

PEASTER INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

PEASTER INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

TABLE OF CONTENTS

	<u>Page Number</u>	<u>Exhibit</u>
Certificate of Board.....	1	
Independent Auditors' Report.....	2 – 4	
Management's Discussion and Analysis	5 – 15	
 BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Position	16	A-1
Statement of Activities.....	17 – 18	B-1
Governmental Fund Financial Statements		
Balance Sheet.....	19 – 20	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21	C-2
Statement of Revenues, Expenditures and Changes in Fund Balance.....	22 – 23	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	24	C-4
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position	25	E-1
Statement of Changes in Fiduciary Net Position	26	E-2
Notes to the Financial Statements.....	27 – 56	

PEASTER INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

TABLE OF CONTENTS

	<u>Page Number</u>	<u>Exhibit</u>
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	57	G-1
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – SSA Brazos River Co-op	58	G-2
Notes to Budgetary Information	59	
Schedule of the District’s Proportionate Share of the Net Pension Liability – Teacher Retirement System.....	60	G-3
Schedule of the District’s Pension Contributions – Teacher Retirement System	61	G-4
Schedule of the District’s Proportionate Share of the Net OPEB Liability – Teacher Retirement System	62	G-5
Schedule of the District’s OPEB Contributions – Teacher’s Retirement System	63	G-6
COMBINING STATEMENTS		
Nonmajor Governmental Funds		
Combining Balance Sheet.....	64 – 67	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	68 – 71	H-2
REQUIRED TEA SCHEDULES		
Schedule of Delinquent Taxes Receivable	72 – 73	J-1
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – National Breakfast and Lunch Program Fund	74	J-2
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	75	J-3

PEASTER INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

TABLE OF CONTENTS

	<u>Page</u> <u>Number</u>	<u>Exhibit</u>
FEDERAL AWARDS SECTION		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76 – 77	
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	78 – 79	
Schedule of Expenditures of Federal Awards	80	K-1
Notes to the Schedule of Expenditures of Federal Awards	81	
Schedule of Findings and Questioned Costs	82	

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATE OF BOARD

Peaster Independent School District

Name of School District

Parker

County

184-908

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ___ approved ___ disapproved for the year ended August 31, 2018, at a meeting of the board of trustees of such school district on the 20th day of December, 2018.

Darran Robertson

Signature of Board Secretary

Robbie Ballard

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 LEFT BLANK INTENTIONALLY



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Peaster Independent School District
Peaster, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Peaster Independent School District as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, in fiscal year 2018 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, and pension and OPEB schedules 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 the financial reporting for placing the basic financial statement 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 of the District's basic financial statements. The combining statements, the required TEA schedules and the schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of delinquent taxes receivable, schedule of revenues, expenditures and changes in fund balance – budget and actual – child nutrition program, schedule of revenues, expenditures and changes in fund balance – budget and actual – debt service fund and school first questionnaire 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 December 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 20, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

PEASTER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2018

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

At September 1, 2003, Peaster Independent School District became the fiscal agent for three shared service arrangements. As fiscal agent, Peaster Independent School District reports the balances and activities of the shared service arrangements in its audited financial report.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was (\$154,807) at August 31, 2018. Of this amount (\$5,530,725) (unrestricted net position) may be used to meet the District's ongoing needs.
- During the year, the District's net position increased by \$1,353,512, before a prior period adjustment of (\$8,016,875). Adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, required a prior period adjustment to report the effect of GASB 75 retroactively.
- The general fund reported unassigned fund balance this year of \$122,317.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Feature of the District's Government-Wide Fund Financial Statements			
		Fund Statement	
<i>Types of Statements</i>	Government-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net position	Balance Sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short-term and long-term, the Agency's fund do not currently contain capital assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when good or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

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

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

Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

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

The government-wide financial statements can be found on Exhibits A-1 and B-1.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two categories 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.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Brazos River Co-op, debt service fund and capital projects fund which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4.

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

The basic fiduciary fund financial statements can be found on Exhibits E-1 and E-2.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Below are summaries of the District's Net Position and Changes in Net Position.

Net position. The District's combined net position was (\$154,807) at August 31, 2018. (See Table A-1).

Table A-1
The District's Net Position

	Governmental Activities	
	2018	2017
Current and other assets	\$ 10,771,738	\$ 4,303,226
Capital and non-current assets	22,988,818	22,533,002
Total assets	33,760,556	26,836,228
Deferred outflows of resources	1,856,960	2,253,779
Total deferred inflows of resources	1,856,960	2,253,779
Current liabilities	3,227,738	1,196,358
Long-term liabilities	30,321,066	21,013,955
Total liabilities	33,548,804	22,210,313
Deferred inflows of resources	2,223,519	371,138
Total deferred inflows of resources	2,223,519	371,138
Invested in capital assets net of related debt	4,077,402	3,770,534
Restricted	1,298,516	782,135
Unrestricted	(5,530,725)	1,955,887
Total net position	\$ (154,807)	\$ 6,508,556

The District's restricted net position represent funds restricted for the retirement of debt, federal and state programs and other purposes. Unrestricted net position that are available to fund the programs of the district next year are (\$5,530,725) at the end of this year.

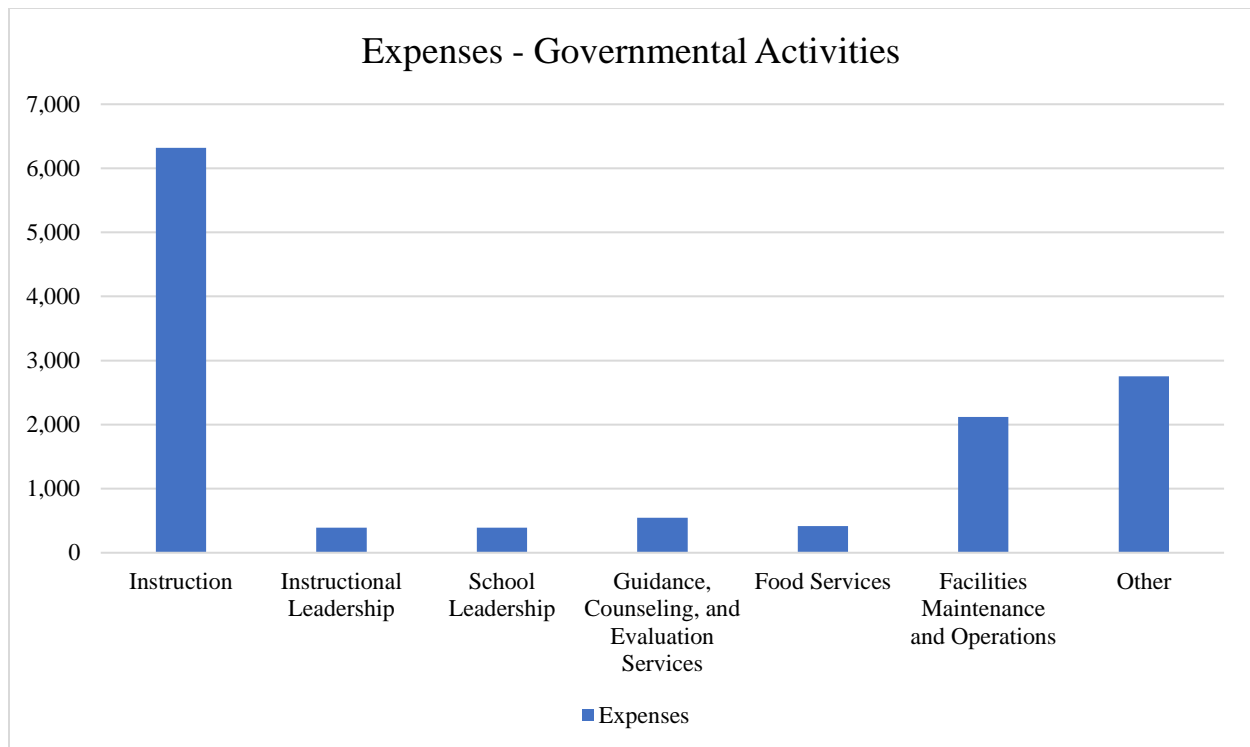
The largest portion of the District's net position, \$4,077,402, reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Changes in net position. Below is a summary of the District's change in net position.

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

	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Changes for services	\$ 2,744,050	\$ 2,502,909
Operating grants and contributions	759,894	2,533,539
Capital grants and contributions	-	221,209
General revenues		
Property taxes	4,704,468	4,114,447
Grants and contributions not restricted	6,173,542	5,723,238
Investment earnings	35,963	29,307
Miscellaneous local and intermediate revenue	10,762	169,350
Total revenues	<u>14,428,679</u>	<u>15,293,999</u>
Expenses		
Instruction	6,668,496	8,586,429
Instructional resources and media services	131,164	199,802
Curriculum and instructional staff development	59,997	25,885
Instructional leadership	368,527	558,415
School leadership	354,875	551,138
Guidance, counseling, and evaluation services	536,784	778,973
Health services	67,299	104,400
Student transportation	281,489	330,792
Food services	403,507	467,541
Extracurricular activities	449,789	719,831
General administration	426,688	571,664
Facilities maintenance and operations	2,096,222	2,267,843
Security and monitoring services	22,348	16,431
Data processing services	99,567	124,023
Debt service - interest on long-term debt	660,564	658,363
Debt service - bond issuance cost and fees	208,405	2,031
Payments related to shared services	<u>239,446</u>	<u>219,099</u>
Total expenses	<u>13,075,167</u>	<u>16,182,660</u>
Change in net position	1,353,512	(888,661)
Beginning net position	<u>6,508,556</u>	<u>7,397,217</u>
Prior period adjustment	<u>(8,016,875)</u>	<u>-</u>
Ending net position	<u><u>\$ (154,807)</u></u>	<u><u>\$ 6,508,556</u></u>

The District's total revenues were \$14,428,679. (See Table A-2.) Total revenues decreased \$865,320 from the prior year. \$2,958,250 of the revenues are related to shared service arrangements. The total cost of all programs and services was \$13,075,167. The decrease in expenses, \$3,107,493, can be attributed to the implementation of GASB 75 as mentioned above.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported combined ending fund balances of \$7,486,972. \$111,909 represents unassigned fund balance that is available for spending at the district's discretion. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$122,317, while the total fund balance was \$1,509,692. A comparison of unassigned fund balance to the total general fund expenditures may be a useful measure of the general fund's liquidity. Unassigned fund balance represents of total general fund expenditures.

During the year the fund balance of the District's general fund decreased by \$347,411. Revenues of the general fund increased \$1,081,093 and expenditures increased \$1,178,324. Key factors contributing to these changes are:

- State program revenues increased \$549,737 due to an increase in foundation and available school funds because of an increase in average daily attendance.
- Local revenues increased \$506,863 due to an increase in property tax revenue because of increased appraised property values.
- The increase in expenditures is largely attributable to increased salary expenditures due to added positions and merit increases.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget two times.

Amendments decreased budgeted revenues by \$594,949. Actual revenues were \$1,034,923 more than budgeted due mainly to state program revenues.

Amendments increased budgeted expenditures by \$699,630. The most significant increase was \$441,330 in instruction. Total actual expenditures were \$487,659 more than budgeted.

Brazos River Co-op

During the year the fund balance of the District's Brazos River Co-op fund decreased \$22,410. Revenues increased \$47,500. This is mainly due to increased funding from the various member districts.

Debt Service Fund

During the year the fund balance of the District's Debt Service fund increased \$284,891. The increase is attributed to an increase in property tax revenue for the current year. This increase was due to an increase in the property tax rate from 0.36 in fiscal year 2017 to 0.40 in fiscal year 2018.

Capital Projects Fund

During the year the fund balance of the District's Capital Projects funds increased \$4,477,791. The increase was due to the issuance of debt in fiscal year 2018 for various district construction projects.

CAPITAL ASSETS

At August 31, 2018, the District had invested \$22,988,818 in a broad range of capital assets, including land, equipment, buildings, and library books and media. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$455,816.

Table A-4
District's Capital Assets

	Governmental Activities	
	2018	2017
Land	\$ 1,010,585	\$ 1,010,585
Construction in progress	1,534,436	-
Buildings and improvements	33,146,690	33,146,690
Furniture and equipment	2,110,930	1,900,920
Vehicles	1,390,905	1,419,507
Library books and media	-	93,624
Totals at historical cost	<u>39,193,546</u>	<u>37,571,326</u>
Less accumulated depreciation for:		
Buildings and improvements	14,063,548	12,963,654
Furniture and equipment	1,158,518	998,384
Vehicles	982,662	982,662
Library books and media	-	93,624
Total accumulated depreciation	<u>16,204,728</u>	<u>15,038,324</u>
Net capital assets	<u>\$ 22,988,818</u>	<u>\$ 22,533,002</u>

Major capital asset events during the current year included the following:

- \$88,497 turf for football practice field.
- \$29,492 bleacher foundation for the football field
- \$21,200 lighting system
- \$7,125 walk in freezer
- \$44,944 band truck

Capital assets of shared service arrangements were \$500,876 with related accumulated depreciation of \$355,171.

More detailed information about the District's capital assets is presented on pages 37 – 38 in the notes to the financial statements.

LONG-TERM DEBT

Table A-5
District's Long-Term Debt

	Governmental Activities	
	2018	2017
Bonds payable:		
Unlimited Tax Refunding Bonds Series 2010	\$ -	\$ 8,035,000
Premium 2010 Refunding Bonds	-	404,061
Unlimited Tax School Building 2014A	265,000	500,000
Premium on 2014A Bonds	6,185	12,369
Unlimited Tax School Building 2014B	5,745,000	5,745,000
Premium on 2014B Bonds	283,769	301,505
Unlimited Tax Refunding Bonds Series 2015	3,335,000	3,440,000
Premium on 2015 Bonds	306,503	324,533
Unlimited Tax Refunding Bonds Series 2018	6,900,000	-
Premium on 2018 Bonds	785,417	-
Unlimited Tax School Building Series 2018A	3,699,429	-
Premium on 2018A Bonds	178,512	-
Unlimited Tax School Building Series 2018B	2,177,877	-
Premium on 2018B Bonds	32,140	-
Total bonds payable	\$ <u>23,714,832</u>	\$ <u>18,762,468</u>

At year-end the District had \$23,714,832 in bonds outstanding as shown in Table A-5.

More detailed information about the District's debt is presented on pages 38-40 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The assessed value for school tax purposes are estimated to increase to 357 million from 332 million in the current year.

The District's tax rate remained the same, at \$1.44 per \$100 assessed value.

Student attendance was budgeted at 1206 students and current enrollment is 1227. The 2018 school year ended with ADA of 1113.55.

These indicators were taken into account when adopting the general fund budget for 2018-19. Amounts available for appropriation in the general fund budget are 10.828 million, an increase of 4.5 percent from the final 2018 actual revenues of 10.337 million. The 4.5 percent increase is due to State Revenue from the increase in students.

Expenditures and transfers out are budgeted to increase 2 percent to 10.828 million in the general fund from 2018 final amounts. Most of the increase is due to payroll costs. The budget includes a step pay increase.

If these estimates are realized, the District's budgetary general fund fund balance is expected to break even at the close of 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at P.O. Box 129, Peaster, Texas 76485.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

PEASTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 9,002,114
1120	Current investments	1,352,720
1220	Property taxes receivable (delinquent)	122,254
1230	Allowance for uncollectible taxes	(26,897)
1240	Due from other governments	289,943
1290	Other receivables, net	16,785
1410	Prepaid expenses	14,819
	Capital assets:	
1510	Land	1,010,585
1520	Buildings, net	19,083,142
1530	Furniture and equipment, net	1,360,655
1580	Construction in progress	1,534,436
1000	Total assets	<u>33,760,556</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred loss for refunding	322,470
1705	Deferred outflow related to pensions	1,458,762
1706	Deferred outflow related to other post-employment benefits	75,728
1700	Total deferred outflows of resources	<u>1,856,960</u>
LIABILITIES		
2110	Accounts payable	1,547,026
2140	Interest payable	38,329
2150	Payroll deductions & withholdings	15,530
2160	Accrued wages payable	726,600
2180	Due to other governments	1,013
2200	Accrued expenses	32,532
2300	Unearned revenue	866,708
	Noncurrent liabilities	
2501	Due within one year	1,180,000
2502	Due in more than one year	22,534,832
2540	Net pension liability (proportionate share)	2,034,291
2545	Net other post-employment benefit liability (proportionate share)	4,571,943
2000	Total liabilities	<u>33,548,804</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows related to pensions	311,066
2606	Deferred inflows related to other post-employment benefits	1,912,453
2600	Total deferred inflows of resources	<u>2,223,519</u>
NET POSITION		
3200	Net investment in capital assets	4,077,402
3820	Restricted for federal and state programs	3,124
3850	Restricted for debt service	760,439
3890	Restricted for special education	534,953
3900	Unrestricted	(5,530,725)
3000	Total net position	<u>\$ (154,807)</u>

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

PEASTER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Program Revenues	
		1	3
		Expenses	Charges for Services
Primary government:			
Governmental activities:			
11	Instruction	\$ 6,668,496	\$ 1,859,846
12	Instructional resources and media services	131,164	1,046
13	Curriculum and staff development	59,997	8,648
21	Instructional leadership	368,527	535,270
23	School leadership	354,875	-
31	Guidance, counseling and evaluation services	536,784	13,473
33	Health services	67,299	-
34	Student (pupil) transportation	281,489	-
35	Food services	403,507	209,373
36	Extracurricular activities	449,789	11,952
41	General administration	426,688	27,060
51	Facilities maintenance and operations	2,096,222	49,091
52	Security and monitoring services	22,348	-
53	Data processing services	99,567	-
72	Debt service - interest on long-term debt	660,564	-
73	Debt service - bond issuance cost and fees	208,405	-
93	Payments related to shared services arrangements	239,446	28,291
TG	Total governmental activities	\$ 13,075,167	\$ 2,744,050
Data Control Codes		General Revenues:	
		Taxes:	
MT		Property taxes, levied for general purposes	
DT		Property taxes, levied for debt service	
GC		Grants and contributions not restricted	
IE		Investment earnings	
MI		Miscellaneous	
TR		Total general revenues	
CN		Change in net position	
NB		Net position - beginning	
PA		Prior period adjustment	
NE		Net position - ending	

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

EXHIBIT B-1

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
4		6	
Operating Grants and Contributions		Governmental Activities	
\$(	132,896)	\$(	4,941,546)
(	27,019)	(	157,137)
	12,917	(	38,432)
(	54,256)		112,487
(	93,643)	(	448,518)
	457,588	(	65,723)
	133,572		66,273
(	31,685)	(	313,174)
	186,685	(	7,449)
(	40,161)	(	477,998)
(	63,017)	(	462,645)
(	61,334)	(	2,108,465)
	-	(	22,348)
(	13,371)	(	112,938)
	486,514	(	174,050)
	-	(	208,405)
	-	(	211,155)
<u>\$</u>	<u>759,894</u>	<u>\$(</u>	<u>9,571,223)</u>

3,399,542
1,304,926
6,173,542
35,963
<u>10,762</u>
<u>10,924,735</u>
<u>1,353,512</u>
<u>6,508,556</u>
<u>(8,016,875)</u>
<u>\$(154,807)</u>

PEASTER INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

AUGUST 31, 2018

Data Control Codes		11 General Fund	SSA Brazos River Co-op	50 Debt Service
ASSETS				
1110	Cash and cash equivalents	\$ 1,536,666	\$ 667,378	\$ 253,695
1120	Investments - current	331,763	-	505,731
1220	Property taxes - delinquent	90,450	-	31,804
1230	Allowance for collectible taxes (credit)	(19,900)	-	(6,997)
1240	Due from other governments	138,128	-	14,535
1260	Due from other funds	59,150	7,827	-
1290	Other receivables	16,785	-	-
1410	Prepaid expenditures	14,819	-	-
1000	Total assets	<u>2,167,861</u>	<u>675,205</u>	<u>798,768</u>
LIABILITIES				
2110	Accounts payable	6,198	1,670	-
2150	Payroll deductions and withholdings	15,530	-	-
2160	Accrued wages payable	554,788	32,330	-
2170	Due to other funds	-	-	-
2180	Due to other governments	-	-	-
2200	Accrued expenditures	11,103	2,221	-
2300	Unearned revenues	-	638,984	-
2000	Total liabilities	<u>587,619</u>	<u>675,205</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable revenue - property taxes	70,550	-	24,807
2600	Total deferred inflows of resources	<u>70,550</u>	<u>-</u>	<u>24,807</u>
FUND BALANCES				
3430	Nonspendable - prepaid expenditures	14,819	-	-
	Restricted:			
3450	Federal or state funds grant restriction	-	-	-
3470	Capital acquisition and contractual obligation	-	-	-
3480	Retirement of long-term debt	-	-	773,961
3490	Special education (Co-op)	-	-	-
	Committed:			
3540	Self insurance	11,046	-	-
3545	Campus activity	-	-	-
	Assigned:			
3550	Construction	1,000,000	-	-
3570	Capital expenditures for equipment	100,000	-	-
3590	Subsequent year's budget	261,510	-	-
3600	Unassigned	122,317	-	-
3000	Total fund balances	<u>1,509,692</u>	<u>-</u>	<u>773,961</u>
4000	Total liabilities, deferred inflows and fund balances	<u>\$ 2,167,861</u>	<u>\$ 675,205</u>	<u>\$ 798,768</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 6,013,408	\$ 530,967	\$ 9,002,114
-	515,226	1,352,720
-	-	122,254
-	-	(26,897)
-	137,280	289,943
-	-	66,977
-	-	16,785
-	-	14,819
<u>6,013,408</u>	<u>1,183,473</u>	<u>10,838,715</u>
1,532,462	6,696	1,547,026
-	-	15,530
-	139,482	726,600
-	66,977	66,977
-	1,013	1,013
-	19,208	32,532
-	227,724	866,708
<u>1,532,462</u>	<u>461,100</u>	<u>3,256,386</u>
-	-	95,357
-	-	95,357
-	-	14,819
-	3,124	3,124
4,480,946	-	4,480,946
-	-	773,961
-	534,953	534,953
-	-	11,046
-	194,704	194,704
-	-	1,000,000
-	-	100,000
-	-	261,510
-	(10,408)	111,909
<u>4,480,946</u>	<u>722,373</u>	<u>7,486,972</u>
<u>\$ 6,013,408</u>	<u>\$ 1,183,473</u>	<u>\$ 10,838,715</u>

THIS PAGE LEFT BLANK INTENTIONALLY

PEASTER INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

AUGUST 31, 2018

Total Fund Balances - Governmental Funds	\$ 7,486,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,988,818
Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	95,357
Long-term liabilities, including compensated absences, retainage, capital lease, bonds and tax notes payable, are not due and payable in the current period and therefore are not reported in the funds. Also, the loss and gain on refunding of bonds and the premium on issuance of bonds payable are not reported in the funds.	(23,392,362)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(38,329)
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to pensions included a deferred resource outflow in the amount of \$1,598,421, a deferred resource inflow in the amount of \$311,066, and a net pension liability in the amount of \$2,034,291.	(886,595)
Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75. The net position related to the OPEB included a deferred resource outflow in the amount of \$75,728, a deferred resource inflow in the amount of \$1,912,453, and a net OPEB liability in the amount of \$4,571,943.	(6,408,668)
Net position of governmental activities	\$(154,807)

PEASTER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		10 General Fund	SSA Brazos River Co-op	50 Debt Service
REVENUES				
5700	Local and intermediate sources	\$ 3,560,461	\$ 609,664	\$ 1,336,202
5800	State programs	6,723,171	29,368	486,514
5900	Federal programs	149,246	-	-
5020	Total revenues	<u>10,432,878</u>	<u>639,032</u>	<u>1,822,716</u>
EXPENDITURES				
Current:				
0011	Instruction	6,573,288	488,832	-
0012	Instructional resources and media services	189,020	-	-
0013	Curriculum and instructional staff development	38,669	5,371	-
0021	Instructional leadership	-	167,239	-
0023	School leadership	581,500	-	-
0031	Guidance, counseling and evaluation services	259,028	-	-
0033	Health services	105,688	-	-
0034	Student (pupil) transportation	308,207	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	633,414	-	-
0041	General administration	581,953	-	-
0051	Facilities maintenance and operations	1,123,317	-	-
0052	Security and monitoring services	22,348	-	-
0053	Data processing services	69,299	-	-
Debt service:				
0071	Principal on long-term debt	-	-	855,000
0072	Interest on long-term debt	-	-	680,925
0073	Bond issuance cost and fees	-	-	1,900
Capital outlay:				
0081	Facilities acquisition and construction	-	-	-
Intergovernmental:				
0093	Payments to fiscal agent/member districts of SSA	214,446	-	-
6030	Total expenditures	<u>10,700,177</u>	<u>661,442</u>	<u>1,537,825</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(267,299)</u>	<u>(22,410)</u>	<u>284,891</u>
OTHER FINANCING SOURCES (USES)				
7911	Issuance of bonds	-	-	-
7915	Transfers in	-	-	-
7916	Premium on issuance of bonds	-	-	-
8911	Transfers out	(80,112)	-	-
8940	Payment to bond refunding escrow agent	-	-	-
7080	Total other financing sources (uses)	<u>(80,112)</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	<u>(347,411)</u>	<u>(22,410)</u>	<u>284,891</u>
0100	Fund balance - September 1 (Beginning)	<u>1,857,103</u>	<u>22,410</u>	<u>489,070</u>
3000	Fund balance - August 31 (Ending)	<u>\$ 1,509,692</u>	<u>\$ -</u>	<u>\$ 773,961</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 449	\$ 2,094,205	\$ 7,600,981
-	744,483	7,983,536
-	1,122,970	1,272,216
<u>449</u>	<u>3,961,658</u>	<u>16,856,733</u>
-	2,414,419	9,476,539
-	924	189,944
-	15,957	59,997
-	348,845	516,084
-	-	581,500
-	512,438	771,466
-	-	105,688
-	-	308,207
-	490,084	490,084
-	2,355	635,769
-	1,820	583,773
-	79,239	1,202,556
-	-	22,348
-	-	69,299
-	-	855,000
-	-	680,925
206,505	-	208,405
1,534,436	-	1,534,436
-	25,000	239,446
<u>1,740,941</u>	<u>3,891,081</u>	<u>18,531,466</u>
(1,740,492)	70,577	(1,674,733)
12,777,306	-	12,777,306
-	80,112	80,112
996,070	-	996,070
-	-	(80,112)
(7,555,093)	-	(7,555,093)
<u>6,218,283</u>	<u>80,112</u>	<u>6,218,283</u>
<u>4,477,791</u>	<u>150,689</u>	<u>4,543,550</u>
<u>3,155</u>	<u>571,684</u>	<u>2,943,422</u>
<u>\$ 4,480,946</u>	<u>\$ 722,373</u>	<u>\$ 7,486,972</u>

THIS PAGE LEFT BLANK INTENTIONALLY

PEASTER INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	4,543,550
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		455,816
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital asset sold.	(	97,938)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	(	5,300,066)
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.	(	42,856)
GASB 68 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$224,038. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$208,620. Finally, the proportionate share of pension expense on the plans as a whole had to be recorded. The net pension expense decreased the change in net position by \$446,603.		186,799
GASB 75 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$75,012. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$54,660. Finally, the proportionate share of OPEB expense on the plans as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,587,855.		1,608,207
Change in net position of governmental activities	\$	<u>1,353,512</u>

PEASTER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

AUGUST 31, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 31,225	\$ 14,967
Investments - current	<u>645,438</u>	<u>-</u>
Total assets	<u>676,663</u>	<u>14,967</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>14,967</u>
Total liabilities	<u>-</u>	<u>14,967</u>
NET POSITION		
Restricted for scholarships	<u>676,663</u>	<u>-</u>
Total net position	<u>\$ 676,663</u>	<u>\$ -</u>

PEASTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private Purpose Trust Funds
	<hr/>
ADDITIONS	
Local and intermediate sources	\$ 315,467
Total additions	<hr/> 315,467
DEDUCTIONS	
Non-operating expenses	<hr/> 27,152
Total deductions	<hr/> 27,152
Change in net position	<hr/> 288,315
Total net position - September 1 (Beginning)	<hr/> 388,348
Total net position - August 31 (Ending)	\$ <hr/> 676,663

THIS PAGE LEFT BLANK INTENTIONALLY

PEASTER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

I. REPORTING ENTITY

The Board of School Trustees, a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Peaster Independent School District (the "District"). Because members of the Board of Trustees are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations, and have the primary accountability for fiscal matters, the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB") and there are no component units included with the reporting entity.

Shared Service Arrangements (SSA). Parker County Co-op Special Services is a Shared Service Arrangement (SSA) between five school districts (member districts) for the purpose of bringing special education programs to disabled children. The Board of Managers, a five-member group comprised of Superintendents of the member districts, has governance responsibilities for financial and operational management of the Co-op.

Bluebonnet Co-op for Students with Visual Impairments is a Shared Service Arrangement between various members and governed by a board of managers comprised of designees from each member. The SSA was created for the purpose of bringing special education programs to visually impaired students.

Brazos River Regional Day School Co-op for the Deaf is a Shared Service Arrangement between various members and governed by a board of managers comprised of designees from each member. The SSA was created for the purpose of bringing special education programs to deaf students.

Peaster Independent School District is the fiscal agent for all three Shared Service Arrangements. As fiscal agent, the District reports the balances and activities of the Shared Service Arrangements in its annual financial report.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District. Have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units in conjunction with the Texas Education Agency’s Financial Accountability System Resource Guide. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting standards.

A. Government-wide and fund financial statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

B. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-wide, and private-purpose trust fund financial statements are reported using the economic resources measurement focus. The Agency Fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The government-wide, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenue available if it is collectible within 30 days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The government reports the following major governmental funds:

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

Brazos River Co-op - This governmental fund is used by the fiscal agent to account for the Brazos River Regional Day School Co-op for the Deaf shared services arrangement.

Debt Service Fund – This governmental fund was established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated.

Capital Projects Fund – This governmental fund was established to account for proceeds from long-term debt financing and revenue and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the government reports the following fund types:

Private-Purpose Trust Funds – These fiduciary funds are used to account for resources legally held in trust under which principal and income benefit individual scholarship recipients.

Agency Funds - These custodial funds are used to account for student groups and other organizations resources held purely in a custodial capacity. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity.

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

Deposits and Investments

Investments for the District are reported at fair value, except for the position in investment pools. The District's investments in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District's investment pools, TexPool and Lonestar, have a redemption notice period of one day and may redeem daily. The investment pool'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 the pool's liquidity.

Property Taxes

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

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements. The District adopted a policy effective for the fiscal year ending August 31, 2001, to recognize as capital assets for financial statement purposes only those items with an individual historic cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

Depreciation is charged as an expense to the function or program associated with the asset if it can be specifically identified. Accumulated depreciation is reported on the statement of net position. Land improvements, buildings and improvements, vehicles, equipment and furniture and infrastructure assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings and improvements	30-40 years
Vehicles	10 years
Equipment and Furniture	5-10 years

Compensated Absences

Employees whose employment contract is for 226 days or more per year are given 10 days paid vacation. Vacation time is non-cumulative and unused vacation time is not paid. All employees are also entitled to five days a year personal leave with full pay per year. The District allows two additional days of paid personal leave per year over the five days required by the state. If additional personal leave is required, the employees must pay the cost of the substitutes. Employees who do not exceed the five state personal leave days and the two local personal leave days during the school year are reimbursed at the end of the school year as designated under the yearly attendance incentive program. An attendance incentive program for retiring employees with a minimum of five years of continuous service in the District was implemented whereby eligible employees are compensated for accrued state sick leave and/or state personal leave days as designated in the incentive program schedule. No accrual of state sick leave and/or state personal leave days under the attendance incentive program for retiring employees was made since administration for the District believes it to have no material effect on the financial condition of the District as of August 31, 2018.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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 two items that qualify for reporting in this category. They are a deferred charge on refunding and deferred outflow related to TRS reported in 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. The item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension and other post-employment benefit (OPEB) liabilities.

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 or 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 one item that qualifies for reporting in this category. A deferred inflow related to TRS is reported in the government-wide statement of net position. The District also has one type of inflow, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. 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 amounts become available. The District also recognizes their share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension and OPEB liabilities. These items are reported in the government-wide statement of net position.

Pensions

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

Other Post-Employment Benefits

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

Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the School Board, the District's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District's Superintendent and Business Manager, as mentioned in the District's fund balance policy.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet. When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

The Board of Trustees has adopted a minimum fund balance policy for the General Fund. The policy requires the District strive to maintain a yearly fund balance in the general operating fund where the total fund balance is 25 percent of the total operating expenditures. At August 31, 2018 total fund balance of the General Fund was 15 percent of operating expenditures.

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (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.

Use of Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available.

Data Control Codes

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures Exceeded Budget

General fund instruction, instructional resources, school leadership, guidance, health services, extracurricular activities and facilities maintenance and operations expenditures exceeded appropriations by \$310,041, \$11,911, \$39,266, \$7,633, \$3,615, \$132,148 and \$47,823 respectively. Total expenditures were \$487,659 more than budgeted in the General Fund. These overruns were funded by greater than anticipated revenues.

Deficit Fund Balance

The National Breakfast and Lunch Program had a negative fund balance of \$10,408 at year-end. This negative will be eliminated by a transfer from the General Fund, or local or program revenues.

IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Peaster Independent School District's investment policies and types of investments are governed by the Public Funds Investment Act ("PFIA"). The act authorizes the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and investment pools. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. The bank deposits of the shared service arrangements are included under the depository contract of the District. At August 31, 2018, the District's deposits were covered by FDIC insurance or collateralized with securities held by the District's agent in the District's name.

Credit Risk – Investments

The District policy of managing credit risk is to diversify the investment portfolio in terms of investment instruments, maturity scheduling and financial institutions.

Interest Rate Risk – Investments

The District manages its interest rate risk by diversifying the investment portfolio's investment types and maturity scheduling.

The District's investments consisted of the following at August 31, 2018.

<u>Name</u>	<u>Amount</u>	<u>Standard & Poor's</u>	<u>Weighted Average Maturity (days)</u>
Lone Star Improvement Pools:			
Corporate Overnight Plus Fund	\$ 4,338	AAA	20
Corporate Overnight Fund	962	AAA	48
TexPool	<u>1,998</u>	AAAm	28
Total	<u>\$ 7,298</u>		

These public funds investment pools are reported with cash and cash equivalents in the financial statements. Current Investments reported in the financial statements consist of certificates of deposits that have maturities ranging from three to twelve months.

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, as fiscal agent for shared service arrangements the District received payments from members of the shared services arrangements for special education programs. Amounts due from federal and state governments as of August 31, 2018, are reported on the balance sheet as Due from Other Governments and are summarized below:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
Education Service Center	\$ -	\$ -	\$ 7,939	\$ 7,939
Federal & State Grants	138,128	14,535	129,341	282,004
Totals	<u>\$ 138,128</u>	<u>\$ 14,535</u>	<u>\$ 137,280</u>	<u>\$ 289,943</u>

C. Interfund Balances and Transfers

Interfund balances as of year-end, consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 59,150
Brazos River Co-op	Nonmajor	7,827
		<u>\$ 66,977</u>

The receivables from nonmajor funds are due to grant funds not being received before year-end.

The composition of interfund transfers for the year ended August 31, 2018 included a transfer from the General Fund to the National Breakfast and Lunch Program, a non-major fund, for \$80,112. This transfer was to fund overages of the program.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land	\$ 1,010,585	\$ -	\$ -	\$ 1,010,585
Construction in progress	-	1,534,436	-	1,534,436
Total non-depreciable assets	<u>1,010,585</u>	<u>1,534,436</u>	<u>-</u>	<u>2,545,021</u>
Depreciable Assets:				
Buildings and improvements	33,146,690	-	-	33,146,690
Furniture and equipment	1,900,920	210,010	-	2,110,930
Vehicles	1,419,507	67,301	-	1,486,808
Library books and media	93,624	-	(93,624)	-
Total capital assets being depreciated	<u>36,560,741</u>	<u>277,311</u>	<u>(93,624)</u>	<u>36,744,428</u>
Accumulated Depreciation:				
Buildings and improvements	(12,963,654)	(1,099,894)	-	(14,063,548)
Furniture and equipment	(998,384)	(160,134)	-	(1,158,518)
Vehicles	(982,662)	(95,903)	-	(1,078,565)
Library books and media	(93,624)	-	93,624	-
Total accumulated depreciation	<u>(15,038,324)</u>	<u>(1,355,931)</u>	<u>93,624</u>	<u>(16,300,631)</u>
Governmental activities capital assets, net	<u>\$ 22,533,002</u>	<u>\$ 455,816</u>	<u>\$ -</u>	<u>\$ 22,988,818</u>

Depreciation was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 59,406
Instruction leadership	731
Guidance, counseling, and evaluation services	920
Student transportation	85,257
Food services	8,228
Extracurricular activities	58,353
Plant maintenance and operations	1,085,602
Data processing services	57,434
Total depreciation expense - governmental activities	<u>\$ 1,355,931</u>

Furniture and equipment at cost below the capitalization limit are maintained in an inventory listing to allow for physical custody, care, and control purposes only and are not reported in the financial statement presentation.

As fiscal agent, the District reports the capital assets of the shared service arrangements. The capital assets of the shared service arrangements are includes \$500,876 in capital assets and \$355,171 in accumulated depreciation. Upon, dissolution of the SSAs these assets will be dispersed based on percentage of ownership by the member districts.

E. Long-term Obligations

Long-term liability activity for the year ended August 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 17,720,000	\$ 12,777,306	\$(8,375,000)	\$ 22,122,306	\$ 1,180,000
Premium on bonds	<u>1,042,468</u>	<u>996,069</u>	<u>(446,011)</u>	<u>1,592,526</u>	<u>-</u>
Totals	<u>\$ 18,762,468</u>	<u>\$ 13,773,375</u>	<u>\$(8,821,011)</u>	<u>\$ 23,714,832</u>	<u>\$ 1,180,000</u>

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

The District's Bonds are guaranteed under the State of Texas Permanent School Fund Guarantee Program. In addition, the District receives annual payments from the Texas Education Agency under Chapter 46 of the Texas Education Code (Instructional Facilities Allotment Program), which were used toward funding the debt service requirements of bonds. The amount received during the current year was \$231,892.

Refunding of Debt

As of August 31, 2018, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments included the Unlimited Tax Refunding Bonds, Series 2010 in the amount of \$8,035,000.

The District issued 6,900,000 of unlimited tax refunding bonds to provide resources to purchase U.S. Treasury and Agency securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$8,035,000 of the unlimited bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$136,026. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This refunding was undertaken to decrease total debt service payments over 25 years by \$253,975 and resulted in an economic gain of \$235,677.

A summary of changes in General Obligation Bonds payable for the year ended August 31, 2018 is as follows:

Description	Interest Rate Payable	Amounts at Original Issue	Amounts Outstanding 8/31/2017	Issued Current Year	Amounts Retired/ Refunded	Amounts Outstanding 8/31/2018
Unlimited Tax Refunding Bonds Series 2010	4.00%	\$ 9,795,000	\$ 8,035,000	\$ -	\$(8,035,000)	\$ -
Unamortized Premium Series 2010 Bonds		1,609,887	404,061	-	(404,061)	-
Unlimited Tax School Building Series 2014A	2.00% to 3.00%	1,000,000	500,000	-	(235,000)	265,000
Unamortized Premium Series 2014A		49,326	12,369	-	(6,184)	6,185
Unlimited Tax School Building Series 2014B	2.00% to 4.00%	5,745,000	5,745,000	-	-	5,745,000
Unamortized Premium Series 2014A Bonds		378,561	301,505	-	(17,736)	283,769
Unlimited Tax Refunding Bonds Series 2015	2.00% to 4.00%	3,555,000	3,440,000	-	(105,000)	3,335,000
Unamortized Premium Series 2015 Bonds		387,274	324,533	-	(18,030)	306,503
Unlimited Tax Refunding Bonds Series 2018	2.00% to 5.00%	6,900,000	-	6,900,000	-	6,900,000
Unamortized Premium Series 2018 Bonds		826,328	-	785,417	-	785,417
Unlimited Tax Bonds Series 2018A	2.00% to 5.00%	3,699,429	-	3,699,429	-	3,699,429
Unamortized Premium Series 2018A Bonds		192,171	-	178,512	-	178,512
Unlimited Tax Bonds Series 2018 B	4.00%	2,177,877	-	2,177,877	-	2,177,877
Unamortized Premium Series 2018B Bonds		39,439	-	32,140	-	32,140
Totals		<u>\$ 36,355,292</u>	<u>\$ 18,762,468</u>	<u>\$ 13,773,375</u>	<u>\$(8,821,011)</u>	<u>\$ 23,714,832</u>

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2019	\$ 1,180,000	\$ 843,708	\$ 2,023,708
2020	1,055,000	778,500	1,833,500
2021	1,120,000	734,000	1,854,000
2022	1,155,000	688,400	1,843,400
2023	1,225,000	641,800	1,866,800
2024-2028	6,106,341	2,640,650	8,746,991
2029-2033	6,649,348	1,554,800	8,204,148
2034-2038	2,796,617	371,950	3,168,567
2039-2043	835,000	102,800	937,800
Totals	\$ 22,122,306	\$ 8,356,608	\$ 30,478,914

F. Health Care Coverage

The District offered employees the opportunity to participate in a group health insurance plan (the “Plan”). The District contributed \$325 for health insurance per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer.

Under the health plan, the District has no self-insurance risk and no liability for claims. For the year ended August 31, 2018 the total cost of health and life insurance premiums was \$483,382 for District employees and \$78,181 for employees of the shared services arrangements.

G. Pension Plan

Plan Description. Peaster Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

	Contribution Rates	
	2017	2018
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
Employer Contributions		\$ 224,038
Member Contributions		656,861
2017 measurement year NECE on-behalf contributions		441,673

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

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

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

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

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

	1% Decrease in		1% Increase in	
	<u>Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>Discount Rate (9.0%)</u>	
District's proportionate share of the net pension liability	\$ 3,429,413	\$ 2,034,291	\$ 872,626	

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the District reported a liability of \$2,034,291 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	\$	2,034,291
State's proportionate share that is associated with the District		4,318,042
	\$	<u>6,352,333</u>

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

At August 31, 2017 the District's proportion of the collective net pension liability was 0.0063622065% which was an increase of 0.0020686865% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$984,586 and revenue of \$329,363 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 29,763	\$ 109,707
Change in actuarial assumptions	92,665	53,049
Difference between projected and actual investment earnings	-	148,255
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,112,296	55
Contributions paid to TRS subsequent to the measurement date	224,038	-
Totals	<u>\$ 1,458,762</u>	<u>\$ 311,066</u>

The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31,	Pension Expense
2019	\$ 163,024
2020	292,878
2021	153,045
2022	112,379
2023	123,884
Thereafter	78,448

H. Defined Other Post-Employment Benefit Plan

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

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

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

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

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

TRS-Care Plan Premium Rates					
Effective Sept. 1, 2016 - Dec. 31, 2017					
	TRS-Care 1		TRS-Care 2		TRS-Care 3
	Basic Plan		Optional Plan		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 spouses					

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contributions Rates	
	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 employer contributions	\$	75,012
Current fiscal year member contributions		55,449
2017 measurement year NECE on-behalf contributions		73,823

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree. TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

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

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50 to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Proportionate share of net OPEB liability	\$ 5,396,028	\$ 4,571,943	\$ 3,909,565

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 3,806,599	\$ 4,571,943	\$ 5,576,171

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$4,571,943 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 4,571,943
State's proportionate share that is associated with the District	<u>6,174,825</u>
Total	<u>\$ 10,746,768</u>

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0105135377% which was the same proportion measured as of August 31, 2016.

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

- Significant plan changes were adopted during 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% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the 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 annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit 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 provisions or applicable law.

There were no changes of the benefit term 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 \$(3,599,456) and revenue of \$(2,066,261) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ -	\$ 95,443
Changes in actuarial assumptions	-	1,817,010
Differences between projected and actual investment earnings	694	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	22	-
Contributions paid to OPEB subsequent to the measurement date	<u>75,012</u>	<u>-</u>
Totals	<u>\$ 75,728</u>	<u>\$ 1,912,453</u>

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

Year Ended August 31,	OPEB Expense
2019	\$(252,256)
2020	(252,256)
2021	(252,256)
2022	(252,256)
2023	(252,429)
Thereafter	(650,284)

I. Medicare Part D – On-Behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$37,325, \$24,591, and \$18,754 were recognized for the years ended August 31, 2018, 2017, and 2016, respectively, as equal revenues and expenditures.

J. Contingencies

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

K. Risk Management

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

During the year ended August 31, 2018, the District participated in the Texas Association of School Boards (“TASB”) Risk Management Fund’s Auto, Liability and Property Programs (the “Funds”). The Funds purchase stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property Programs. The terms and limits of the stop-loss program vary by the line of coverage. The Funds use the services of an independent actuary to determine the adequacy of reserves and fully fund those reserves. For the year ended August 31, 2018, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions.

During the year ended August 31, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund Unemployment Compensation Pool. 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 August 31, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The TASB Risk Management Fund was created and is operated under the provision 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 Funds execute Interlocal Agreements that define the responsibilities of the parties.

L. Shared Service Arrangements

The District became fiscal agent for a Shared Service Arrangement (SSA) on July 1, 2002, that provides services to the member districts listed below. All services are provided by the fiscal agent. Grant funds are provided directly to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and funds 313-435 will be accounted for using Model 2 and funds 437-459 will be accounted for using Model 3 in the SSA section on the Resource Guide. Expenditures of the shared service arrangement are summarized below:

	313	314	434	437	459
	IDEA-B	IDEA-B	Supplemental	Special	Bluebonnet
Member Districts	Formula	Preschool	Visually Impaired	Education	Co-op
Poolville ISD	\$ 94,759	\$ 1,094	\$ 469	\$ 141,782	\$ -
Millsap ISD	160,305	1,854	469	172,864	-
Peaster ISD	189,417	2,284	1,876	200,269	-
Brock ISD	168,520	3,907	2,345	176,410	-
Garner ISD	38,164	5,114	-	104,510	-
Weatherford ISD	-	-	4,690	-	41,832
Palo Pinto Co-op	-	-	2,345	-	41,832
Parker County Co-op	-	-	-	-	40,116
Springtown ISD	-	-	938	-	41,832
Aledo	-	-	3,752	-	41,832
Azle	-	-	2,345	-	41,832
Castelberry	-	-	938	-	41,832
Decatur	-	-	938	-	41,831
Lake Worth	-	-	2,345	-	41,831
White Settlement	-	-	5,159	-	41,831
Wise County	-	-	2,344	-	41,831
	<u>\$ 651,165</u>	<u>\$ 14,253</u>	<u>\$ 30,953</u>	<u>\$ 795,835</u>	<u>\$ 458,432</u>

	315	340	435	458
	IDEA-B	IDEA-C	Regional	Brazos
Member District	Discretionary	Deaf	Day School for the Deaf	River Co-op
Glen Rose ISD	\$ -	\$ 496	\$ -	\$ 49,081
Granbury ISD	-	496	-	95,332
Central TX	-	-	-	24,876
Palo Pinto Co-op	-	249	-	100,173
Parker County Co-op	-	-	-	29,717
Weatherford ISD	51,237	496	483,986	226,042
Stephenville ISD	18,822	-	54,533	77,458
Springtown ISD	7,319	248	20,450	24,875
Erath County	-	-	-	33,888
	<u>\$ 77,378</u>	<u>\$ 1,985</u>	<u>\$ 558,969</u>	<u>\$ 661,442</u>

M. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$8,016,875 which resulted in a restated beginning net position balance of a deficit \$1,508,319.

N. Negative Operating Grants and Contributions – Statement of Activities

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

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$(132,896)	\$(1,477,023)	\$ 1,344,127
12 - Instructional resources and media services	(27,019)	(32,897)	5,878
13 - Curriculum and staff development	12,917	-	12,917
21 - Instructional leadership	(54,256)	(70,485)	16,229
23 - School leadership	(93,643)	(113,845)	20,202
31 - Guidance, counseling, and evaluation services	457,588	(52,841)	510,429
33 - Health services	133,572	(19,055)	152,627
34 - Student transportation	(31,685)	(38,520)	6,835
35 - Food service	186,685	(44,021)	230,706
36 - Extracurricular activities	(40,161)	(48,825)	8,664
41 - General administration	(63,017)	(76,709)	13,692
51 - Facilities maintenance and operations	(61,334)	(75,784)	14,450
53 - Data processing services	(13,371)	(16,256)	2,885
72 - Interest on long-term debt	486,514	-	486,514
	<u>\$ 759,894</u>	<u>\$(2,066,261)</u>	<u>\$ 2,826,155</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

PEASTER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Variance With Final Budget				
	Budgeted Amounts		Actual Amounts	Positive or (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 2,907,610	\$ 3,207,110	\$ 3,560,461	\$ 353,351
5800	State programs	6,971,294	6,055,965	6,723,171	667,206
5900	Federal programs	<u>114,000</u>	<u>134,880</u>	<u>149,246</u>	<u>14,366</u>
5020	Total revenues	<u>9,992,904</u>	<u>9,397,955</u>	<u>10,432,878</u>	<u>1,034,923</u>
EXPENDITURES					
Current:					
0011	Instruction	5,821,917	6,263,247	6,573,288	(310,041)
0012	Instructional resources and media services	192,225	177,109	189,020	(11,911)
0013	Curriculum and instructional staff development	40,795	40,795	38,669	2,126
0023	School leadership	546,163	542,234	581,500	(39,266)
0031	Guidance, counseling and evaluation services	255,454	251,395	259,028	(7,633)
0033	Health services	101,031	102,073	105,688	(3,615)
0034	Student (pupil) transportation	300,170	311,130	308,207	2,923
0035	Food services	21,075	21,075	-	21,075
0036	Extracurricular activities	349,663	501,266	633,414	(132,148)
0041	General administration	523,621	608,185	581,953	26,232
0051	Facilities maintenance and operations	1,043,289	1,075,494	1,123,317	(47,823)
0052	Security and monitoring services	25,000	32,000	22,348	9,652
0053	Data processing services	78,039	72,069	69,299	2,770
Intergovernmental:					
0093	Payments to fiscal agent/member districts of SSA	<u>214,446</u>	<u>214,446</u>	<u>214,446</u>	-
6030	Total expenditures	<u>9,512,888</u>	<u>10,212,518</u>	<u>10,700,177</u>	<u>(487,659)</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>480,016</u>	<u>(814,563)</u>	<u>(267,299)</u>	<u>547,264</u>
OTHER FINANCING SOURCES (USES)					
8911	Transfers out	<u>(80,112)</u>	<u>(80,112)</u>	<u>(80,112)</u>	-
8000	Total other financing sources (uses)	<u>(80,112)</u>	<u>(80,112)</u>	<u>(80,112)</u>	-
1200	Net change in fund balances	<u>399,904</u>	<u>(894,675)</u>	<u>(347,411)</u>	<u>547,264</u>
0100	Fund balance - September 1 (Beginning)	<u>1,857,103</u>	<u>1,857,103</u>	<u>1,857,103</u>	-
3000	Fund balance - August 31 (Ending)	\$ 2,257,007	\$ 962,428	\$ 1,509,692	\$ 547,264

PEASTER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SSA BRAZOS RIVER CO-OP

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 991,950	\$ 991,950	\$ 609,664	\$ (382,286)
5800	State programs	28,336	28,336	29,368	1,032
5020	Total revenues	1,020,286	1,020,286	639,032	(381,254)
EXPENDITURES					
Current:					
0011	Instruction	840,130	841,880	488,832	353,048
0013	Curricular and instructional staff development	10,000	10,000	5,371	4,629
0021	Instructional leadership	169,725	170,158	167,239	2,919
0041	General Administration	431	431	-	431
6030	Total expenditures	1,020,286	1,022,469	661,442	361,027
1200	Change in fund balance	-	(2,183)	(22,410)	(20,227)
0100	Fund balance - September 1 (Beginning)	22,410	22,410	22,410	-
3000	Fund balance - August 31 (Ending)	\$ 22,410	\$ 20,227	\$ -	\$ (20,227)

PEASTER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BUDGETARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2018

Stewardship, Compliance and Accountability

Budget

The Board of Trustees adopts an “appropriated budget” for the General Fund, SSA Brazos River Co-op Fund, Debt Service Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District presented the General Fund and SSA Brazos River Co-op Fund budgetary comparison schedules as required supplementary information. The National School Breakfast and Lunch and Debt Service Fund budgetary comparison schedules are presented as required TEA schedules. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

- a. Prior to August 31 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days’ public notice of the meeting has been given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the board.

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

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

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

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

PEASTER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2018

Measurement period ended August 31,	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability (asset)	0.0025000%	0.0056000%	0.0059000%	0.0063622%
District's proportionate share of the net pension liability (asset)	\$ 673,287	\$ 1,994,266	\$ 2,240,441	\$ 2,034,291
State's proportionate share of the net pension liability (asset) associated with the District	<u>4,499,697</u>	<u>5,291,161</u>	<u>5,534,278</u>	<u>4,318,042</u>
Total	<u>\$ 5,172,984</u>	<u>\$ 7,285,427</u>	<u>\$ 7,774,719</u>	<u>\$ 6,352,333</u>
District's covered-employee payroll	\$ 7,142,445	\$ 7,486,629	\$ 7,970,209	\$ 7,971,169
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.43%	26.64%	28.11%	25.52%
Plan fiduciary net position as a percentage of the total pension liability	83.25%	78.43%	78.00%	82.17%

Note: The information for all periods for this 10-year schedule are not available.

PEASTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2018

Fiscal year ended August 31,	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 167,053	\$ 188,331	\$ 212,190	\$ 224,038
Contributions in relation to the contractually required contribution	<u>(167,053)</u>	<u>(188,331)</u>	<u>(212,190)</u>	<u>(224,038)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 7,486,629	\$ 7,932,279	\$ 7,970,209	\$ 8,531,822
Contribution as a percentage of covered-employee payroll	2.23%	2.37%	2.66%	2.63%

Note: The information for all periods for this 10-year schedule are not available.

PEASTER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE

OF THE NET OPEB LIABILITY

TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2018

Measurement period ended August 31,	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.0105135%
District's proportionate share of the net OPEB liability (asset)	\$ 4,571,943
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>6,174,825</u>
Total	<u>\$ 10,746,768</u>
District's covered-employee payroll	\$ 7,971,169
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	57.36%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

Note: The information for all periods for this 10-year schedule are not available.

PEASTER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2018

Fiscal year ended August 31,	2018
Contractually required contribution	\$ 75,012
Contributions in relation to the contractually required contribution	(75,012)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 8,531,822
Contribution as a percentage of covered-employee payroll	0.88%

Note: The information for all periods for this 10-year schedule are not available.

COMBINING STATEMENTS

PEASTER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2018

<u>Data Control Codes</u>		<u>211 ESEA I, A Improving Basic Program</u>	<u>240 National Breakfast and Lunch Program</u>	<u>244 Career and Technical - Basic Grant</u>
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ 2,300	\$ -
1120	Investments - current	-	-	-
1240	Due from other governments	<u>14,701</u>	<u>10,393</u>	<u>-</u>
1000	Total assets	<u>14,701</u>	<u>12,693</u>	<u>-</u>
LIABILITIES				
2110	Accounts payable	-	-	-
2160	Accrued wages payable	10,315	10,832	-
2170	Due to other funds	2,962	6,648	-
2180	Due to other governments	-	-	-
2200	Accrued expenditures	1,424	5,621	-
2300	Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
2000	Total liabilities	<u>14,701</u>	<u>23,101</u>	<u>-</u>
FUND BALANCES				
Restricted:				
3450	Federal or state funds grant restriction	-	-	-
3490	Special education (Co-op)	-	-	-
3545	Committed for campus activity	-	-	-
3600	Unassigned	<u>-</u>	<u>(10,408)</u>	<u>-</u>
3000	Total fund balances	<u>-</u>	<u>(10,408)</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 14,701</u>	<u>\$ 12,693</u>	<u>\$ -</u>

EXHIBIT H-1

255 ESEA II, A Training and Recruiting	289 ESEA IV, A Student Support	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, art B Discretionary	340 SSA - IDEA C Deaf - Early Intervention
\$ -	\$ -	\$ 2,514	\$ -	\$ -	\$ -
-	-	-	-	-	-
20,433	11,092	50,954	-	-	-
20,433	11,092	53,468	-	-	-
-	-	2,099	-	-	-
2,247	1,070	45,181	-	-	-
17,772	10,000	-	-	-	-
-	-	-	-	-	-
414	22	6,188	-	-	-
-	-	-	-	-	-
20,433	11,092	53,468	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 20,433	\$ 11,092	\$ 53,468	\$ -	\$ -	\$ -

PEASTER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2018

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund	429 Pre K Grant Special Revenue Funds
ASSETS				
1110	Cash and cash equivalents	\$ 3,124	\$ -	\$ 1,013
1120	Investments - current	-	-	-
1240	Due from other governments	-	21,768	-
1000	Total assets	3,124	21,768	1,013
LIABILITIES				
2110	Accounts payable	-	-	-
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	21,768	-
2180	Due to other governments	-	-	1,013
2200	Accrued expenditures	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	-	21,768	1,013
FUND BALANCES				
Restricted:				
3450	Federal or state funds grant restriction	3,124	-	-
3490	Special education (Co-op)	-	-	-
3545	Committed for campus activity	-	-	-
3600	Unassigned	-	-	-
3000	Total fund balances	3,124	-	-
4000	Total liabilities and fund balances	\$ 3,124	\$ 21,768	\$ 1,013

EXHIBIT H-1

434 SSA - SSVI Visually Impaired	435 SSA Regional Day School - Deaf	437 SSA Special Education	459 SSA Bluebonnet Co-op	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 63,445	\$ 263,867	\$ 194,704	\$ 530,967
-	-	515,226	-	-	515,226
7,939	-	-	-	-	137,280
7,939	-	578,671	263,867	194,704	1,183,473
-	-	2,826	1,771	-	6,696
-	-	37,972	31,865	-	139,482
7,827	-	-	-	-	66,977
-	-	-	-	-	1,013
112	-	2,920	2,507	-	19,208
-	-	-	227,724	-	227,724
7,939	-	43,718	263,867	-	461,100
-	-	-	-	-	3,124
-	-	534,953	-	-	534,953
-	-	-	-	194,704	194,704
-	-	-	-	-	(10,408)
-	-	534,953	-	194,704	722,373
\$ 7,939	\$ -	\$ 578,671	\$ 263,867	\$ 194,704	\$ 1,183,473

PEASTER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
REVENUES				
5700	Local and intermediate sources	\$ -	\$ 209,373	\$ -
5800	State programs	-	15,562	-
5900	Federal programs	<u>106,499</u>	<u>220,765</u>	<u>4,437</u>
5020	Total revenues	<u>106,499</u>	<u>445,700</u>	<u>4,437</u>
EXPENDITURES				
	Current:			
0011	Instruction	106,499	-	4,437
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0035	Food services	-	490,084	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	41,160	-
	Intergovernmental:			
0093	Payments to fiscal agent/member districts of SSA	<u>-</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>106,499</u>	<u>531,244</u>	<u>4,437</u>
	Excess (deficiency) of revenues			
1100	over (under) expenditures	<u>-</u>	<u>(85,544)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
7915	Transfers in	<u>-</u>	<u>80,112</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>80,112</u>	<u>-</u>
1200	Net change in fund balance	<u>-</u>	<u>(5,432)</u>	<u>-</u>
0100	Fund balance - September 1 (Beginning)	<u>-</u>	<u>(4,976)</u>	<u>-</u>
3000	Fund balance - August 31 (Ending)	<u>\$ -</u>	<u>\$(10,408)</u>	<u>\$ -</u>

EXHIBIT H-2

255 ESEA II, A Training and Recruiting	289 ESEA IV, A Student Support	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	340 SSA - IDEA C Deaf - Early Intervention
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>35,396</u>	<u>11,092</u>	<u>651,165</u>	<u>14,253</u>	<u>77,378</u>	<u>1,985</u>
<u>35,396</u>	<u>11,092</u>	<u>651,165</u>	<u>14,253</u>	<u>77,378</u>	<u>1,985</u>
35,396	11,092	138,182	14,253	77,378	1,985
-	-	-	-	-	-
-	-	12,451	-	-	-
-	-	-	-	-	-
-	-	500,532	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>35,396</u>	<u>11,092</u>	<u>651,165</u>	<u>14,253</u>	<u>77,378</u>	<u>1,985</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PEASTER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund	429 Pre K Grant Special Revenue Funds
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State programs	285	78,200	-
5900	Federal programs	-	-	-
5020	Total revenues	<u>285</u>	<u>78,200</u>	<u>-</u>
EXPENDITURES				
	Current:			
0011	Instruction	-	78,200	-
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
	Intergovernmental:			
0093	Payments to fiscal agent/member districts of SSA	-	-	-
6030	Total expenditures	<u>-</u>	<u>78,200</u>	<u>-</u>
	Excess (deficiency) of revenues			
1100	over (under) expenditures	<u>285</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	<u>285</u>	<u>-</u>	<u>-</u>
0100	Fund balance - September 1 (Beginning)	<u>2,839</u>	<u>-</u>	<u>-</u>
3000	Fund balance - August 31 (Ending)	<u>\$ 3,124</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2

434 SSA - SSVI Visually Impaired	435 SSA Regional Day School - Deaf	437 SSA Special Education	459 SSA Bluebonnet Co-op	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 905,712	\$ 404,950	\$ 574,170	\$ 2,094,205
30,953	558,969	34,791	25,723	-	744,483
-	-	-	-	-	1,122,970
<u>30,953</u>	<u>558,969</u>	<u>940,503</u>	<u>430,673</u>	<u>574,170</u>	<u>3,961,658</u>
30,953	558,969	413,582	410,605	532,888	2,414,419
-	-	924	-	-	924
-	-	2,676	830	-	15,957
-	-	301,848	46,997	-	348,845
-	-	11,906	-	-	512,438
-	-	-	-	-	490,084
-	-	-	-	2,355	2,355
-	-	1,820	-	-	1,820
-	-	38,079	-	-	79,239
-	-	25,000	-	-	25,000
<u>30,953</u>	<u>558,969</u>	<u>795,835</u>	<u>458,432</u>	<u>535,243</u>	<u>3,891,081</u>
-	-	144,668	(27,759)	38,927	70,577
-	-	-	-	-	80,112
-	-	-	-	-	80,112
-	-	144,668	(27,759)	38,927	150,689
-	-	390,285	27,759	155,777	571,684
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,953</u>	<u>\$ -</u>	<u>\$ 194,704</u>	<u>\$ 722,373</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED TEA SCHEDULES

PEASTER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2018

Last Ten Years Ended August 31,	(1)		(2)	(3)
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purposes	
	Maintenance	Debt Service		
2009 and prior years	Various	Various	Various	
2010	\$ 1.040000	\$ 0.312800	277,626,595	
2011	1.040000	0.312800	271,971,800	
2012	1.040000	0.312800	261,801,010	
2013	1.040000	0.312800	266,427,370	
2014	1.040000	0.312800	266,711,260	
2015	1.040000	0.360000	274,523,666	
2016	1.040000	0.360000	289,277,240	
2017	1.040000	0.360000	295,353,771	
2018 (School year under audit)	1.040000	0.400000	316,919,931	
1000 Totals				

EXHIBIT J-1

(10)	(20)	(31)	(32)	(40)	(50)
Beginning Balance 9/1/2017	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/2018
\$ 20,046	\$ -	\$ 149	\$ 45	\$ (4,882)	\$ 14,970
2,558	-	103	31	(704)	1,720
3,836	-	350	105	(704)	2,677
6,663	-	296	89	(688)	5,590
26,934	-	13,897	4,180	(2,524)	6,333
24,999	-	30,604	9,205	21,504	6,694
26,178	-	31,449	10,886	21,051	4,894
30,089	-	31,872	11,033	20,282	7,466
100,315	-	80,043	27,707	13,854	6,419
-	4,563,647	3,251,336	1,250,514	3,694	65,491
<u>\$ 241,618</u>	<u>\$ 4,563,647</u>	<u>\$ 3,440,099</u>	<u>\$ 1,313,795</u>	<u>\$ 70,883</u>	<u>\$ 122,254</u>

PEASTER INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM**

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 255,000	\$ 255,000	\$ 209,373	\$(45,627)
5800	State programs	3,200	3,200	15,562	12,362
5900	Federal programs	199,670	199,670	220,765	21,095
5020	Total revenues	457,870	457,870	445,700	(12,170)
EXPENDITURES					
	Current:				
0035	Food services	518,232	500,420	490,084	10,336
0051	Facilities maintenance and operations	45,000	45,000	41,160	3,840
6030	Total expenditures	563,232	545,420	531,244	14,176
	Excess (deficiency) of revenues				
1100	over (under) expenditures	(105,362)	(87,550)	(85,544)	2,006
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	80,112	80,112	80,112	-
	Total other financing sources (uses)	80,112	80,112	80,112	-
1200	Net change in fund balances	(25,250)	(7,438)	(5,432)	2,006
0100	Fund balance - September 1 (Beginning)	(4,976)	(4,976)	(4,976)	-
3000	Fund balance - August 31 (Ending)	\$(30,226)	\$(12,414)	\$(10,408)	\$ 2,006

PEASTER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 1,304,351	\$ 1,304,351	\$ 1,336,202	\$ 31,851
5800	State programs	235,174	235,174	486,514	251,340
5020	Total revenues	1,539,525	1,539,525	1,822,716	283,191
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	855,000	855,000	855,000	-
0072	Interest on long-term debt	680,925	680,925	680,925	-
0073	Bond issuance cost and fees	2,900	2,900	1,900	1,000
6030	Total expenditures	1,538,825	1,538,825	1,537,825	1,000
1200	Net change in fund balances	700	700	284,891	284,191
0100	Fund balance - September 1 (Beginning)	489,070	489,070	489,070	-
3000	Fund balance - August 31 (Ending)	\$ 489,770	\$ 489,770	\$ 773,961	\$ 284,191

THIS PAGE LEFT BLANK INTENTIONALLY

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Board of Trustees of
Peaster Independent School District
Peaster, Texas

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 of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peaster Independent School District (the "District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise of the District's basic financial statements, and have issued our reported thereon dated December 20, 2018.

Internal Control Over Financial Reporting

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

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

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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 20, 2018



P A T T I L L O , B R O W N & H I L L , L L P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Trustees of
Peaster Independent School District
Peaster, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of 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* (CFR) 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 on the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance with 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 operations 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 a 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 20, 2018

PEASTER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2018

(1) Federal Grantor/ Passed-through Grantor/ Grantor/Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed Through to Subrecipients
<u>U.S. Department of Agriculture</u>				
<u>Passed Through Texas Education Agency</u>				
School Breakfast Program (SBP)	10.553	71401701	\$ 4,353	\$ -
School Breakfast Program (SBP)	10.553	71401801	34,081	-
Total CFDA Number 10.553			38,434	-
National School Lunch Program (NSLP)- Cash Assistance	10.555	71301701	17,655	-
National School Lunch Program (NSLP)- Cash Assistance	10.555	71301801	135,170	-
Total CFDA Number 10.555 - Cash Assistance			152,825	-
Total Passed Through Texas Education Agency			191,259	-
<u>Passed Through Texas Department of Agriculture</u>				
National School Lunch Program (NSLP) - Non-Cash Assistance	10.555	184006A	29,506	-
Total Passed Through Texas Department of Agriculture			29,506	-
Total Child Nutrition Cluster			220,765	-
Total U.S. Department of Agriculture			220,765	-
<u>U.S. Department of Education</u>				
<u>Passed Through Texas Education Agency</u>				
Title I, Part A - Grants to Local Education Agencies	84.010	18610101184908	100,852	-
Title I, Part A - Grants to Local Education Agencies	84.010	19610101184908	5,647	-
Total CFDA Number 84.010			106,499	-
SSA IDEA B Formula - Special Education Grants to States	84.027	186600011849086000	651,165	-
SSA IDEA, Part B, Discretionary	84.027	186600111849086000	77,378	77,378
Total CFDA Number 84.027			728,543	77,378
SSA IDEA Preschool - Special Education Preschool Grants	84.173	186610011849086000	14,253	14,253
Total Special Education Cluster (IDEA)			742,796	91,631
SSA Special Education - Grants for Infants and Families with Disabilities IDEA Part C (Deaf)	84.181	183911011849083000	1,985	1,985
Title II, Part A, Supporting Effective Instruction State Grant	84.367	18694501184908	35,396	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	18680101184908	11,092	-
Total Passed Through Texas Education Agency			897,768	93,616
<u>Passed Through Education Service Center XI</u>				
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	184200006161920	4,437	-
Total Passed Through Education Service Center XI			4,437	-
Total U.S. Department of Education			902,205	93,616
<u>U.S. Department of Health and Human Services</u>				
<u>Passed Through Texas Health and Human Services Commission</u>				
Medicaid Administrative Claiming Program - MAC	93.778	529-12-0041-00043	5,082	-
Total Passed Through Texas Health and Human Services Commission			5,082	-
Total U.S. Department of Health and Human Services			5,082	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,128,052	\$ 93,616

PEASTER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2018

General

The Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all applicable federal award programs of Peaster Independent School District. The District's reporting entity is defined in Note 1 of the basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, as presented in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect Costs

The District did not elect to use a de minimis cost rate of 10% as described at 2CFR §200.414(f) – Indirect (F&A) Costs.

Reconciliation of Federal Awards

The following is a reconciliation of expenditures of federal awards in the Schedule of Expenditures of Federal Awards and federal program revenues in the Statement of Revenues, Expenditures and Changes in Fund Balance of the governmental funds.

Federal program revenues per Exhibit C-3	\$ 1,272,216
School Health & Related Services (SHARS) reimbursement not reported in the Schedule of Expenditures of Federal Awards	(144,164)
Total federal expenditures on Exhibit K-1	\$ <u>1,128,052</u>

PEASTER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2018

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered to be material weaknesses?	None reported
Material noncompliance to the financial statements noted?	None

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster (IDEA)
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

THIS PAGE LEFT BLANK INTENTIONALLY