,041	65,832,290	85,501,224
84,867	10,981,987	21,665,083	25,061,695	28,049,228	29,402,497
73,400	85,250	48,000	56,212	-	964,741
-	-	-	29,103	17,800	34,888
904,351	884,261	893,326	897,797	868,901	999,909
1,074,774	1,191,691	1,220,953	1,294,857	1,125,355	1,101,553
\$ 266,435,862	\$ 251,884,050	\$ 241,680,810	\$ 257,777,036	\$ 256,838,535	\$ 257,454,815
19.27%	21.29%	18.35%	14.37%	14.40%	16.39%

NORTHWEST INDEPENDENT SCHOOL DISTRICT
OTHER FINANCING SOURCES AND USES AND NET CHANGE IN FUND BALANCES,
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

SCHEDULE 7

Fiscal Year:	2018	2017	2016	2015
Other Financing Sources (Uses)				
General long-term debt issued	125,180,000	155,390,000	320,883,475	149,863,125
Sale of capital assets	99	976	207,455	1,810,385
Transfers in	20,355,199	39,098,875	578,569	607,649
Premium or Discount on Issuance of Bonds	10,236,901	21,407,287	56,707,584	27,025,012
Other Resources	-	-	20,790	-
Transfers out	(20,355,199)	(39,098,875)	(1,789,011)	(2,966,717)
Other (Uses)	(34,329,910)	(75,455,925)	(301,443,783)	(101,375,915)
Total other financing sources (uses)	101,087,090	101,342,338	75,165,079	74,963,539
Net change in fund balances	\$ (642,393)	\$ 29,112,969	\$ 26,428,319	\$ 7,751,954

Source: District's financial records.

2014	2013	2012	2011	2010	2009
47,625,000	44,180,000	139,000,000	51,802,829	-	63,820,000
17,158	18,784	21,451	33,193	321,854	36,727
605,607	592,997	12,493	-	34,045,478	145,744
2,565,000	6,037,411	18,980,151	3,387,171	-	1,380,000
-	(2)	1,993,276	-	(34,407,774)	-
(605,607)	(592,995)	(1,755,855)	-	-	(472,391)
-	(47,761,979)	(62,464,077)	100,000	(6,300)	-
50,207,158	2,474,216	95,787,439	55,323,193	(46,742)	64,910,080
\$ 2,670,179	\$ (47,014,587)	\$ 59,165,610	\$ 9,360,063	\$ (60,115,178)	\$ (10,068,146)

NORTHWEST INDEPENDENT SCHOOL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

SCHEDULE 8

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Minerals Assessed Value
2018	\$13,312,469,751	\$5,037,881,478	\$659,928,810
2017	10,942,403,000	3,071,844,000	709,709,000
2016	9,644,355,000	3,118,392,000	1,296,365,000
2015	8,634,101,000	2,576,109,000	1,538,136,000
2014	7,866,040,000	2,688,113,117	1,380,696,000
2013	7,984,354,200	2,487,855,000	2,035,974,000
2012	7,624,521,600	2,299,100,000	2,562,364,000
2011	6,781,551,000	2,378,372,000	2,876,879,000
2010	6,589,809,000	2,448,217,000	3,044,536,000
2009	6,117,443,835	2,551,601,000	2,508,978,000

Source: Denton Central Appraisal District.

Less: Exemptions	Total Taxable Value	Total Direct Rate
\$4,086,095,274	\$14,924,184,765	\$ 1.4900
2,303,447,000	12,420,509,000	1.4525
2,353,571,652	11,705,540,348	1.4525
1,131,418,151	11,616,927,849	1.4525
1,385,997,000	10,548,852,117	1.4525
1,897,979,000	10,610,204,200	1.3750
1,773,368,000	10,712,617,600	1.3750
1,479,508,055	10,557,293,945	1.3750
1,091,143,500	10,991,418,500	1.3550
1,078,381,412	10,099,641,423	1.3350

NORTHWEST INDEPENDENT SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

SCHEDULE 9

Fiscal Year	District Direct Rates		
	General Purposes	Capital Purposes	Total
2018	\$ 1.04000	\$ 0.45000	\$ 1.49000
2017	1.04000	0.41250	1.45250
2016	1.04000	0.41250	1.45250
2015	1.04000	0.41250	1.45250
2014	1.04000	0.41250	1.45250
2013	1.04000	0.33500	1.37500
2012	1.04000	0.33500	1.37500
2011	1.04000	0.33500	1.37500
2010	1.02000	0.33500	1.35500
2009	1.00000	0.33500	1.33500

Note: Per \$100 of assessed valuation

Source: Denton Central Appraisal District and other assessors.

Overlapping Rates							
Denton County	City of Fort Worth	Tarrant County	Town of Trophy Club	Trophy Club MUD 1 & 2	Wise County	City of Roanoke	City of Haslet
\$ 0.2255	\$ 0.8050	\$ 0.2440	\$ 0.4514	\$ 0.1202	\$ 0.3225	\$ 0.3751	\$ 0.3330
0.2378	0.8050	0.2440	0.4514	0.1202	0.3464	0.3751	0.3330
0.2484	0.8350	0.2540	0.4730	0.1311	0.3464	0.3751	0.2903
0.2620	0.8550	0.2640	0.4840	0.1311	0.3139	0.3751	0.2857
0.2722	0.8550	0.2640	0.4900	0.1334	0.2989	0.3751	0.2928
0.2849	0.8550	0.2640	0.4993	0.1334	0.2889	0.3751	0.3209
0.2829	0.8550	0.2640	0.5185	0.1334	0.2889	0.3751	0.3209
0.2774	0.8550	0.2640	0.5300	0.1750	0.2900	0.3751	0.3046
0.2739	0.8550	0.2640	0.5150	0.1950	0.2900	0.3751	0.3046
0.2498	0.8550	0.2640	0.4700	0.4100	0.2887	0.3751	0.2672

NORTHWEST INDEPENDENT SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 10

2018				
Name of Taxpayer	Nature of Property	Total Market Assessed Valuation	Total Taxable Assessed Valuation	Percent of Total Taxable Assessed Valuation
AT Industrial Owner LLC	Commercial Development	\$ 411,453,497	\$ 411,453,497	2.76%
Winner LLC	Telecommunications	368,973,812	368,973,812	2.47%
Amazon.Com KYOC , LLC	Retail	329,479,117	329,479,117	2.21%
Devon Energy Production Co LP	Oil & Gas	324,635,106	324,635,106	2.17%
Amerisource Bergen Drug Corp.	Pharmaceutical Mfg/Sales	225,230,357	225,230,357	1.51%
DLCI Inc.	Manufacturing	136,044,500	136,044,500	0.91%
Citicorp Technology Inc.	Technology	132,310,192	132,310,192	0.89%
AT&T Mobility LLC	Telecommunications	103,367,485	103,367,485	0.69%
Bluestone Natural Resources II LLC	Oil & Gas	69,531,510	69,531,510	0.47%
Hart 35 Eagle LLC	Industrial Development	68,000,000	68,000,000	0.46%
Total		<u>\$ 2,169,025,576</u>	<u>\$ 2,169,025,576</u>	<u>14.54%</u>
Total Assessed Taxable Valuation			<u>\$ 14,924,184,765</u>	<u>100.00%</u>

Note: County reduced reporting to top ten in year 2016

Source: Northwest Independent School District OFFICIAL STATEMENT dated May 30, 2018...page 42

2009

Name of Taxpayer	Nature of Property	Total Market Assessed Valuation	Total Taxable Assessed Valuation	Percent of Total Taxable Assessed Valuation
Devon Energy Operating Co LP	Mineral	\$ 1,455,837,136	\$ 1,455,837,136	15.22%
XTO Energy	Mineral	200,882,486	200,882,486	2.10%
Citicorp Technology, Inc.	Commercial & Industrial	154,440,794	154,440,794	1.61%
Alliance NO 1 Building Partners LP	Real Estate	115,966,792	115,966,792	1.21%
Cardinal Health 301, Inc.	Healthcare	103,175,495	103,175,495	1.08%
BLOCK 60 Program	Avionics	98,976,663	98,976,663	1.03%
Amierisource Bergen	Commercial & Industrial	81,844,814	81,844,814	0.86%
Alliance NO 2 Building Partners LP	Real Estate	80,223,371	80,223,371	0.84%
Chief Operating LLC	Mineral	71,648,770	71,648,770	0.75%
Bell Helicopter Textron	Commercial & Industrial	66,638,672	66,638,672	0.70%
Encana Oil & Gas (USA)	Mineral	63,245,090	63,245,090	0.66%
J-W Operating Co	Mineral	58,352,810	58,352,810	0.61%
AT & T Mobility LLC	Commercial & Industrial	48,116,830	48,116,830	0.50%
Alliance NO 3 Building Partners LP	Real Estate	46,467,675	46,467,675	0.49%
Cabela's Retail TX LP	Retail	40,766,790	40,766,790	0.43%
W.W. Grainger Inc.	Commercial & Industrial	39,686,804	39,686,804	0.41%
BNSF Railway Co	Transportation	37,698,836	37,698,836	0.39%
FederalExpress Corp	Commercial & Industrial	36,098,065	36,098,065	0.38%
JCPenney Company Inc.	Commercial & Industrial	34,022,343	34,022,343	0.36%
JCPenney Company Inc.	Commercial & Industrial	33,434,255	33,434,255	0.35%
Total		<u>\$ 2,867,524,491</u>	<u>\$ 2,867,524,491</u>	<u>29.98%</u>
Total Assessed Taxable Valuation			<u>\$ 9,566,808,966</u>	<u>100.00%</u>

NORTHWEST INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

SCHEDULE 11

Fiscal Year	Tax Levy	Current Tax Collections	Percent of Levy Collected	Collections In Subsequent Years and Cumulative Adjustments	Total Collections To Date	
					Amount	Percentage of Levy
2018	\$ 222,370,353	\$ 220,578,985	99.19%	\$ -	\$ 220,578,985	99.19%
2017	191,961,250	190,344,367	99.16%	166,615	191,499,972	99.67%
2016	181,578,346	179,826,814	99.03%	1,810,463	181,524,867	99.74%
2015	168,735,877	167,292,821	99.14%	1,571,750	168,777,058	99.68%
2014	153,222,077	152,202,959	99.33%	1,238,026	153,357,703	99.85%
2013	145,890,308	145,167,154	99.50%	838,823	145,977,066	99.85%
2012	147,298,492	146,628,209	99.54%	811,932	147,410,440	99.92%
2011	145,162,778	143,780,603	99.05%	1,169,507	144,942,531	99.84%
2010	148,933,720	147,540,861	99.06%	1,025,897	148,577,655	99.75%
2009	134,830,213	133,034,372	98.67%	1,575,377	134,611,210	99.84%

Source: Denton Central Appraisal District and Denton County Tax Assessor-Collector.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

SCHEDULE 12

Fiscal Year	Governmental Activities	General Obligation Net Bonded Debt Outstanding	Total Debt Percentage of Personal Income	Estimated Population	Total Debt Per Capita	Bonded Debt to Value of Taxable Property
	Bonds Payable					
2018	\$ 987,670,669	\$ 910,898,577	3.64%	133,984	\$ 7,372	15.11
2017	923,349,633	849,796,063	3.64%	127,540	7,240	14.31
2016	848,148,290	779,376,583	3.56%	106,780	7,943	13.80
2015	760,236,831	734,513,797	2.84%	106,780	6,879	15.28
2014	685,086,490	671,947,713	2.98%	100,992	6,653	15.49
2013	637,633,346	627,557,392	3.12%	100,992	6,214	16.64
2012	641,949,477	641,949,477	2.98%	99,146	6,475	16.69
2011	566,316,046	556,532,288	3.37%	98,508	5,650	18.64
2010	519,312,098	509,710,505	3.60%	92,909	5,486	21.17
2009	524,053,094	514,640,958	3.50%	86,595	5,943	2.10

Note: Net bonded debt consists of general obligation bonds, accreted interest, and premiums on bond issuance, less the deferred loss on bond refunding and the debt service fund balance.

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

This page left blank intentionally.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018

SCHEDULE 13

Taxing Jurisdiction	Taxable Assessed Value	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt
Belmont FWSD #1	\$ 239,254,830	\$ 33,805,000	24.19%	\$ 8,177,430
Canyon Falls WC&ID #2	86,537,438	10,730,000	86.94%	9,328,662
Denton County	88,330,714,230	645,305,000	8.90%	57,432,145
Flower Mound, Town of	10,337,433,770	152,515,000	1.37%	2,089,456
Fort Worth, City of	62,162,823,326	656,920,000	9.89%	64,969,388
Grapevine, City of	8,485,184,076	119,125,223	0.11%	131,038
Haslet, City of	758,685,102	9,361,000	100.00%	9,361,000
Justin, City of	306,274,988	10,855,000	100.00%	10,855,000
Keller, City of	5,629,279,507	61,225,000	0.47%	287,758
Newark, City of	52,142,702	713,000	100.00%	713,000
Northlake Town of	500,185,509	12,015,000	93.86%	11,277,279
Rhome, City of	123,127,206	2,138,000	100.00%	2,138,000
Roanoke, City of	1,961,463,166	51,515,000	100.00%	51,515,000
Southlake, City of	7,313,053,154	85,780,000	1.21%	1,037,938
Tarrant County	173,599,602,263	321,795,000	4.42%	14,223,339
Tarrant County Hospital District	173,702,738,366	19,300,000	4.45%	859,236
Trophy Club MUD #1	1,494,363,590	9,450,000	82.93%	7,836,885
Trophy Club, Town of	1,965,585,151	24,418,000	100.00%	24,418,000
Westlake, Town of	1,105,675,661	34,666,000	29.77%	10,320,068
Total Overlapping Debt				<u>286,970,620</u>
Northwest ISD	\$ 14,924,184,765	\$ 982,545,570	100.00%	<u>982,545,570</u>
Total Direct Debt				<u>982,545,570</u>
Total Direct and Overlapping Tax Supported Debt				<u>\$ 1,269,516,190</u>
Total Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation				<u>8.51%</u>
Per Capita Direct and Overlapping Tax Supported Debt				<u>\$ 9,475</u>

Note: The percentage of overlapping debt applicable is estimated using taxable property values.
Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the District's boundaries and dividing it by each unit's total taxable value.

Source: Northwest Independent School District OFFICIAL STATEMENT dated May 30, 2018...page 43

NORTHWEST INDEPENDENT SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

SCHEDULE 14

Fiscal Year:	2018	2017	2016	2015
Debt Limit	\$ 1,492,418,476	\$ 1,242,050,900	\$ 1,170,554,035	\$ 1,161,692,785
Total net debt applicable to limit	<u>828,576,536</u>	<u>764,224,829</u>	<u>697,495,888</u>	<u>695,285,286</u>
Legal debt margin	<u>\$ 663,841,940</u>	<u>\$ 477,826,071</u>	<u>\$ 473,058,147</u>	<u>\$ 466,407,499</u>
Total net debt applicable to the limit as a percentage of debt limit	55.52%	61.53%	59.59%	59.85%

Current Fiscal Year: Legal debt margin calculation

Taxable Assessed Value - October 2016 (100% of Actual)	\$ 14,924,184,765
Debt limit (10% of assessed value)	1,492,418,476
Total bonded debt	\$ 870,670,379
Less restricted for retirement of bonded debt	<u>42,093,843</u>
Total amount of debt applicable to debt limit	<u>828,576,536</u>
Legal debt margin	<u>\$ 663,841,940</u>

Note: Under state finance law, Northwest Independent School District's outstanding general obligation debt should not exceed 10 percent of the total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Note: Debt limit percentage is in accordance with the Texas Education Code, Bulletin 721, Section 20.04.

Source: Denton Central Appraisal District, Northwest Independent School District.

2014	2013	2012	2011	2010	2009
\$ 1,054,885,212	\$ 1,061,020,420	\$ 1,071,261,760	\$ 1,055,729,395	\$ 1,099,141,850	\$ 1,009,964,142
649,420,834	608,383,854	609,156,923	531,232,377	509,710,505	514,640,958
\$ 405,464,378	\$ 452,636,566	\$ 462,104,837	\$ 524,497,018	\$ 589,431,345	\$ 495,323,184
61.56%	57.34%	56.86%	50.32%	46.37%	50.96%

This page left blank intentionally.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

SCHEDULE 15

Fiscal Year	Population ⁽¹⁾	Personal Income	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽³⁾
2018	133,984	\$ 7,037,777,568	\$ 52,527	3.4%
2017	127,540	6,635,407,680	51,930	3.7%
2016	106,780	6,229,394,860	51,332	3.7%
2015	106,780	5,853,839,109	50,961	3.8%
2014	100,992	5,318,218,347	48,347	4.8%
2013	100,992	4,681,181,184	46,352	5.9%
2012	99,146	4,490,520,632	45,292	6.3%
2011	98,508	4,371,095,484	44,373	7.0%
2010	92,909	3,931,537,244	42,316	7.5%
2009	86,595	3,599,053,472	41,562	7.2%

* Estimate... data not available yet from Denton County 2018 CAFR

⁽¹⁾ Source: Northwest Independent School District OFFICIAL STATEMENT dated May 30, 2018... page 6

⁽²⁾ Source: Denton County CAFR... page 145

⁽³⁾ Source: <https://fred.stlouisfed.org/series/TXDENT2URN> as of June 2018 (Denton County)

NORTHWEST INDEPENDENT SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 16

<u>Employer</u>	2018	
	<u>Employees</u>	<u>Percentage of Average Total Employment (1)</u>
Fidelity Investments	2,500 - 4,999	0.843%
Amazon	2,500 - 4,999	0.843%
GENCO ATC Logistics & Electronics	2,500 - 4,999	0.843%
DynCorp International - GSDS	1,000 - 2,499	0.393%
Northwest ISD	1,000 - 2,499	0.393%
TD Ameritrade, Inc	1,000 - 2,499	0.393%
Texas Motor Speedway	1,000 - 2,499	0.393%
ATC Logistics	500 - 999	0.169%
A T & T	500 - 999	0.169%
Burlington Northern & Santa Fe Railway	500 - 999	0.169%
Federal Express Corp - So Regional	500 - 999	0.169%
GE Manufacturing Solutions	500 - 999	0.169%
LG Electronics Alabama, Inc	500 - 999	0.169%
Mercedes-Benz Financial Services, LLC	500 - 999	0.169%
Texas Aero Engine Services	500 - 999	0.169%
Walmart.com	500 - 999	0.169%
		5.622%

Source: Hillwood Alliance Development and Demographic Data from Tarrant, Denton and Wise Counties

(1) Total labor force based on Denton County figures

<u>Employer</u>	2009	
	<u>Employees</u>	<u>Percentage of Average Total Employment</u>
Fidelity Investments	3,200	1.022%
Sabre Corporate Headquarters	2,500	0.799%
American Airlines Alliance	2,105	0.673%
First American Real Estate Information Services	1,400	0.447%
AT & T Wireless Distribution	1,200	0.383%
Federal Express - So Regional	787	0.251%
Chrysler Financial	750	0.240%
Bell Helicopter	660	0.211%
Dyncorp International	650	0.207%
Daimler Financial Services	550	0.176%
TD Ameritrade	550	0.176%
ATC Logistics	500	0.160%
Wells Fargo Bank	449	0.143%
J.C. Penney Retail D.C.	437	0.140%
Cabela's	293	0.094%
	16,031	5.122%

Source: Northwest ISD's Comprehensive Annual Financial Report dated June 30, 2009.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
FULL-TIME-EQUIVALENT DISTRICT EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS

SCHEDULE 17

	Full-Time-Equivalent Employees as of June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Supervisory										
Instructional administrators	18	18	18	17	20	22	19	17	16	13
Noninstructional administrators	68	67	64	63	56	53	49	51	49	48
Consultants/supervisors of instruction	-	-	-	-	-	-	-	-	-	-
Principals	32	32	32	27	26	25	25	22	22	21
Assistant principals	47	47	39	36	27	26	24	27	25	24
Total Supervisory	165	164	153	143	129	126	117	117	112	106
Instruction										
Elementary teachers	784	753	715	683	634	608	564	564	525	482
Secondary teachers	794	763	713	646	604	592	544	549	477	394
Other teachers (adult)	-	-	-	-	-	-	-	-	-	-
Other professionals (instructional)	-	-	-	-	-	-	-	-	-	-
Aides	228	224	218	196	172	160	142.5	134	111	96
Total Instruction	1,806	1,740	1,646	1,524	1,410	1,360	1,251	1,247	1,113	972
Student Services										
Guidance counselors	53	52	49	46	45	39	38	37	31	27
Visiting teachers/social workers	-	-	-	-	-	-	-	-	1	1
Psychologists	19	19	16	18	17	16	16	15	15	12
Librarians	25	25	25	24	24	23	22	20	19	17
Other professionals (noninstructional)	83	77	72	67	61	58	53	55	52	45
Technicians	27	27	22	20	13	13	11	11	10	9
Total Student Services	207	200	184	175	160	149	140	138	128	111
Support and Administration										
Clerical/secretarial	177	168	157	149	137	135	129	123	114	108
Service workers	9	9	9	8	17	18	17	15	12	12
Skilled crafts	35	31	25	22	20	20	20	20	16	14
Unskilled laborers	-	-	-	-	-	-	-	-	-	-
Total support and administration	221	208	191	179	174	173	166	158	142	134
Total	2,399	2,312	2,174	2,021	1,872	1,807	1,673	1,660	1,495	1,323

Source: Northwest Independent School District, Human Resource Department.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
EXPENDITURES, ENROLLMENT AND PER PUPIL COST
LAST TEN FISCAL YEARS

SCHEDULE 18

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Expenses	Cost Per Pupil	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2018	23,163	\$ 210,706,128	\$ 9,097	\$ 208,652,960	\$ 9,008	1,578	14.68	21.5%
2017	22,044	199,627,852	9,056	269,492,953	12,225	1,516	14.54	21.4%
2016	20,900	190,868,874	9,132	232,784,959	11,138	1,428	14.64	21.6%
2015	19,760	177,059,866	8,961	235,625,010	11,924	1,329	14.87	21.7%
2014	18,893	160,560,636	8,498	220,275,953	11,659	1,238	15.26	22.7%
2013	17,752	146,695,788	8,264	217,722,495	12,265	1,200	14.79	25.5%
2012	16,556	135,353,401	8,175	219,934,416	13,284	1,108	14.94	23.4%
2011	15,293	138,940,670	9,085	198,017,104	12,948	1,113	13.74	23.1%
2010	14,088	124,054,930	8,806	237,536,392	16,861	1,002	14.06	22.9%
2009	12,935	106,558,422	8,238	188,964,534	14,609	876	14.77	21.2%

Note: Expenditures for computing per pupil cost are a total of actual expenditures as prescribed by the Texas Education Agency's Financial Accountability System Resource Guide. These include the General and Special Revenue Funds excluding objects of Debt Service, Capital Outlay and Intergovernmental charges.

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

SCHEDULE 19

Schools	Original Construction	Fiscal Year Ended									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elementary Schools											
Beck	1998										
Square feet		91,953	87,032	87,032	87,032	87,032	79,603	79,603	61,652	61,652	61,652
Capacity		850	850	850	850	850	650	650	450	450	450
Enrollment		837	845	816	744	737	701	711	569	519	500
Cox	2013										
Square feet		98,866	98,866	98,866	98,866	98,866	-	-	-	-	-
Capacity		850	850	850	850	850	-	-	-	-	-
Enrollment		626	551	447	351	345	-	-	-	-	-
Granger	2007										
Square feet		95,418	95,418	95,418	95,418	95,418	95,418	95,418	83,083	81,545	81,545
Capacity		850	850	850	850	850	850	850	700	650	650
Enrollment		929	937	922	908	903	869	878	708	633	640
Haslet	1992										
Square feet		78,420	78,420	78,420	78,420	78,420	78,420	78,420	78,420	78,420	78,420
Capacity		650	650	650	650	650	650	650	650	650	650
Enrollment		704	626	445	420	404	504	498	509	507	492
Hatfield	1998										
Square feet		61,652	61,652	61,652	61,652	61,652	61,652	61,652	61,652	61,652	72,332
Capacity		450	450	450	450	450	450	450	450	450	800
Enrollment		519	481	456	410	371	452	442	389	309	916
Hughes	2005										
Square feet		80,124	80,124	80,124	80,124	80,124	80,124	80,124	80,124	80,124	80,124
Capacity		650	650	650	650	650	650	650	650	650	650
Enrollment		659	623	585	570	541	571	574	570	567	550
Justin	1992										
Square feet		81,760	81,760	81,760	81,760	81,760	81,760	81,760	81,760	81,760	81,760
Capacity		650	650	650	650	650	650	650	700	700	700
Enrollment		593	574	540	522	507	516	514	532	589	575
Lakeview	1983										
Square feet		85,671	85,671	85,671	85,671	85,671	85,671	56,312	54,774	54,774	54,774
Capacity		650	650	650	650	650	650	500	450	450	450
Enrollment		630	586	569	568	566	520	489	428	327	315
Love	2009										
Square feet		97,924	97,924	97,924	97,924	97,924	97,924	81,203	81,203	81,203	-
Capacity		850	850	850	850	850	850	650	650	650	-
Enrollment		617	662	717	715	680	576	571	621	626	-

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION,
LAST TEN FISCAL YEARS

SCHEDULE 19 (Continued)

Schools	Original Construction	Fiscal Year Ended									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elementary Schools (Continued)											
Nance	2005										
Square feet		80,124	80,124	80,124	80,124	80,124	80,124	80,124	84,732	84,732	80,124
Capacity		650	650	650	650	650	650	650	806	806	650
Enrollment		603	552	499	481	452	461	459	780	747	718
Peterson	2008										
Square feet		98,142	98,142	98,142	98,142	98,142	81,000	81,000	81,000	81,000	81,000
Capacity		850	850	850	850	850	650	650	650	650	650
Enrollment		781	747	866	807	761	628	623	493	322	317
Prairie View	1998										
Square feet		78,000	78,000	78,000	78,000	78,000	78,000	78,000	73,944	73,944	65,000
Capacity		650	650	650	650	650	650	650	650	650	650
Enrollment		442	443	423	437	450	451	443	413	414	395
Roanoke*	2010										
Square feet		97,411	97,411	97,411	97,411	97,411	97,411	97,411	84,000	-	-
Capacity		850	850	850	850	850	850	850	650	-	-
Enrollment		755	758	709	752	725	805	804	709	-	-
Seven Hills	1998										
Square feet		75,968	75,968	75,968	75,968	75,968	75,968	75,968	75,968	75,968	75,968
Capacity		650	650	650	650	650	650	650	650	650	650
Enrollment		562	599	534	568	553	527	522	488	519	513
Sendera Ranch	2008										
Square feet		81,000	81,000	81,000	81,000	81,000	81,000	81,000	85,632	85,632	81,000
Capacity		650	650	650	650	650	650	650	806	806	650
Enrollment		568	587	590	603	596	560	557	812	729	696
Schluter	2011										
Square feet		101,834	101,834	83,099	83,099	83,099	83,099	83,099	-	-	-
Capacity		850	850	650	650	650	650	650	-	-	-
Enrollment		747	658	635	543	526	425	413	-	-	-
Thompson	2011										
Square feet		83,099	83,099	83,099	83,099	83,099	83,099	83,099	-	-	-
Capacity		650	650	650	650	650	650	650	-	-	-
Enrollment		703	622	566	543	532	479	435	-	-	-

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION,
LAST TEN FISCAL YEARS

SCHEDULE 19 (Continued)

Schools	Original Construction	Fiscal Year Ended									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Middle Schools											
Chisholm	1998										
Square feet		171,361	171,361	171,361	171,361	171,361	171,361	171,361	162,000	162,000	162,000
Capacity		1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,100	1,100	1,100
Enrollment		1,060	1,022	977	896	902	866	860	1,056	1,064	1,062
Medlin	1998										
Square feet		170,889	170,889	170,889	170,889	170,889	170,889	170,889	162,000	162,000	162,000
Capacity		1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,100	1,100	1,100
Enrollment		1,105	1,143	1,121	1,071	1,081	903	891	716	1,169	1,163
Pike	1993										
Square feet		192,414	192,414	192,414	192,414	192,414	192,414	192,414	179,650	179,650	160,000
Capacity		1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,100	1,100	1,100
Enrollment		1,060	850	770	759	746	755	762	973	971	974
Tidwell	2010										
Square feet		181,000	181,000	181,000	181,000	181,000	181,000	181,000	181,000	-	-
Capacity		1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	-	-
Enrollment		1,215	1,161	1,124	1,048	1,046	921	913	774	-	-
Wilson	2012										
Square feet		199,500	199,500	199,500	199,500	199,500	199,500	-	-	-	-
Capacity		1,200	1,200	1,200	1,200	1,200	1,200	-	-	-	-
Enrollment		1,034	991	838	855	852	682	-	-	-	-

NORTHWEST INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION,
LAST TEN FISCAL YEARS

SCHEDULE 19 (Continued)

Schools	Original Construction	Fiscal Year Ended									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
High Schools											
Byron Nelson	2009										
Square feet		502,234	502,234	502,234	502,234	502,234	502,234	502,234	502,234	502,234	-
Capacity		2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	-
Enrollment		2,449	2,512	2,524	2,515	2,563	2,077	2,127	1,391	842	-
Northwest	1984										
Square feet		542,427	542,427	542,427	542,427	542,427	542,427	542,427	542,427	542,427	533,000
Capacity		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Enrollment		1,709	1,972	2,194	2,753	2,821	2,422	2,511	2,415	2,632	3,589
Steele*	1992										
Square feet		55,567	55,567	55,567	55,567	55,567	55,567	55,567	55,567	60,103	58,567
Capacity		450	450	450	450	450	450	450	450	706	550
Enrollment		133	128	130	109	119	74	92	81	671	660
VR Eaton	2016										
Square feet		525,602	525,602	525,602	-	-	-	-	-	-	-
Capacity		2,500	2,500	2,500	-	-	-	-	-	-	-
Enrollment		2,181	1,567	982	-	-	-	-	-	-	-

Note: *Roanoke Elementary School was relocated to a new facility 2010-2011
with Steele Accelerated High School occupying the old Roanoke Elementary School campus.

Source: Northwest Independent School District, Facilities, Planning & Construction.

This page left blank intentionally.



SINGLE AUDIT SECTION

This page left blank intentionally.

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*

To the Board of Trustees
Northwest Independent School District
Fort Worth, Texas 76177

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 Northwest Independent School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Northwest Independent School District's basic financial statements, and have issued our report dated October 22, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Hankins, Eastup, Deaton, Tonn & Seay". The signature is written in a cursive, flowing style.

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 22, 2018

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

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

To the Board of Trustees
Northwest Independent School District
Fort Worth, Texas 76177

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Northwest Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 22, 2018

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

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:

CFDA 84.010A ESEA, Title I
Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

NORTHWEST INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

No prior year findings.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	01-061911	\$ 536,320
Total Direct Programs			536,320
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101061911	803,143
ESEA, Title I, Part D - Improving Basic Programs	84.010A	18610103061911	46,788
ESEA, Title I, School Improvement	84.010A	18610123061911	24,998
Total CFDA Number 84.010A			874,929
*IDEA - Part B, Formula	84.027	186600010619116600	2,919,933
*IDEA - Part B, Preschool	84.173	186610010619116610	18,238
Total Special Education Cluster (IDEA)			2,938,171
Career and Technical - Basic Grant	84.048	18420006061911	63,306
ESEA, Title III, Part A - English Lang. Acq.	84.365A	17671001061911	55,163
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501061911	224,676
ESEA, Title IV, Part A	84.424A	18680101061911	17,632
Summer School LEP	84.369A	69551702	5,936
Total Passed Through State Department of Education			4,179,813
TOTAL U.S. DEPARTMENT OF EDUCATION			4,716,133
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Medicaid Administrative Claiming Program - MAC	93.778	01-061911	6,950
Total Passed Through State Department of Education			6,950
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			6,950
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401701	410,098
*National School Lunch Program - Cash Assistance	10.555	71301701	1,639,121
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301701	333,023
Total CFDA Number 10.555			1,972,144
Total Child Nutrition Cluster			2,382,242
Total Passed Through the State Department of Agriculture			2,382,242
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,382,242
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,105,325
*Clustered Programs			

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

NORTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

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

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

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

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The period of availability for federal grant funds for the purposes of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.
5. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

Total Expenditures of Federal Awards	\$7,105,325
Medicaid Reimbursement (SHARS)	<u>1,236,935</u>
Federal Revenues per Financial Statements	<u>\$8,342,260</u>