

ANNUAL FINANCIAL REPORT

of the

**NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended
June 30, 2018

(This page intentionally left blank.)

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2018

	<u>Page</u>	<u>Exhibit</u>
<u>INTRODUCTORY SECTION</u>		
Certificate of Board	3	
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report	7	
Management's Discussion and Analysis (Required Supplementary Information)	13	
<u>BASIC FINANCIAL STATEMENTS</u>		
Government-Wide Financial Statements		
Statement of Net Position	23	A-1
Statement of Activities	24	B-1
Fund Financial Statements		
Governmental Funds Financial Statements		
Balance Sheet – Governmental Funds	26	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33	C-3
Proprietary Fund Financial Statements		
Statement of Net Position – Proprietary Funds	35	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	37	D-2
Statement of Cash Flows – Proprietary Funds	39	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position – Fiduciary Funds	41	E-1
Notes to the Financial Statements	43	
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	77	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas (TRS)	79	G-2
Schedule of District Contributions – Teacher Retirement System of Texas (TRS)	80	G-3

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2018

	<u>Page</u>	<u>Exhibit</u>
Schedule of the District's Proportionate Share of the OPEB Liability – Teacher Retirement System of Texas Care (TRS-CARE)	83	G-4
Statement of Contributions – Teacher Retirement System of Texas Care (TRS-CARE)	85	G-5
 <u>OTHER SUPPLEMENTARY INFORMATION</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	88	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	92	H-2
Combining Statement of Net Position – Internal Service Funds	97	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	99	H-4
Combining Statement of Cash Flows – Internal Service Funds	101	H-5
Schedule of Delinquent Taxes Receivable	102	J-1
Budgetary Comparison Schedule – National School Breakfast and Lunch Program	105	J-2
Budgetary Comparison Schedule – Debt Service Fund	107	J-3
 <u>FEDERAL AWARDS AND OTHER COMPLIANCE SECTION</u>		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	113	
Summary Schedule of Prior Year Audit Findings	115	
Schedule of Findings and Questioned Costs	117	
Schedule of Expenditures of Federal Awards	119	K-1
Notes to Schedule of Expenditures of Federal Awards	121	
Schedule of Required Responses to Selected School First Indicators	123	L-1

INTRODUCTORY SECTION

(This page intentionally left blank.)

CERTIFICATE OF BOARD

New Braunfels Independent School District

Name of School District


Comal

County


046-901

Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2018, at a meeting of the Board of Trustees of such school district on the 12th day of November, 2018.



Signature of Board Secretary



Signature of Board President

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

(attach list as necessary)

(This page intentionally left blank.)

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
New Braunfels Independent School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

In 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The logo features the names 'Belt Harris Pechacek' in a large, elegant, cursive script. Below the names, 'LLP' is written in a smaller, plain, sans-serif font.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
November 2, 2018

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of New Braunfels Independent School District (the "District") for the year ending June 30, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at June 30, 2018 was \$7,795,527.
- For the year, the District's general fund reported a total fund balance of \$46,309,837, of which \$1,202,787 is nonspendable for inventories and prepaid items; \$9,148,916 is committed for land acquisition, construction, and technology and equipment; and \$35,958,134 is unassigned.
- At the end of the year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported a combined ending fund balance of \$58,883,638.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund* statements provide additional detail for the business-type activities information shown in the District's *government-wide financial statements* and information related to the District's internal service funds.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following classes of activities:

Governmental Activities – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

Business-Type Activities – Services involving a fee for those services are reported here. These services include athletic camps.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018

The District has the following kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary Funds* – The District operates various summer athletic camps primarily for students enrolled in the District. These programs are financed through the collection of fees and tuition from participating students. The proprietary funds also show the activity of internal services offered throughout the District including health insurance, workers' compensation insurance, and usage of the District's central office copiers. These funds are shown in a separate statement of proprietary net position and statement of changes in proprietary net position.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$7,795,527 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the year. The District reported an increase of \$13,939,799 in net position from the prior year. Total revenue decreased by \$7,956,919 primarily due to decreases in operating grants and contributions related to on-behalf revenues in association with the TRS-Care OPEB plan. In addition, total expenses decreased by \$14,462,231 primarily due to a decrease in instruction related expenses related to on-behalf amounts from the state in association with TRS-Care.

Table 1
Net Position

Description	Governmental Activities		Total Change 2017-2018	Business-Type Activities		Total Change 2017-2018
	2018	2017		2018	2017	
Current assets	\$ 72,503,453	\$ 81,954,448	\$ (9,450,995)	\$ 69,769	\$ -	\$ 69,769
Capital assets	178,546,338	175,180,812	3,365,526	-	-	-
Total Assets	251,049,791	257,135,260	(6,085,469)	69,769	-	69,769
Deferred charge on refunding	1,880,349	2,181,384	(301,035)	-	-	-
Deferred outflows - pensions	4,834,126	6,266,350	(1,432,224)	-	-	-
Deferred outflows - OPEB	399,733	296,344	103,389	-	-	-
Total Deferred Outflows of Resources	7,114,208	8,744,078	(1,629,870)	-	-	-
Current liabilities	11,208,260	13,818,968	(2,610,708)	69,769	-	69,769
Long-term liabilities	226,934,444	257,303,754	(30,369,310)	-	-	-
Total Liabilities	238,142,704	271,122,722	(32,980,018)	69,769	-	69,769
Deferred inflows - pensions	2,077,139	900,888	1,176,251	-	-	-
Deferred inflows - OPEB	10,148,629	-	10,148,629	-	-	-
Total Deferred Inflows of Resources	12,225,768	900,888	11,324,880	-	-	-
Net Position:						
Net investment in capital assets	5,251,052	428,879	4,822,173	-	-	-
Restricted	5,378,135	5,904,275	(526,140)	-	-	-
Unrestricted	(2,833,660)	(12,477,426)	9,643,766	-	-	-
Total Net Position	\$ 7,795,527	\$ (6,144,272)	\$ 13,939,799	\$ -	\$ -	\$ -

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018

Table 2
Changes in Net Position

	Governmental Activities		Total Change 2017-2018	Business-Type Activities		Total Change 2017-2018
	2018	2017		2018	2017	
Revenues						
Program revenues:						
Charges for services	\$ 1,733,496	\$ 1,635,501	\$ 97,995	\$ 102,677	\$ 80,536	\$ 22,141
Operating grants and contributions	(6,231,812)	6,050,770	(12,282,582)	-	-	-
General revenues:						
Property taxes	62,357,281	56,582,155	5,775,126	-	-	-
Grants and contributions not restricted for specific programs	22,355,821	23,598,534	(1,242,713)	-	-	-
Investment earnings	1,085,721	748,541	337,180	-	-	-
Other revenue	1,999,034	2,640,959	(641,925)	-	-	-
Total Revenue	83,299,541	91,256,460	(7,956,919)	102,677	80,536	22,141
Expenses						
Instruction	31,643,952	44,543,358	(12,899,406)	-	-	-
Instructional resources and media services	1,415,922	1,153,232	262,690	-	-	-
Curriculum/instructional staff development	741,322	1,289,387	(548,065)	-	-	-
Instructional leadership	575,203	942,082	(366,879)	-	-	-
School leadership	3,800,689	4,849,929	(1,049,240)	-	-	-
Guidance, counseling, and evaluation services	1,849,839	2,710,673	(860,834)	-	-	-
Social work services	245,815	230,546	15,269	-	-	-
Health services	717,500	850,838	(133,338)	-	-	-
Student (pupil) transportation	2,966,032	2,431,469	534,563	-	-	-
Food services	3,137,966	3,517,940	(379,974)	-	-	-
Extracurricular activities	3,935,061	3,034,352	900,709	102,677	80,536	22,141
General administration	1,888,993	2,316,812	(427,819)	-	-	-
Plant maintenance and operations	7,336,430	7,050,132	286,298	-	-	-
Security and monitoring services	476,041	225,292	250,749	-	-	-
Data processing services	1,277,336	1,542,580	(265,244)	-	-	-
Community services	260,004	456,795	(196,791)	-	-	-
Debt service - interest on long-term debt	6,253,005	6,052,379	200,626	-	-	-
Payments to fiscal agent/member districts of SSA	212,300	77,315	134,985	-	-	-
Other intergovernmental charges	626,332	546,862	79,470	-	-	-
Total Expenses	69,359,742	83,821,973	(14,462,231)	102,677	80,536	22,141
Change in Net Position	13,939,799	7,434,487	6,505,312	-	-	-
Beginning net position	(6,144,272)	(13,578,759)	7,434,487	-	-	-
Ending Net Position	\$ 7,795,527	\$ (6,144,272)	\$ 13,939,799	\$ -	\$ -	\$ -

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending June 30, 2018, the District's governmental funds reported a combined fund balance of \$58,883,638. This compares to a combined fund balance of \$66,538,508 at June 30, 2017. The fund balance in the general fund increased by \$142,344 primarily due to increased property tax revenue and a decrease in instruction related expenses. The debt service and capital projects fund both experienced decreases in the current year primarily due to increases in debt payments and use of funds for ongoing construction projects, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended June 30, 2018, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The general fund's actual revenues exceeded budgeted revenues by \$2,120,223 due to an increase in foundation revenue that was not budgeted. Budgeted expenditures exceeded actual expenditures by \$4,603,988 primarily due to less instruction and extracurricular activities expenses incurred than appropriated.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the year, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At year end, the District had a total of \$178,546,338 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$69,657,288 invested during the fiscal year ended June 30, 2018.

More detailed information about the District's capital assets can be found in note III.B. to the financial statements.

LONG-TERM DEBT

At year end, the District had \$168,530,168 in general obligation bonds outstanding versus \$176,481,374 last year.

More detailed information about the District's long-term liabilities is presented in note III.C. to the financial statements.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Local economic growth continues in the area, as the U.S. Census Bureau latest population estimates has listed Comal County as the second fastest growing county in the nation. This growth is driving an increase in local property values and student enrollment.

The unemployment rate in the San Antonio-New Braunfels metropolitan area continues to be lower than the overall state unemployment rate – 3.0% in the New Braunfels area versus 4.1% statewide, as of May 2018.

The District maintains a conservative practice in budgeting and operation. The proposed 2018 Bond issue is for \$118.3 million will primarily be used for a new middle school and a new elementary campus. Security, expansion of an elementary campus and renovations district wide round out the proposed projects for the 2018 Bond issue. If successful, the I & S tax rate impact would be between \$0.00 and \$.04 dependent on student population growth and taxable value increases.

The District adopted a general fund budget for 2018-2019 of \$71,391,196. Through the 2017-2018 school year, the District's Maintenance & Operations (M&O) and Interest & Sinking (I&S) tax rate had not been increased since 2007. For the 2018-2019 school year, New Braunfels ISD increased the M&O tax rate to \$1.04 per one-hundred-dollar valuation, a \$.0267 (2.67) cents increase. This was done primarily to maximize State Funding available to NBISD through the State's school funding formula.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at 430 W. Mill Street, New Braunfels, Texas, 78130 or by calling (830) 643-5700.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

June 30, 2018

Data Control Codes		1 Governmental Activities	2 Business-Type Activities	3 Total
	<u>Assets</u>			
1110	Cash and cash equivalents	\$ 2,401,877	\$ -	\$ 2,401,877
1120	Investments	63,263,761	-	63,263,761
1225	Property taxes receivable (net)	2,168,271	-	2,168,271
1240	Due from other governments	3,484,844	-	3,484,844
1260	Internal balances	(69,769)	69,769	-
1267	Due from fiduciary funds	6,685	-	6,685
1290	Other receivables (net)	32,452	-	32,452
1300	Inventories	45,434	-	45,434
1410	Prepaid items	1,169,898	-	1,169,898
		<u>72,503,453</u>	<u>69,769</u>	<u>72,573,222</u>
	Capital assets:			
1510	Land	7,818,270	-	7,818,270
1520	Buildings and improvements, net	166,895,159	-	166,895,159
1530	Equipment and vehicles, net	3,139,148	-	3,139,148
1580	Construction in progress	693,761	-	693,761
		<u>178,546,338</u>	<u>-</u>	<u>178,546,338</u>
1000	Total Assets	<u>251,049,791</u>	<u>69,769</u>	<u>251,119,560</u>
	<u>Deferred Outflows of Resources</u>			
1700	Deferred charge on refunding	1,880,349	-	1,880,349
1705	Deferred outflows - pensions	4,834,126	-	4,834,126
1710	Deferred outflows - OPEB	399,733	-	399,733
	Total Deferred Outflows of Resources	<u>7,114,208</u>	<u>-</u>	<u>7,114,208</u>
	<u>Liabilities</u>			
2110	Accounts payable	844,825	-	844,825
2140	Interest payable	2,964,950	-	2,964,950
2165	Accrued liabilities	6,925,277	-	6,925,277
2180	Due to other governments	95,528	-	95,528
2300	Unearned revenue	377,680	69,769	447,449
		<u>11,208,260</u>	<u>69,769</u>	<u>11,278,029</u>
	Noncurrent liabilities:			
2501	Long-term liabilities due within one year	8,885,334	-	8,885,334
2502	Long-term liabilities due in more than one year	180,207,449	-	180,207,449
2540	Net pension liability	13,580,167	-	13,580,167
2550	Net OPEB liability	24,261,494	-	24,261,494
2000	Total Liabilities	<u>238,142,704</u>	<u>69,769</u>	<u>238,212,473</u>
	<u>Deferred Inflows of Resources</u>			
2605	Deferred inflows - pensions	2,077,139	-	2,077,139
2610	Deferred inflows - OPEB	10,148,629	-	10,148,629
	Total Deferred Inflows of Resources	<u>12,225,768</u>	<u>-</u>	<u>12,225,768</u>
	<u>Net Position</u>			
3200	Net investment in capital assets	5,251,052	-	5,251,052
	Restricted for:			
3820	Federal and state programs	(106,088)	-	(106,088)
3850	Debt service	4,883,485	-	4,883,485
3870	Campus activities	600,738	-	600,738
3900	Unrestricted	(2,833,660)	-	(2,833,660)
3000	Total Net Position	<u>\$ 7,795,527</u>	<u>\$ -</u>	<u>\$ 7,795,527</u>

See Notes to Financial Statements.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - EXHIBIT B-1
For the Year Ended June 30, 2018

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Primary Government			
	Governmental Activities			
11	Instruction	\$ 31,643,952	\$ 144,382	\$ (4,920,796)
12	Instructional resources			
12	and media services	1,415,922	-	(116,532)
13	Curriculum/instructional staff development	741,322	-	(31,273)
21	Instructional leadership	575,203	-	(125,395)
23	School leadership	3,800,689	-	(911,860)
31	Guidance, counseling, and			
31	evaluation services	1,849,839	-	(314,450)
32	Social work services	245,815	-	36,144
33	Health services	717,500	-	(135,272)
34	Student (pupil) transportation	2,966,032	-	(261,463)
35	Food services	3,137,966	1,250,852	1,498,425
36	Extracurricular activities	3,935,061	338,262	(214,333)
41	General administration	1,888,993	-	(379,017)
51	Plant maintenance and operations	7,336,430	-	(436,443)
52	Security and monitoring services	476,041	-	(16,515)
53	Data processing services	1,277,336	-	(172,326)
61	Community services	260,004	-	56,994
72	Debt service - interest on long-term debt	6,253,005	-	-
93	Payments to fiscal agent/member			
93	districts of SSA	212,300	-	212,300
99	Other intergovernmental charges	626,332	-	-
TG	Total Governmental Activities	<u>69,359,742</u>	<u>1,733,496</u>	<u>(6,231,812)</u>
	Business-Type Activities			
01	Athletic camps	102,677	102,677	-
TB	Total Business-Type Activities	<u>102,677</u>	<u>102,677</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 69,462,419</u>	<u>\$ 1,836,173</u>	<u>\$ (6,231,812)</u>
	General Revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
GC	Grants and contributions not restricted			
GC	for specific programs			
IE	Investment earnings			
MI	Miscellaneous local and intermediate revenue			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Beginning net position			
NE	Ending Net Position			

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (36,420,366)	\$ -	\$ (36,420,366)
(1,532,454)	-	(1,532,454)
(772,595)	-	(772,595)
(700,598)	-	(700,598)
(4,712,549)	-	(4,712,549)
(2,164,289)	-	(2,164,289)
(209,671)	-	(209,671)
(852,772)	-	(852,772)
(3,227,495)	-	(3,227,495)
(388,689)	-	(388,689)
(3,811,132)	-	(3,811,132)
(2,268,010)	-	(2,268,010)
(7,772,873)	-	(7,772,873)
(492,556)	-	(492,556)
(1,449,662)	-	(1,449,662)
(203,010)	-	(203,010)
(6,253,005)	-	(6,253,005)
-	-	-
(626,332)	-	(626,332)
(73,858,058)	-	(73,858,058)
-	-	-
-	-	-
(73,858,058)	-	(73,858,058)
47,302,067	-	47,302,067
15,055,214	-	15,055,214
22,355,821	-	22,355,821
1,085,721	-	1,085,721
1,999,034	-	1,999,034
87,797,857	-	87,797,857
13,939,799	-	13,939,799
(6,144,272)	-	(6,144,272)
\$ 7,795,527	\$ -	\$ 7,795,527

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

June 30, 2018

Data Control Codes		10	50	60	Other Governmental Funds
		General	Debt Service	Capital Projects	
Assets:					
1110	Cash and cash equivalents	\$ 1,092,886	\$ -	\$ -	\$ 833,234
1120	Investments	49,259,360	5,068,066	7,267,440	-
1220	Taxes receivable	1,713,158	548,914	-	-
1230	Allowance for uncollectible taxes	(72,022)	(21,779)	-	-
1240	Due from other governments	3,232,255	-	-	252,589
1260	Due from other funds	416,914	57,017	17,200	228,234
1267	Due from fiduciary funds	6,685	-	-	-
1290	Other receivables	16,178	-	(16,795)	33,069
1300	Inventories	32,889	-	-	12,545
1410	Prepaid items	1,169,898	-	-	-
1000	Total Assets	<u>\$ 56,868,201</u>	<u>\$ 5,652,218</u>	<u>\$ 7,267,845</u>	<u>\$ 1,359,671</u>
Liabilities:					
2110	Accounts payable	\$ 298,988	\$ -	\$ 326,321	\$ 219,516
2150	Payroll deductions payable	509,809	-	-	-
2160	Accrued wages payable	6,042,617	-	-	-
2170	Due to other funds	1,526,655	-	-	328,560
2180	Due to other governments	90,646	-	-	4,882
2200	Accrued expenditures	372,851	-	-	-
2300	Unearned revenue	75,662	-	-	299,518
2000	Total Liabilities	<u>8,917,228</u>	<u>-</u>	<u>326,321</u>	<u>852,476</u>
Deferred Inflows of Resources:					
2600	Unavailable revenue - property taxes	<u>1,641,136</u>	<u>527,136</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
3410	Inventories	32,889	-	-	12,545
3430	Prepaid items	1,169,898	-	-	-
Restricted:					
3450	Grant funds	-	-	-	(106,088)
3470	Capital acquisitions and contracts	-	-	6,941,524	-
3480	Debt service	-	5,125,082	-	-
3490	Other restrictions of fund balance	-	-	-	600,738
Committed:					
3510	Construction	9,139,826	-	-	-
3530	Capital expenditures for equipment	9,090	-	-	-
3600	Unassigned	35,958,134	-	-	-
3000	Total Fund Balances	<u>46,309,837</u>	<u>5,125,082</u>	<u>6,941,524</u>	<u>507,195</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 56,868,201</u>	<u>\$ 5,652,218</u>	<u>\$ 7,267,845</u>	<u>\$ 1,359,671</u>

See Notes to Financial Statements.

98
Total
Governmental
Funds

\$	1,926,120
	61,594,866
	2,262,072
	(93,801)
	3,484,844
	719,365
	6,685
	32,452
	45,434
	1,169,898
\$	<u>71,147,935</u>

\$	844,825
	509,809
	6,042,617
	1,855,215
	95,528
	372,851
	375,180
	<u>10,096,025</u>

	<u>2,168,272</u>
--	------------------

	45,434
	1,169,898
	(106,088)
	6,941,524
	5,125,082
	600,738
	9,139,826
	9,090
	35,958,134
	<u>58,883,638</u>
\$	<u>71,147,935</u>

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
June 30, 2018

Total fund balances for governmental funds	\$	58,883,638
--	----	------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - nondepreciable	8,512,031		
Capital assets - depreciable	170,034,307		
			178,546,338

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,168,272
---	--	-----------

The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		3,208,233
--	--	-----------

Some liabilities, and deferred out/inflows, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(2,964,950)		
Deferred charge on refunding	1,880,349		
Deferred outflows - pensions	4,834,126		
Deferred inflows - pensions	(2,077,139)		
Deferred outflows - OPEB	399,733		
Deferred inflows - OPEB	(10,148,629)		
Noncurrent liabilities due in one year	(8,885,334)		
Noncurrent liabilities due in more than one year	(180,207,449)		
Net pension liability	(13,580,167)		
Net OPEB liability	(24,261,494)		
			(235,010,954)

Net Position of Governmental Activities	\$	7,795,527
--	-----------	------------------

See Notes to Financial Statements.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - EXHIBIT C-2

For the Year Ended June 30, 2018

Data Control Codes		10	50	60	Other Governmental Funds
		General	Debt Service	Capital Projects	
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 49,124,621	\$ 15,174,637	\$ 169,068	\$ 2,517,983
5800	State program revenues	18,350,709	358,616	-	737,680
5900	Federal program revenues	1,112,848	-	-	5,181,257
5020	Total Revenues	<u>68,588,178</u>	<u>15,533,253</u>	<u>169,068</u>	<u>8,436,920</u>
	Expenditures				
0011	Instruction	37,456,746	-	-	3,150,926
0012	Instructional resources/media services	1,127,371	-	299,998	105,975
0013	Curriculum and staff development	886,903	-	-	302,146
0021	Instructional leadership	823,550	-	-	160,877
0023	School leadership	5,000,063	-	-	45,616
0031	Guidance, counseling, and				
0031	evaluation services	2,398,866	-	-	305,896
0032	Social work services	217,766	-	-	54,776
0033	Health services	884,085	-	-	-
0034	Student (pupil) transportation	3,286,859	-	-	-
0035	Food service	-	-	-	3,320,117
0036	Extracurricular activities	2,959,848	-	-	888,386
0041	General administration	2,181,179	-	-	501
0051	Plant maintenance and operations	7,694,833	-	-	-
0052	Security and monitoring services	460,701	-	-	-
0053	Data processing services	1,492,467	-	-	235
0061	Community services	257,311	-	-	182,352
	Debt service:				
0071	Principal	6,882	7,944,324	-	-
0072	Interest	73	7,813,549	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	683,999	-	7,148,481	-
	Intergovernmental:				
0093	Shared services arrangements	-	-	-	212,300
0099	Other intergovernmental charges	626,332	-	-	-
6030	Total Expenditures	<u>68,445,834</u>	<u>15,757,873</u>	<u>7,448,479</u>	<u>8,730,103</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>142,344</u>	<u>(224,620)</u>	<u>(7,279,411)</u>	<u>(293,183)</u>
1200	Net Change in Fund Balances	142,344	(224,620)	(7,279,411)	(293,183)
0100	Beginning fund balances	46,167,493	5,349,702	14,220,935	800,378
3000	Ending Fund Balances	<u>\$ 46,309,837</u>	<u>\$ 5,125,082</u>	<u>\$ 6,941,524</u>	<u>\$ 507,195</u>

See Notes to Financial Statements.

98	
Total	
Governmental	
Funds	
<hr/>	
\$	66,986,309
	19,447,005
	6,294,105
	<hr/>
	92,727,419
	<hr/>
	40,607,672
	1,533,344
	1,189,049
	984,427
	5,045,679
	2,704,762
	272,542
	884,085
	3,286,859
	3,320,117
	3,848,234
	2,181,680
	7,694,833
	460,701
	1,492,702
	439,663
	7,951,206
	7,813,622
	7,832,480
	212,300
	626,332
	<hr/>
	100,382,289
	<hr/>
	(7,654,870)
	<hr/>
	(7,654,870)
	66,538,508
\$	<hr/>
	58,883,638
	<hr/>

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3*

For the Year Ended June 30, 2018

Net changes in fund balances - total governmental funds	\$ (7,654,870)
---	----------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(5,056,465)
Capital outlay (net of disposed assets)	8,421,991

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	465,448
--	---------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	7,951,206
Accrued interest	(241,597)
Amortization of loss on bond refunding	(301,035)
Amortization of premiums	1,085,887
Accreted interest	1,017,362

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(3,786)
Change in net pension liability	2,044,037
Deferred inflows - pensions	(1,176,251)
Deferred outflows - pensions	(1,432,224)
Change in net OPEB liability	18,274,604
Deferred inflows - OPEB	(10,148,629)
Deferred outflows - OPEB	103,389

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

	590,732
--	---------

Change in Net Position of Governmental Activities	\$ 13,939,799
--	----------------------

See Notes to Financial Statements.

(This page intentionally left blank.)

**NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - EXHIBIT D-1

June 30, 2018

	Business-Type Activities - Enterprise Funds <u>702 Athletic Camps</u>	Governmental Activities <u>Internal Service Funds</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 475,757
Investments	-	1,668,895
Due from other funds	69,769	1,198,427
Total Assets	<u>69,769</u>	<u>3,343,079</u>
<u>Liabilities</u>		
Current liabilities:		
Due to other funds	-	132,346
Unearned revenue	69,769	2,500
Total Liabilities	<u>69,769</u>	<u>134,846</u>
<u>Net Position</u>		
Unrestricted	-	3,208,233
Total Net Position	<u>\$ -</u>	<u>\$ 3,208,233</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - EXHIBIT D-2
For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds 702 Athletic Camps	Governmental Activities Internal Service Funds
<u>Operating Revenues</u>		
Charges for services	\$ 102,677	\$ 6,923,980
Total Operating Revenues	<u>102,677</u>	<u>6,923,980</u>
<u>Operating Expenses</u>		
Payroll costs	50,627	-
Contractual services	-	490,697
Insurance and bonding costs	-	5,866,096
Other supplies and expenses	24,991	934
Other operating costs	27,059	-
Total Operating Expenses	<u>102,677</u>	<u>6,357,727</u>
Operating Income	<u>-</u>	<u>566,253</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest and investment revenue	-	24,479
Total Nonoperating Revenues	<u>-</u>	<u>24,479</u>
Change in Net Position	<u>-</u>	<u>590,732</u>
Beginning net position	-	2,617,501
Ending Net Position	<u>\$ -</u>	<u>\$ 3,208,233</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS - EXHIBIT D-3

For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds 702 Athletic Camps	Governmental Activities Internal Service Funds
<u>Cash Flows from Operating Activities</u>		
Cash received from customers	\$ 102,677	\$ 6,923,980
Cash payments to suppliers	(52,050)	(6,356,793)
Cash payments to employees	(50,627)	-
Other payments	-	(758,372)
Net Cash (Used) by Operating Activities	-	(191,185)
<u>Cash Flows From Investing Activities</u>		
Interest and dividends	-	24,479
Net Cash Provided by Investing Activities	-	24,479
Net (Decrease) in Cash and Cash Equivalents	-	(166,706)
Beginning cash and cash equivalents	-	2,311,358
Ending Cash and Cash Equivalents	\$ -	\$ 2,144,652
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income	\$ -	\$ 566,253
Adjustments to reconcile operating income to net cash (used) by operating activities:		
Change in Assets and Liabilities:		
(Increase) decrease in due from other funds	14,313	(792,742)
Increase (decrease) in due to other funds	-	35,304
Increase (decrease) in unearned revenue	(14,313)	-
Net Cash (Used) by Operating Activities	\$ -	\$ (191,185)

See Notes to Financial Statements.

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT E-1
June 30, 2018

		Agency Fund Student Activity
<u>Assets</u>		
Cash and cash equivalents		\$ 41,588
Total Cash		<u>41,588</u>
Total Assets		<u>41,588</u>
<u>Liabilities</u>		
Due to other funds		6,686
Unearned revenue		34,902
Total Liabilities		<u>41,588</u>
<u>Net Position</u>		
Held in trust		-
Total Net Position		<u><u>\$ -</u></u>

See Notes to Financial Statements.

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

New Braunfels Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the District’s business-type activities and other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

General Fund

The general fund is the District's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Funds

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

Special Revenue Funds

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business-type activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of material, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

The District has the following types of proprietary funds:

Enterprise Funds

The enterprise funds are used to account for and report operations that are financed and operated in a manner similar to private business enterprises where the intent of the District is that the costs (expenses including depreciation) of providing goods or services on a continuing basis will be financed or recovered primarily through user charges. These funds are reported as business-type activities in the government-wide financial statements.

Internal Service Funds

These funds are used to account for and report revenue and expenses related to services provided to parties inside the District on a cost-reimbursement basis. These funds account for the District's workers' compensation risk management, the District's health insurance, and the central office copiers. Because the principal users of the internal service funds are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. 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 has the following type of fiduciary funds:

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized repurchase agreements that meet certain criteria
- Statewide investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

5. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

NEW BRAUNFELS

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	7 to 40 years
Vehicles	5 to 10 years
Equipment	5 to 20 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has six items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding 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. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience, for the changes in actuarial assumptions, and for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred outflows of resources are also recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience, for the changes in actuarial assumptions, and for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

7. Compensated Absences

It is the District's policy to permit certain employees to accumulate earned but unused vacation benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

9. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

10. Fund Balance Flow Assumptions

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

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board of Trustees is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Estimates

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

13. Data Control Codes

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

14. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. Teacher Retirement System of Texas (TRS) and Texas Public School Retired Employees Group Insurance Program ("TRS-Care") are both cost-

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the statement of activities in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

During the year, under audit, the NECE expense was negative, due to changes in benefits within TRS-Care. The accrual for the proportionate share of that expense was a negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the statement of activities.

Following are the effects on the statement of activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions (Excluding On-Behalf Accruals)	Negative On- Behalf Accruals	Operating Grants and Contributions As Reported
0011 Instruction	\$ 2,887,177	\$ (7,807,973)	\$ (4,920,796)
0012 Instructional resources/media services	19,943	(136,475)	(116,532)
0013 Curriculum and staff development	301,871	(332,094)	(30,223)
0021 Instructional leadership	160,877	(286,272)	(125,395)
0023 School leadership	-	(911,860)	(911,860)
0031 Guidance, counseling, and evaluation services	305,896	(620,346)	(314,450)
0032 Social work services	54,776	(18,632)	36,144
0033 Health services	-	(135,272)	(135,272)
0034 Student (pupil) transportation	-	(261,463)	(261,463)
0035 Food service	1,892,034	(393,609)	1,498,425
0036 Extracurricular activities	8,921	(223,254)	(214,333)
0041 General administration	-	(379,017)	(379,017)
0051 Plant maintenance and operations	-	(436,443)	(436,443)
0052 Security and monitoring services	-	(16,515)	(16,515)
0053 Data processing services	-	(172,326)	(172,326)
0061 Community services	182,232	(125,238)	56,994
0093 Payments to fiscal agent/member districts of SSA	212,300	-	212,300
Total	<u>\$ 6,026,027</u>	<u>\$ (12,256,789)</u>	<u>\$ (6,230,762)</u>

15. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets,

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

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.

16. Other Post-Employment Benefits

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 other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of the enterprise funds and internal service funds are charges to students and charges to other departments of the District for services provided. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

A. Deficit Fund Balance

As of year end, the District reported a deficit fund balance in the state textbook fund of \$106,040.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of year end, checking and time deposits were completely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

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. All of the District's investments are held in external investment pools which are not subject to custodial credit risk.

As of June 30, 2018, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rating</u>
Texpool	N/A	\$ 5,214,042	AAAm
Lone Star	N/A	58,049,489	AAA
Texas CLASS	N/A	230	AAAm
		<u>\$ 63,263,761</u>	

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Lone Star

The First Public Lone Star Investment Pool ("Lone Star") is a public funds investment pool operated under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. Lone Star is governed by trustees comprised of active participants in Lone Star. The Board of Trustees for Lone Star has the responsibility for adopting and monitoring compliance with the investment policy; of appointing investment officers; and of overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. Lone Star is rated "AAA" by Standard & Poor's.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,818,270	\$ -	\$ -	\$ 7,818,270
Construction in progress	53,550,426	8,011,409	(60,868,074)	693,761
Total Capital Assets Not Being Depreciated	<u>61,368,696</u>	<u>8,011,409</u>	<u>(60,868,074)</u>	<u>8,512,031</u>
Other capital assets:				
Buildings and improvements	156,897,118	60,868,074	-	217,765,192
Equipment and vehicles	11,405,650	777,805	(367,223)	11,816,232
Total Other Capital Assets	<u>168,302,768</u>	<u>61,645,879</u>	<u>(367,223)</u>	<u>229,581,424</u>
Less accumulated depreciation for:				
Buildings and improvements	(46,004,202)	(4,865,831)	-	(50,870,033)
Equipment and vehicles	(8,486,450)	(557,857)	367,223	(8,677,084)
Total Accumulated Depreciation	<u>(54,490,652)</u>	<u>(5,423,688)</u>	<u>367,223</u>	<u>(59,547,117)</u>
Other capital assets, net	<u>113,812,116</u>	<u>56,222,191</u>	<u>-</u>	<u>170,034,307</u>
Governmental Activities Capital Assets, Net	<u>\$ 175,180,812</u>	<u>\$ 64,233,600</u>	<u>\$ (60,868,074)</u>	<u>178,546,338</u>
			Less associated debt	(182,117,159)
			Plus unspent bond proceeds	6,941,524
			Plus deferred charge on refunding	<u>1,880,349</u>
			Net Investment in Capital Assets	<u>\$ 5,251,052</u>

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 3,389,031
12 Instructional resources/media services	78,356
13 Curriculum and staff development	28,670
21 Instructional leadership	1,443
23 School leadership	63,101
31 Guidance, counseling, and evaluation services	34,983
33 Health services	27,466
34 Student (pupil) transportation	421,472
35 Food service	382,491
36 Extracurricular activities	407,093
41 General administration	251,023
51 Plant maintenance and operations	267,686
52 Security and monitoring services	39,031
53 Data processing services	31,842
Total Depreciation Expense	\$ 5,423,688

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the general and debt service funds to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year	Interest Rates
Bonds payable						
Series 2010	\$ 5,055,000	\$ -	\$ (930,000)	\$ 4,125,000	\$ 970,000	3.00-4.00%
Series 2011	29,406,255	-	(17,325)	29,388,930	8,929	2.00-5.00%
Series 2012	22,047,245	-	(855,000)	21,192,245	910,000	1.625-5.00%
Series 2012A	9,420,000	-	(2,985,000)	6,435,000	3,135,000	2.00-5.00%
Series 2013	9,125,000	-	-	9,125,000	405,000	3.00-3.50%
Series 2014	8,545,000	-	(390,000)	8,155,000	30,000	2.00-2.75%
Series 2015	5,235,000	-	-	5,235,000	-	3.50%
Series 2015A	15,449,993	-	(100,000)	15,349,993	100,000	2.00-5.00%
Series 2016	45,645,000	-	(1,835,000)	43,810,000	1,920,000	3.00-5.00%
QSCB Series 2016	8,146,000	-	(582,000)	7,564,000	582,000	0.00%
Series 2017	18,400,000	-	(250,000)	18,150,000	250,000	3.125-5.00%
Capital lease	6,881	-	(6,881)	-	-	0.27%
	<u>176,481,374</u>	<u>-</u>	<u>(7,951,206)</u>	<u>168,530,168</u>	<u>* 8,310,929</u>	
Other liabilities:						
Compensated absences	634,442	574,784	(570,998)	638,228	574,405	
Net issuance premiums (discounts)	14,672,878	-	(1,085,887)	13,586,991	*	-
Accreted interest	7,354,758	-	(1,017,362)	6,337,396	-	-
Net pension liability	15,624,204	-	(2,044,037)	13,580,167	-	-
Net OPEB liability	42,536,098	-	(18,274,604)	24,261,494	-	-
Total Governmental Activities	<u>\$ 257,303,754</u>	<u>\$ 574,784</u>	<u>\$ (30,944,094)</u>	<u>\$ 226,934,444</u>	<u>\$ 8,885,334</u>	
Long-term liabilities due in more than one year				<u>\$ 218,049,110</u>		
*Debt associated with capital assets				<u>\$ 182,117,159</u>		

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

The annual requirements to amortize debt issues outstanding at year end are as follows:

Year Ended June 30	General Obligation Bonds		
	Principal	Interest	Total Requirements
2019	\$ 8,310,929	\$ 6,276,544	\$ 14,587,473
2020	9,797,000	5,919,319	15,716,319
2021	10,382,000	5,522,119	15,904,119
2022	10,917,000	5,079,294	15,996,294
2023	5,993,221	5,668,038	11,661,259
2024-2028	49,841,018	18,983,469	68,824,487
2029-2033	38,119,000	10,453,925	48,572,925
2034-2038	28,800,000	3,802,575	32,602,575
2039-2040	6,370,000	278,850	6,648,850
Totals	\$ 168,530,168	\$ 61,984,132	\$ 230,514,300

D. Commitments Under Noncapitalized Leases

During the year, the District expended a total of \$169,160 for operating (noncapitalized) leases and, in accordance with standard nonappropriation clauses in the various lease agreements, the District has no future obligation in relation to these leases.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

E. Interfund Transactions

The interfund balances and transfers were as follows:

	<u>Due From Other Funds</u>
General fund	
Other governmental funds	\$ 284,569
Internal service funds	132,346
Total General Fund	<u>416,915</u>
Debt service fund	
General fund	<u>57,017</u>
Total Debt Service Fund	<u>57,017</u>
Capital projects fund	
General fund	<u>17,200</u>
Total Capital Projects Fund	<u>17,200</u>
Other governmental funds	
General fund	<u>228,234</u>
Total Other Governmental Funds	<u>228,234</u>
Enterprise funds	
General fund	<u>69,769</u>
Total Enterprise Funds	<u>69,769</u>
Internal service funds	
General fund	<u>1,198,426</u>
Total Internal Service Funds	<u>1,198,426</u>
Total	<u><u>\$ 1,987,561</u></u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

IV. OTHER INFORMATION

A. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations. The District does not anticipate an arbitrage rebate liability.

C. Defined Benefit Pension Plan

Teacher Retirement System

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

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% (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 cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. 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 2016 and 2017.

<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%
2017 Employer Contributions	\$1,391,975	
2017 Member Contributions	\$1,377,169	
2017 NECE On-behalf Contributions	\$2,338,984	

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

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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

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

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

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

Actuarial Assumptions

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

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.0%
Long-term expected investment rate of return	8.0%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

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

Discount Rate

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

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

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

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

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

NEW BRAUNFELS

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's proportionate share of the net pension liability	\$ 22,893,478	\$ 13,580,167	\$ 5,825,324

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

At June 30, 2018, the District reported a liability of \$13,580,167 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 13,580,167
State's proportionate share that is associated with the District	22,867,197
Total	\$ 36,447,364

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

At August 31, 2017, the District's proportion of the collective net pension liability was 0.0424717%, which was a decrease of 0.0011253% from its proportion measured as of August 31, 2016.

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$2,308,657 and revenue of \$1,744,219 for support provided by the State.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 198,684	\$ (732,361)
Changes in actuarial assumptions	618,598	(354,133)
Difference between projected and actual investment earnings	-	(989,693)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,763,107	(952)
Contributions paid to TRS subsequent to the measurement date	1,253,737	-
Total	<u><u>\$ 4,834,126</u></u>	<u><u>\$ (2,077,139)</u></u>

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

Year Ended June 30	Pension Expense
2018	\$ 232,723
2019	1,099,580
2020	166,119
2021	(98,114)
2022	72,581
Thereafter	30,361
Total	<u><u>\$ 1,503,250</u></u>

D. 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 benefit other post-employment benefit (OPEB) plan that has a special funding situation. TRS-Care is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees (the "Board"). It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed 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 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.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

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

Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	399,535,986
Net OPEB Liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.92%

Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the “Basic Plan”) 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 (the “Optional Health Insurance”). 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 ten 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 cost-of-living adjustments.

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 and B coverage, with 20 to 29 years of service, for the Basic Plan and the two Optional Health Insurance plans:

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

**or surviving spouse*

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 does not have the authority to set or amend contribution rates.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

Texas Insurance Code, section 1575.202 establishes the State's contribution rate, which is 1.00 percent of the employee's salary. Section 1575.203 establishes the active employee's rate, which is 0.65 percent 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 TRS-Care by type of contributor:

Contribution Rates		
	Fiscal Year	
	2017	2018
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private funding remitted by employers	1.00%	1.25%
Current fiscal year District contributions	\$	290,059
Current fiscal year member contributions	\$	118,970
2017 measurement year NECE contributions	\$	437,910

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

TRS-Care received supplemental appropriations from the State of Texas as the non-employer contributing entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

Actuarial Assumptions

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

- The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the TRS 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.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2018

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

- | | |
|----------------------------------|----------------------------|
| 1. Rates of Mortality | 5. General Inflation |
| 2. Rates of Retirement | 6. Wage Inflation |
| 3. Rates of Termination | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence | |

Additional actuarial methods and assumptions are as follows:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate*	3.42% *
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50% **
Healthcare trend rates***	4.50% to 12.00% ***
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad hoc post-employment benefit changes	None

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

** Includes inflation at 2.50%

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

Discount Rate

A single discount rate of 3.42 percent was used to measure the total OPEB liability. There was a change of 0.44 percent in the discount rate since the previous year. Because TRS-Care 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, TRS-Care'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.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 28,634,586	\$ 24,261,494	\$ 20,746,514

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

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 20,200,118	\$ 24,261,494	\$ 29,590,532

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

At August 31, 2018, the District reported a liability of \$24,261,494 for its proportionate share of TRS-Care'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	\$ 24,261,494
State's proportionate share that is associated with the District	36,628,258
Total	\$ 60,889,752

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

At the August 31, 2017 measurement date, the District's proportion of the collective net OPEB liability was 0.0557912 percent, which was the same proportion measured as of August 31, 2016.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

Changes Since the Prior Actuarial Valuation

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

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

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

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$3,734,061 and revenue of \$12,256,789 for support provided by the State.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (506,477)
Changes in actuarial assumptions	-	(9,642,152)
Differences between projected and actual investment earnings	3,685	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	112	-
Contributions paid to TRS subsequent to the measurement date	395,936	-
Total	<u><u>\$ 399,733</u></u>	<u><u>\$ (10,148,629)</u></u>

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

Year Ended June 30, 2018	Expense Amount
2019	\$ (1,338,622)
2020	(1,338,622)
2021	(1,338,622)
2022	(1,338,622)
2023	(1,339,543)
Thereafter	(3,450,801)
	<u><u>\$ (10,144,832)</u></u>

E. Employee Health Care Coverage

During the year, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$332 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2018 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended June 30, 2018, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2017, the Fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

G. Unemployment Compensation

During the year ended June 30, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended June 30, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Management Fund's website and have been filed with the Texas Department of Insurance in Austin.

H. Shared Services Arrangements

The District participates in a shared services arrangement (SSA) for homeless children and youth. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region X, 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 the District. The fiscal agent manager is responsible for part of the financial activities of the SSA.

The District participates in an SSA for hearing impaired children. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region XIII, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2018

accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for part of the financial activities of the SSA.

The District participates in an SSA for visually handicapped children. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region XIII, 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 the District. The fiscal agent manager is responsible for part of the financial activities of the SSA.

I. Restatement of Net Position

Due to the implementation of GASB standard 75, the District restated its beginning government wide net position as follows:

	Governmental Activities
Beginning net position - as reported	\$ 36,095,482
Restatement - net OPEB liability	(42,536,098)
Restatement - deferred outflows	296,344
Beginning net position - restated	<u><u>\$ (6,144,272)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - EXHIBIT G-1
For the Year Ended June 30, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 50,294,000	\$ 50,334,731	\$ 49,124,621	\$ (1,210,110)
5800	State program revenues	15,840,013	15,983,224	18,350,709	2,367,485
5900	Federal program revenues	150,000	150,000	1,112,848	962,848
5020	Total Revenues	<u>66,284,013</u>	<u>66,467,955</u>	<u>68,588,178</u>	<u>2,120,223</u>
	Expenditures				
0011	Instruction	41,730,532	40,412,546	37,456,746	2,955,800
0012	Instructional resources/media services	940,738	1,182,403	1,127,371	55,032
0013	Curriculum and staff development	926,270	936,268	886,903	49,365
0021	Instructional leadership	726,186	848,432	823,550	24,882
0023	School leadership	4,304,387	5,012,617	5,000,063	12,554
0031	Guidance, counseling, and				
0031	evaluation services	1,927,446	2,423,068	2,398,866	24,202
0032	Social work services	46,144	222,399	217,766	4,633
0033	Health services	716,095	891,911	884,085	7,826
0034	Student (pupil) transportation	3,149,351	3,334,664	3,286,859	47,805
0036	Extracurricular activities	2,195,565	3,416,431	2,959,848	456,583
0041	General administration	2,127,442	2,223,264	2,181,179	42,085
0051	Plant maintenance and operations	7,934,235	7,963,235	7,694,833	268,402
0052	Security and monitoring services	423,449	470,614	460,701	9,913
0053	Data processing services	1,321,390	1,521,390	1,492,467	28,923
0061	Community services	297,946	297,506	257,311	40,195
	Debt service:				
0071	Principal	11,861	11,861	6,882	4,979
0072	Interest	73	73	73	-
	Capital outlay:				
0081	Facilities acquisition and construction	24,600	1,249,600	683,999	565,601
	Intergovernmental:				
0099	Other intergovernmental charges	466,540	631,540	626,332	5,208
6030	Total Expenditures	<u>69,270,250</u>	<u>73,049,822</u>	<u>68,445,834</u>	<u>4,603,988</u>
1200	Net Change in Fund Balance	(2,986,237)	(6,581,867)	142,344	6,724,211
0100	Beginning fund balance	46,167,493	46,167,493	46,167,493	-
3000	Ending Fund Balance	<u>\$ 43,181,256</u>	<u>\$ 39,585,626</u>	<u>\$ 46,309,837</u>	<u>\$ 6,724,211</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2
For the Year Ended June 30, 2018

	Measurement Year*			
	2017	2016	2015	2014
District's proportion of the net pension liability	0.0424717%	0.0413464%	0.0430175%	0.0274753%
District's proportionate share of the net pension liability (asset)	\$ 13,580,167	\$ 15,624,204	\$ 15,206,114	\$ 7,339,032
State's proportionate share of the net pension associated with the District	22,867,197	27,221,439	25,565,550	21,714,430
Total	<u>\$ 36,447,364</u>	<u>\$ 42,845,643</u>	<u>\$ 40,771,664</u>	<u>\$ 29,053,462</u>
District's covered employee payroll**	\$ 46,053,006	\$ 44,104,082	\$ 42,295,575	\$ 39,759,377
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	29.49%	35.43%	35.95%	18.46%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

* Only four years' worth of information is currently available.

Notes to Required Supplementary Information:

Changes in Assumptions: There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period

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

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3

Last 10 Fiscal Years
For the Year Ended June 30, 2018

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	\$ 1,475,855	\$ 1,379,374	\$ 1,303,517	\$ 1,186,299
Contributions in relations to the contractually required contribution	1,475,855	1,379,374	1,303,517	1,186,299
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 49,033,021	\$ 46,053,006	\$ 44,104,082	\$ 41,955,471
Contributions as a percentage of covered employee payroll	3.01%	3.00%	2.96%	2.83%

Fiscal Year

2014	2013	2012	2011	2010	2009
\$ 674,045	\$ 565,260	\$ 547,905	\$ 826,063	\$ 712,105	\$ 619,512
674,045	565,260	547,905	826,063	712,105	619,512
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 39,759,377	\$ 37,639,087	\$ 37,156,020	\$ 40,138,689	\$ 38,764,023	\$ 37,277,856
1.70%	1.50%	1.47%	2.06%	1.84%	1.66%

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS - CARE (TRS-CARE) EXHIBIT G-4
For the Year Ended June 30, 2018

	Measurement Year* <u>2017</u>
District's proportion of the collective net OPEB liability	0.0557912%
District's proportionate share of the collective net OPEB liability	\$ 24,261,494
State's proportionate share of the collective net OPEB liability associated with the District	<u>36,628,258</u>
Total	<u>\$ 60,889,752</u>
District's covered employee payroll**	\$ 46,053,006
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	52.68%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

* Only one years' worth of information is currently available.

Notes to Required Supplementary Information:

Changes in Assumptions: There were no changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

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

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS - CARE (TRS-CARE) EXHIBIT G-5
For the Year Ended June 30, 2018

	<u>Fiscal Year*</u>
	<u>2018</u>
Statutorily required contributions	\$ 453,296
Contributions in relations to the statutorily required contributions	<u>453,296</u>
District's covered-employee payroll	\$ 49,033,021
Contributions as a percentage of covered employee payroll	0.92%

* Only one years' worth of information is currently available.

(This page intentionally left blank.)

***OTHER SUPPLEMENTARY
INFORMATION***

**NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT**
COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 2)

June 30, 2018

Data Control Codes		205	206	211	224
		Head Start	ESEA Title X Part C	ESEA Title I Part A	IDEA-B Formula
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	-	2,768	81,546	130,354
1260	Due from other funds	25,897	-	-	-
1290	Other receivables	33,069	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 58,966</u>	<u>\$ 2,768</u>	<u>\$ 81,546</u>	<u>\$ 130,354</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2170	Due to other funds	58,966	2,768	81,546	130,354
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>58,966</u>	<u>2,768</u>	<u>81,546</u>	<u>130,354</u>
	<u>Fund Balances</u>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state funds grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 58,966</u>	<u>\$ 2,768</u>	<u>\$ 81,546</u>	<u>\$ 130,354</u>

225	240	244	255	263	287
IDEA-B Preschool	National School Breakfast and Lunch Program	Career and Technical Basic Grant	ESEA Title II Part A	Title III Part A	Educational Jobs Fund
\$ -	\$ 147,998	\$ -	\$ -	\$ -	\$ -
-	-	11,328	12,861	6,290	1,173
-	79,807	-	-	-	-
-	-	-	-	-	-
-	12,545	-	-	-	-
<u>\$ -</u>	<u>\$ 240,350</u>	<u>\$ 11,328</u>	<u>\$ 12,861</u>	<u>\$ 6,290</u>	<u>\$ 1,173</u>
\$ -	\$ 219,516	\$ -	\$ -	\$ -	\$ -
-	-	11,328	12,861	6,290	1,173
-	-	-	-	-	-
-	8,337	-	-	-	-
<u>-</u>	<u>227,853</u>	<u>11,328</u>	<u>12,861</u>	<u>6,290</u>	<u>1,173</u>
-	12,545	-	-	-	-
-	(48)	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>12,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 240,350</u>	<u>\$ 11,328</u>	<u>\$ 12,861</u>	<u>\$ 6,290</u>	<u>\$ 1,173</u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 2)

June 30, 2018

Data Control Codes		289	385 State Supplemental Visually Impaired	392 Noneducational Community Based Support	397 Advanced Placement Incentives
		LEP Summer School			
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	-	-	5,180	-
1260	Due from other funds	3,561	-	-	6,149
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 3,561</u>	<u>\$ -</u>	<u>\$ 5,180</u>	<u>\$ 6,149</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2170	Due to other funds	-	-	5,180	-
2180	Due to other governments	3,561	-	-	-
2300	Unearned revenue	-	-	-	6,149
2000	Total Liabilities	<u>3,561</u>	<u>-</u>	<u>5,180</u>	<u>6,149</u>
	<u>Fund Balances</u>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state funds grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,561</u>	<u>\$ -</u>	<u>\$ 5,180</u>	<u>\$ 6,149</u>

410	429	461	Total Nonmajor Governmental Funds
State Textbook	Academy Activity	Campus Activity	
\$ -	\$ -	\$ 685,236	\$ 833,234
1,089	-	-	252,589
92,931	-	19,889	228,234
-	-	-	33,069
-	-	-	12,545
<u>\$ 94,020</u>	<u>\$ -</u>	<u>\$ 705,125</u>	<u>\$ 1,359,671</u>
\$ -	\$ -	\$ -	\$ 219,516
-	-	18,094	328,560
-	-	1,321	4,882
200,060	-	84,972	299,518
<u>200,060</u>	<u>-</u>	<u>104,387</u>	<u>852,476</u>
-		-	12,545
(106,040)	-	-	(106,088)
-		600,738	600,738
<u>(106,040)</u>	<u>-</u>	<u>600,738</u>	<u>507,195</u>
<u>\$ 94,020</u>	<u>\$ -</u>	<u>\$ 705,125</u>	<u>\$ 1,359,671</u>

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 2)
For the Year Ended June 30, 2018

		205	206	211	224
Data	Control				
Codes		Head	ESEA Title X	ESEA Title I	IDEA-B
		Start	Part C	Part A	Formula
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	382,462	34,567	1,083,581	1,456,886
5020	Total Revenues	382,462	34,567	1,083,581	1,456,886
	Expenditures				
0011	Instruction	382,462	313	704,121	941,185
0012	Instructional resources/media services	-	-	19,943	-
0013	Curriculum and staff development	-	-	66,512	13,448
0021	Instructional leadership	-	34,254	72,859	47,029
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	233,778
0032	Social work services	-	-	39,154	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	8,921
0041	General administration	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	180,992	225
	Intergovernmental:				
0093	Shared services arrangements	-	-	-	212,300
6030	Total Expenditures	382,462	34,567	1,083,581	1,456,886
1200	Net Change in Fund Balances	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ -

225	240	244	255	263	287
IDEA-B Preschool	National School Breakfast and Lunch Program	Career and Technical Basic Grant	ESEA Title II Part A	Title III Part A	Educational Jobs Fund
\$ -	\$ 1,250,852	\$ -	\$ -	\$ -	\$ -
-	15,101	-	-	-	-
27,756	1,876,933	67,138	160,204	70,104	21,626
27,756	3,142,886	67,138	160,204	70,104	21,626
27,756	-	213	-	8,493	-
-	-	-	-	-	-
-	-	-	160,204	58,907	-
-	-	2,500	-	-	-
-	-	-	-	-	-
-	-	64,425	-	2,704	4,989
-	-	-	-	-	15,622
-	3,320,117	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,015
-	-	-	-	-	-
27,756	3,320,117	67,138	160,204	70,104	21,626
-	(177,231)	-	-	-	-
-	189,728	-	-	-	-
\$ -	\$ 12,497	\$ -	\$ -	\$ -	\$ -

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 2)
For the Year Ended June 30, 2018

Data Control Codes		289	385	392	397
		LEP Summer School	State Supplemental Visually Impaired	Noneducational Community Based Support	Advanced Placement Incentives
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	2,750	15,509	1,050
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	-	2,750	15,509	1,050
	Expenditures				
0011	Instruction	-	2,750	15,509	-
0012	Instructional resources/media services	-	-	-	-
0013	Curriculum and staff development	-	-	-	1,050
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
	Intergovernmental:				
0093	Shared services arrangements	-	-	-	-
6030	Total Expenditures	-	2,750	15,509	1,050
1200	Net Change in Fund Balances	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ -

410	429	461	Total Nonmajor Governmental Funds
State Textbook	Academy Activity	Campus Activity	
\$ -	\$ -	\$ 1,267,131	\$ 2,517,983
682,106	21,164	-	737,680
-	-	-	5,181,257
682,106	21,164	1,267,131	8,436,920
783,911	20,464	263,749	3,150,926
-	-	86,032	105,975
-	700	1,325	302,146
4,235	-	-	160,877
-	-	45,616	45,616
-	-	-	305,896
-	-	-	54,776
-	-	-	3,320,117
-	-	879,465	888,386
-	-	501	501
-	-	235	235
-	-	120	182,352
-	-	-	212,300
788,146	21,164	1,277,043	8,730,103
(106,040)	-	(9,912)	(293,183)
-	-	610,650	800,378
\$ (106,040)	\$ -	\$ 600,738	\$ 507,195

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS - EXHIBIT H-3

June 30, 2018

	752	753	771	
	Central Office Copiers	Health Insurance	Workers' Compensation Insurance	Total Internal Service Funds
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 475,757	\$ -	\$ 475,757
Investments	-	-	1,668,895	1,668,895
Receivables, net	-	-	-	-
Liens receivable	-	-	-	-
Due from other funds	15,744	-	1,182,683	1,198,427
	<u>15,744</u>	<u>475,757</u>	<u>2,851,578</u>	<u>3,343,079</u>
<u>Liabilities</u>				
Current liabilities:				
Due to other funds	\$ -	\$ 132,346	\$ -	\$ 132,346
Unearned revenue	-	-	2,500	2,500
Total Liabilities	<u>-</u>	<u>132,346</u>	<u>2,500</u>	<u>134,846</u>
<u>Net Position</u>				
Unrestricted	15,744	343,411	2,849,078	3,208,233
Total Net Position	<u>\$ 15,744</u>	<u>\$ 343,411</u>	<u>\$ 2,849,078</u>	<u>\$ 3,208,233</u>

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - INTERNAL SERVICE FUNDS - EXHIBIT H-4
For the Year Ended June 30, 2018

	752	753	771	Total Internal Service Funds
	Central Office Copiers	Health Insurance	Workers' Compensation Insurance	
<u>Operating Revenues</u>				
Charges for services	\$ -	\$ 6,117,844	\$ 806,136	\$ 6,923,980
Total Operating Revenues	<u>-</u>	<u>6,117,844</u>	<u>806,136</u>	<u>6,923,980</u>
<u>Operating Expenses</u>				
Contractual services	13,460	477,237	-	490,697
Insurance and bonding costs	-	5,644,140	221,956	5,866,096
Other supplies and expenses	934	-	-	934
Total Operating Expenses	<u>14,394</u>	<u>6,121,377</u>	<u>221,956</u>	<u>6,357,727</u>
Operating Income (Loss)	<u>(14,394)</u>	<u>(3,533)</u>	<u>584,180</u>	<u>566,253</u>
<u>Nonoperating Revenues</u>				
Interest and investment revenue	-	-	24,479	24,479
Total Nonoperating Revenues	<u>-</u>	<u>-</u>	<u>24,479</u>	<u>24,479</u>
Change in Net Position	<u>(14,394)</u>	<u>(3,533)</u>	<u>608,659</u>	<u>590,732</u>
Beginning net position	<u>30,138</u>	<u>346,944</u>	<u>2,240,419</u>	<u>2,617,501</u>
Ending Net Position	<u>\$ 15,744</u>	<u>\$ 343,411</u>	<u>\$ 2,849,078</u>	<u>\$ 3,208,233</u>

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS - EXHIBIT H-5

For the Year Ended June 30, 2018

	752	753	771	Total
	Central Office Copiers	Health Insurance	Workers' Compensation Insurance	Internal Service Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ -	\$ 6,117,844	\$ 806,136	\$ 6,923,980
Cash payments to suppliers	(13,460)	(6,121,377)	(221,956)	(6,356,793)
Other receipts (payments)	13,460	35,304	(807,136)	(758,372)
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>31,771</u>	<u>(222,956)</u>	<u>(191,185)</u>
Cash Flows From Investing Activities				
Interest and dividends	-	-	24,479	24,479
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>24,479</u>	<u>24,479</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	31,771	(198,477)	(166,706)
Beginning cash and cash equivalents	-	443,986	1,867,372	2,311,358
Ending Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 475,757</u>	<u>\$ 1,668,895</u>	<u>\$ 2,144,652</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (14,394)	\$ (3,533)	\$ 584,180	\$ 566,253
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in Assets and Liabilities:				
(Increase) decrease in due from other funds	14,394	-	(807,136)	(792,742)
Increase (decrease) in due to other funds	-	35,304	-	35,304
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ 31,771</u>	<u>\$ (222,956)</u>	<u>\$ (191,185)</u>
Reconciliation to Cash and Cash Equivalents on Exhibit H-3				
Cash and Cash Equivalents	\$ -	\$ 475,757	\$ 1,668,895	\$ 2,144,652
Cash and Cash Equivalents - Investments	-	-	(1,668,895)	(1,668,895)
Ending Cash and Cash Equivalents - Exhibit H-3	<u>\$ -</u>	<u>\$ 475,757</u>	<u>\$ -</u>	<u>\$ 475,757</u>

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended June 30, 2018

	1		2		3	
					Net Assessed/ Appraised	
	Tax Rates				Value For School	
Last Ten Years	Maintenance	Debt Service			Tax Purposes	
2009 and prior	Various	Various			Various	
2010	\$ 1.0133	\$ 0.3250	\$		2,948,992,994	
2011	\$ 1.0133	\$ 0.3258	\$		2,906,839,295	
2012	\$ 1.0133	\$ 0.3258	\$		2,973,189,232	
2013	\$ 1.0133	\$ 0.3258	\$		3,076,696,139	
2014	\$ 1.0133	\$ 0.3258	\$		3,259,588,231	
2015	\$ 1.0133	\$ 0.3258	\$		3,564,805,018	
2016	\$ 1.0133	\$ 0.3258	\$		3,849,024,345	
2017	\$ 1.0133	\$ 0.3258	\$		4,659,577,701	
2018	\$ 1.0133	\$ 0.3258	\$		4,957,161,948	
1000 Totals						

10	20	31	32	40	50
Beginning Balance 7/1/17	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 6/30/18
\$ 97,449	\$ -	\$ 8,665	\$ 2,514	\$ -	\$ 86,270
58,002	-	4,748	1,527	-	51,727
62,163	-	5,170	1,662	-	55,331
77,572	-	18,204	5,853	2,552	56,067
85,430	-	21,841	7,023	12,941	69,507
102,187	-	26,653	8,570	13,952	80,916
137,867	-	35,895	11,541	14,516	104,947
229,555	-	89,771	28,863	14,432	125,353
943,355	-	459,201	147,644	(114,134)	222,376
-	62,397,587	46,148,870	14,837,957	(1,182)	1,409,578
<u>\$ 1,793,580</u>	<u>\$ 62,397,587</u>	<u>\$ 46,819,018</u>	<u>\$ 15,053,154</u>	<u>\$ (56,923)</u>	<u>\$ 2,262,072</u>

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended June 30, 2018

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 1,241,596	\$ 1,241,596	\$ 1,250,852	\$ 9,256
5800	State program revenues	15,000	15,000	15,101	101
5900	Federal program revenues	2,065,003	2,065,003	1,876,933	(188,070)
5020	Total Revenues	<u>3,321,599</u>	<u>3,321,599</u>	<u>3,142,886</u>	<u>(178,713)</u>
	<u>Expenditures</u>				
0035	Food service	3,097,124	3,349,029	3,320,117	28,912
6030	Total Expenditures	<u>3,097,124</u>	<u>3,349,029</u>	<u>3,320,117</u>	<u>28,912</u>
1200	Net Change in Fund Balance	224,475	(27,430)	(177,231)	(149,801)
0100	Beginning fund balance	189,728	189,728	189,728	-
3000	Ending Fund Balance	<u>\$ 414,203</u>	<u>\$ 162,298</u>	<u>\$ 12,497</u>	<u>\$ (149,801)</u>

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - EXHIBIT J-3
For the Year Ended June 30, 2018

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 14,318,581	\$ 15,824,268	\$ 15,174,637	\$ (649,631)
5800	State program revenues	-	-	358,616	358,616
5020	Total Revenues	<u>14,318,581</u>	<u>15,824,268</u>	<u>15,533,253</u>	<u>(291,015)</u>
	<u>Expenditures</u>				
	Debt service:				
0071	Principal	6,437,836	7,944,324	7,944,324	-
0072	Interest	7,880,745	7,880,745	7,813,549	67,196
0073	Bond issuance costs and fees	-	6,445	-	6,445
6030	Total Expenditures	<u>14,304,089</u>	<u>15,831,514</u>	<u>15,757,873</u>	<u>73,641</u>
1200	Net Change in Fund Balance	14,492	(7,246)	(224,620)	(217,374)
0100	Beginning fund balance	<u>5,349,702</u>	<u>5,349,702</u>	<u>5,349,702</u>	-
3000	Ending Fund Balance	<u>\$ 5,364,194</u>	<u>\$ 5,342,456</u>	<u>\$ 5,125,082</u>	<u>\$ (217,374)</u>

(This page intentionally left blank.)

FEDERAL AWARDS AND OTHER COMPLIANCE SECTION

(This page intentionally left blank.)



**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**

November 2, 2018

To the Board of Trustees of
New Braunfels Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Braunfels Independent School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 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 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 an 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.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas



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

November 2, 2018

To the Board of Trustees of
New Braunfels Independent School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

**NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of New Braunfels Independent School District (the "District").
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

CFDA Number(s)
10.553, 10.555
10.565

Name of Federal Program or Cluster
Child Nutrition Cluster
USDA Commodities Program

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

B. FINDINGS –BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS AUDIT

None Noted

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1

For the Year Ended June 30, 2018

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA Title I, Part A	84.010	17610101046901	\$ 273,152
ESEA Title I, Part A	84.010	18610101046901	843,493
IDEA B, Formula Grant*	84.027	176600010469016000	328,892
IDEA B, Formula Grant*	84.027	186600010469016600	1,172,604
IDEA B, Preschool*	84.173	176610010469016000	6,377
IDEA B, Preschool*	84.173	186610010469016610	22,229
Title III, Part A	84.365	17671001046901	15,098
Title III, Part A	84.365	18671001046901	56,408
Career and Technical, Basic Grant	84.048	17420006046901	69,194
Title II, Part A, Teacher and Principal	84.367	17694501046901	46,113
Title II, Part A, Teacher and Principal	84.367	18694501046901	118,996
Title IV, Part A, Subpart 1	84.424A	18680101046901	22,288
Passed Through Education Service Center, Region X			
Education for Homeless Children	84.196	16-021	30,903
Education for Homeless Children	84.196	17-007	4,722
TOTAL U.S. DEPARTMENT OF EDUCATION			3,010,469
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through BCFS Education Services			
Head Start Program	93.600	06CH7161-01-3855	382,462
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			382,462
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education			
School Breakfast Programs*	10.553	71401601	365,648
National School Lunch*	10.555	71301601	1,326,589
USDA Commodities	10.565	046901	184,696
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,876,933
U.S. DEPARTMENT OF DEFENSE			
Passed Through U.S. Army			
Junior ROTC	12.000		76,393
TOTAL U.S. DEPARTMENT OF DEFENSE			76,393
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,346,257
* Indicates clustered program under OMB Compliance Supplement			
The accompanying notes are an integral part of this schedule.			
		Federal revenue per SEFA	\$ 5,346,257
		SHARS	859,240
		Indirect Costs	88,608
		C-2 Federal revenue	\$ 6,294,105

**NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT**
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

NOTE 1: BASIS OF ACCOUNTING

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

NOTE 2: INDIRECT COST RATE

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

(This page intentionally left blank.)

NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended June 30, 2018

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 6,337,396
SF11	Net Pension Asset object (1920) at fiscal year end	\$ -
SF12	Net Pension Liability object (2540) at fiscal year end	\$ 13,580,167

(This page intentionally left blank.)