

**SWEENY
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2018**

**KENNEMER, MASTERS & LUNSFORD, LLC
CERTIFIED PUBLIC ACCOUNTANTS
8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

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SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2018*

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
Introductory Section		
	Certificate of Board	7
Financial Section		
	Independent Auditor's Report	11-13
	Management's Discussion and Analysis	15-24
	Basic Financial Statements:	
A-1	Statement of Net Position	26
B-1	Statement of Activities	27
	Government Fund Financial Statements:	
C-1	Balance Sheet	28
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position	29
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	30
C-2R	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Governmental Activities Statement of Activities	31
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	32
E-2	Statement of Changes in Fiduciary Net Position	33
	Notes to the Financial Statements	35-77
Required Supplementary Information		
G-1	Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	80
G-2	Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - Cost Sharing Employer Plan	81
G-3	Schedule of Required Contributions - Cost Sharing Employer Plan	82
G-4	Schedule of Proportionate Share of the Net OPEN Liability and Related Ratios - Cost Sharing Employer Plan	83
G-5	Schedule of Required OPEB Calculations - Cost Sharing Employer Plan	84
Other Supplementary Information		
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	86-88
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	90-92

SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2018*

Table of Contents - Continued

<u>Exhibit Number</u>		<u>Page Number</u>
	Required Texas Education Agency Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	94-95
J-3	Fund Balance and Cash Flow Calculation Worksheet	96
J-4	Budgetary Comparison Schedule – Nonmajor Fund – Child Nutrition Program Special Revenue Fund.....	97
J-5	Budgetary Comparison Schedule – Debt Service Fund	98
Federal Awards Section		
	Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	101-102
	Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	103-104
	Schedule of Findings and Questioned Costs.....	105
	Schedule of Status of Prior Findings	106
	Corrective Action Plan	107
K-1	Schedule of Expenditures of Federal Awards.....	108
	Notes on Accounting Policies for Federal Awards.....	109

INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Sweeny Independent School District
Name of School District

Brazoria
County

020-906
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 8th day of January, 2019.


Signature of Board Secretary


Signature of Board President

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

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FINANCIAL SECTION

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Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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Independent Auditor's Report

To the Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480

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 the Sweeny 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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Partnering for CPA Practice Success

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sweeny 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in the year ended August 31, 2018, the District adopted new accounting guidance, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). 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 on pages 15 through 24, budgetary comparison information on page 80, the required pension schedules on pages 81 and 82, and the required OPEB schedules on pages 83 and 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, required Texas Education Agency 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, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required Texas Education Agency 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 introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 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.

Kerremers, Masters & Hunzford, LLC

Lake Jackson, Texas
December 13, 2018

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SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018

As management of the Sweeny Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$ 27,463,792 (*net position*). Of this amount, unrestricted net position is a deficit of \$ 590,473.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 18,153,691. Approximately 38 percent of this total amount, \$ 6,866,993 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 6,866,993, or 25 percent of the total general fund expenditures.
- The District reported net pension liability of \$ 2,337,821 and a net OPEB liability of \$ 6,567,087, at August 31, 2018, with the implementation of GASB Statements Nos. 68, 71, and 75. With the addition of these non-current liabilities on a government-wide basis, the District reported a deficit unrestricted position in the amount of \$ 590,473.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities*. The government-wide financial statements can be found on pages 26 through 27 of this report.

SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains nineteen (19) 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, Sweeny Independent School District Education Foundation (blended component unit), and debt service fund; all of which are considered to be major funds. Data from the other sixteen (16) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, child nutrition program special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 28 through 31 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on pages 32 and 33. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 77 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 80 through 84 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 86 through 92 of this report. Other schedules are to be found on page 94 through 98 of this report.

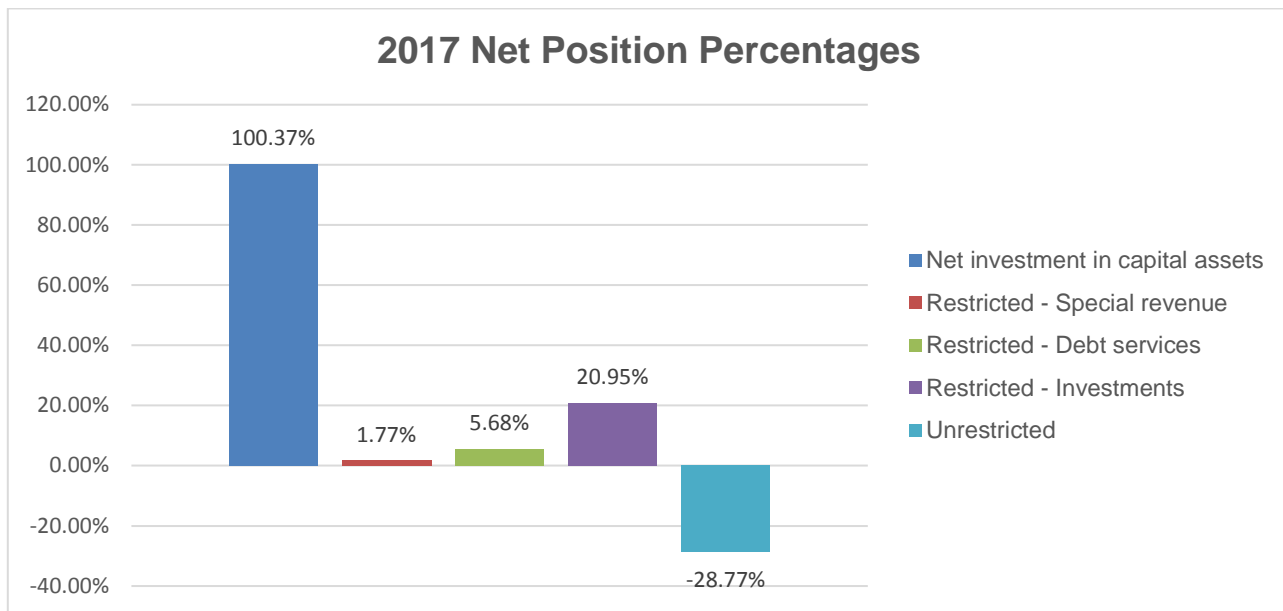
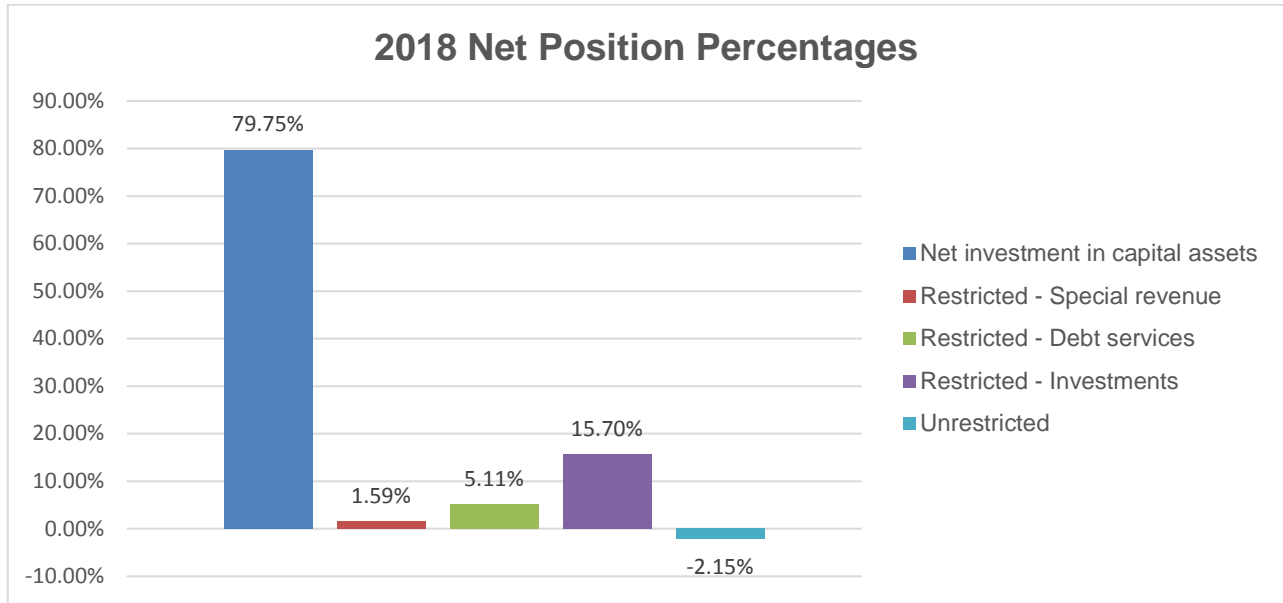
Government-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 27,463,792 as of August 31, 2018. Net position of the District's governmental activities increased from \$ 20,745,603 to \$ 27,463,792.

The District's Net Position

	August 31, 2018	(Restated) August 31, 2017
Current and other assets	\$ 20,416,215	\$ 17,399,126
Capital assets	<u>59,581,014</u>	<u>61,555,184</u>
Total assets	<u>79,997,229</u>	<u>78,954,310</u>
Deferred outflows of resources	<u>1,491,560</u>	<u>1,719,877</u>
Long-term liabilities outstanding	48,460,128	57,176,083
Other liabilities	<u>2,079,379</u>	<u>2,295,031</u>
Total liabilities	<u>50,539,507</u>	<u>59,471,114</u>
Deferred inflows of resources	<u>3,485,490</u>	<u>457,470</u>
Net Position:		
Net investment in capital assets	21,901,374	20,822,066
Restricted	6,152,891	5,891,969
Unrestricted	<u>(590,473)</u>	<u>(5,968,432)</u>
Total net position	<u>\$ 27,463,792</u>	<u>\$ 20,745,603</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018



Investment in capital assets (e.g., land and land improvements, buildings and building improvements, furniture, equipment, and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 21,901,374. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (approximately 22 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of \$ 590,473. This deficit is not an indication that the District does not have significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments, specifically the net pension and OPEB liabilities that are more than currently available resources.

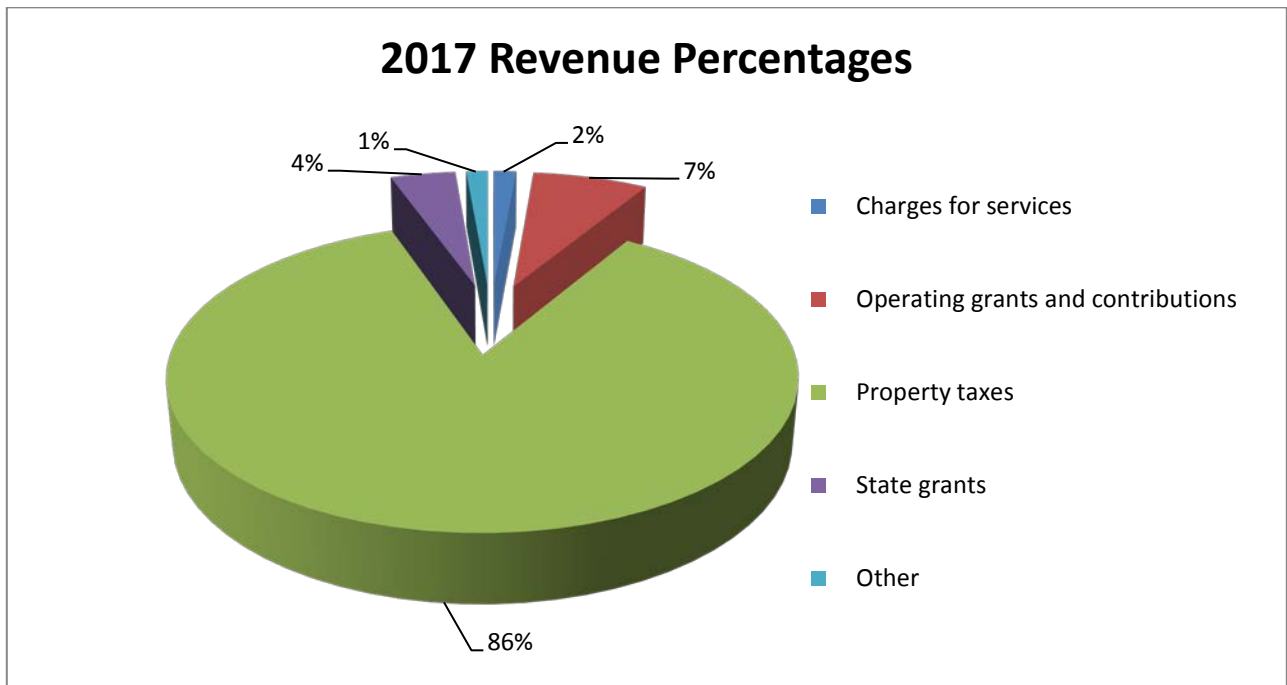
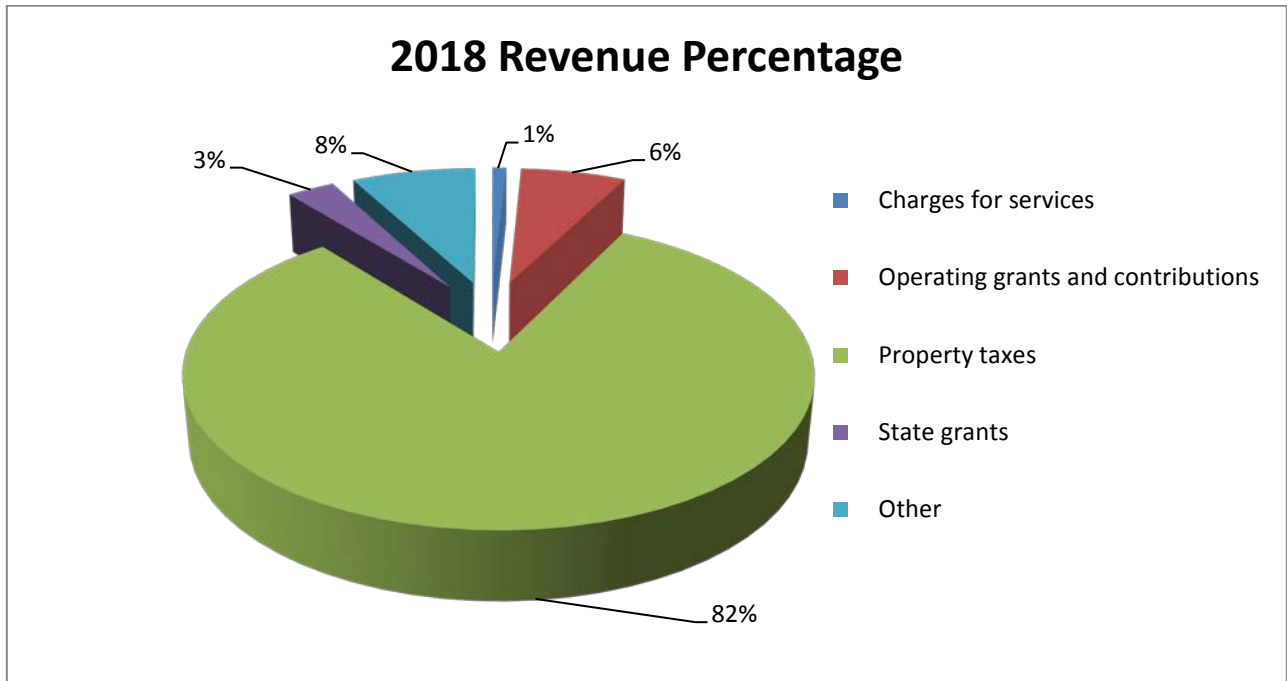
SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018

Governmental activities. The District's total net position increased by \$ 6,718,189. The total cost of all *governmental activities* this year was \$ 30,389,265. The amount that our taxpayers paid for these activities through property taxes was \$ 30,315,421 or 100% of total costs. The amount of costs that were paid by those who directly benefited from the programs was \$ 324,399 or 1%. The costs that were paid by other governments and organizations that subsidized certain programs with grants and contributions or by some state equalization funding was \$ 2,467,499 or 8% and \$ 1,107,887 or 4%, respectively.

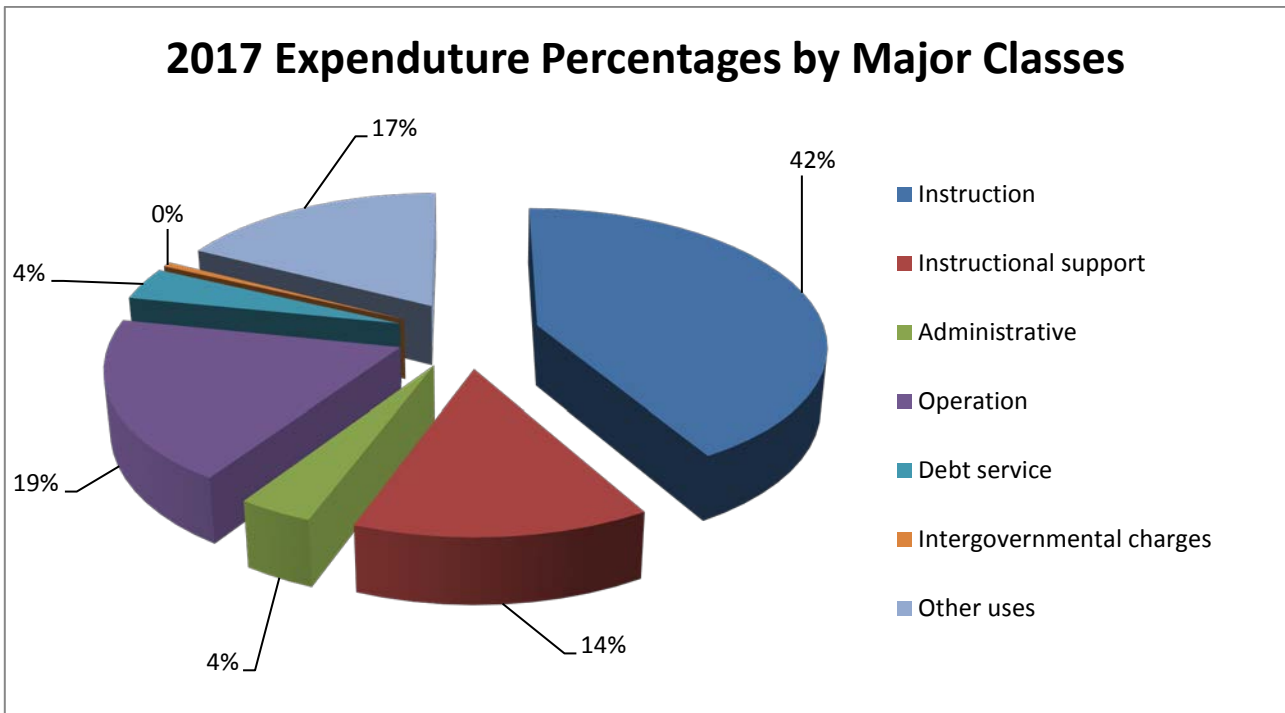
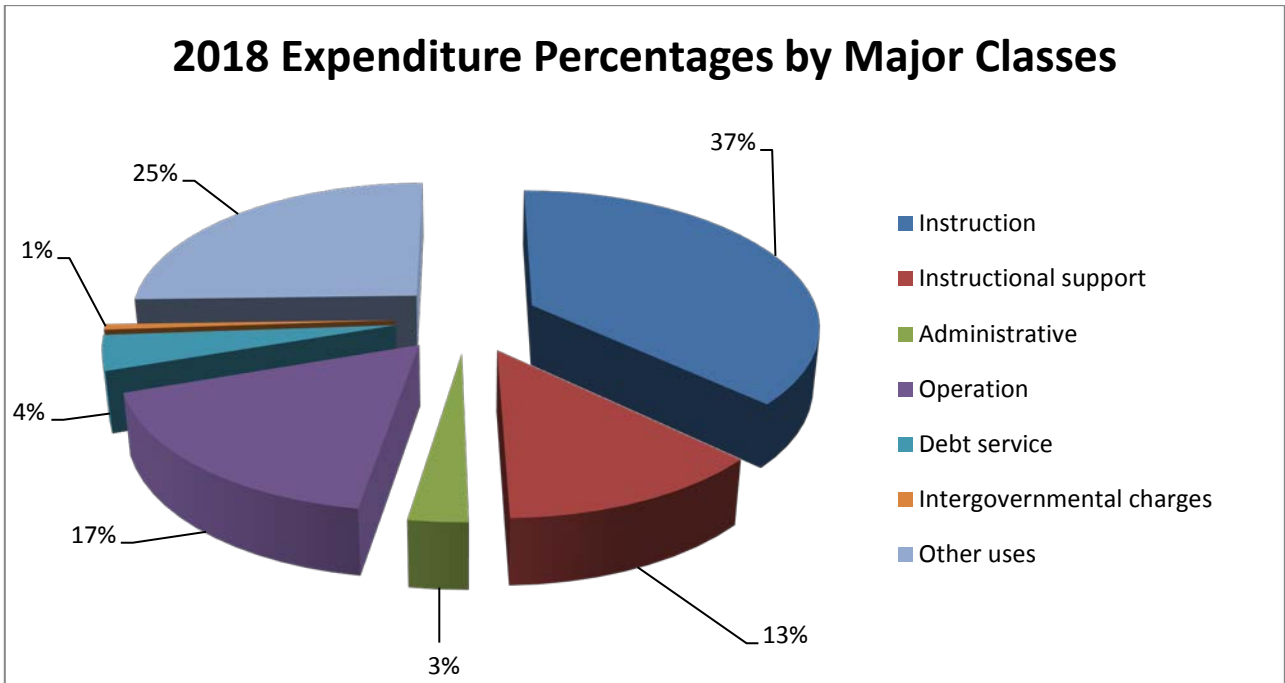
Changes in the District's Net Position

	August 31, <u>2018</u>	August 31, <u>2017</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 324,399	\$ 423,379
Operating grants & contributions	2,467,499	2,143,835
General revenues:		
Property taxes	30,315,421	25,407,081
State grants	1,107,887	1,208,221
Other	<u>2,892,248</u>	<u>403,541</u>
Total revenues	<u>37,107,454</u>	<u>29,586,057</u>
Expenses:		
Instruction	10,655,226	11,890,070
Instructional resources & media services	290,628	262,301
Curriculum & staff development	302,870	178,490
Instructional leadership	526,563	648,227
School leadership	986,822	1,098,648
Guidance, counseling & evaluation services	570,395	613,029
Social work services	59,107	45,716
Health services	226,197	247,183
Student (pupil) transportation	820,492	1,073,476
Food services	1,090,193	1,111,983
Extracurricular activities	1,467,952	1,508,408
General administration	860,137	1,061,071
Facilities maintenance and operations	2,806,317	2,814,003
Security and monitoring services	128,650	102,181
Data processing services	417,419	486,068
Community services	8,935	8,935
Debt service-interest and fees on long-term debt	1,243,245	1,132,772
Contracted instructional services	7,726,742	5,126,618
Payments related to shared services arrangements		12,300
Other intergovernmental charges	<u>201,375</u>	<u>168,682</u>
Total expenses	<u>30,389,265</u>	<u>29,590,161</u>
Change in net position	6,718,189	(4,104)
Beginning net position	32,260,950	32,265,054
Prior year adjustment (see Note 2)	(<u>11,515,347</u>)	<u> </u>
Ending net position	<u>\$ 27,463,792</u>	<u>\$ 32,260,950</u>

SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018



SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018



SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 18,153,691, an increase of \$ 3,162,443. Approximately 38 percent of this total amount (\$ 6,866,993) constitutes *unassigned fund balance*. The remainder of fund balance is non-spendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been classified 1) for inventory \$ 94,927, 2) for prepaid items \$ 192,667, 3) for grant funds \$ 384,167, 4) for construction \$ 1,541,811, 5) to pay debt service \$ 1,365,787, 6) for long-term investments \$ 4,311,244, 7) for claims and judgments \$ 250,000, 8) for capital expenditures for equipment \$ 350,000, 9) for other miscellaneous commitments \$ 319,380, and 10) for other assignment \$ 2,476,715.

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 \$ 6,866,993, while the total fund balance was \$ 10,178,771. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 25 percent of the total general fund expenditures, while total fund balance represents 37 percent of that same amount.

The fund balance of the District's general fund increased \$ 3,106,364 or 44% during the current fiscal year compared to last year's total general fund balance of \$ 7,072,407. Revenues increased from prior year approximately \$ 4,219,508 or 18%. Expenditures increased approximately 14% from prior year from \$ 23,876,859 to \$ 27,200,817. Key factors related to this change were as follows:

- Curriculum and staff development cost increased \$ 169,784 from the prior year.
- Facilities maintenance and operations cost increased \$ 367,278 from prior year.
- Contracted and instructional services cost increased \$ 2,587,824 from prior year due to Chapter 41 payment.

The Sweeny Education Foundation fund has a total fund balance of \$ 4,630,624, of which \$ 4,311,244 is restricted for long-term investment and \$ 319,380 is committed for other purposes. The net decrease in fund balance during the period in the Sweeny Education Foundation fund was \$ 74,891. The decrease in fund balance was mainly due to \$ 1,945,922 of funds transferred to other district's funds.

The debt service fund has a total fund balance of \$ 1,365,787 all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$ 218,094. The increase in fund balance was mainly due to the District collecting more taxes to pay for the District's debt obligations during the fiscal year.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2018

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal period for amounts reserved and designated in the prior year.
- Amendments to budget for donations received during the period.
- Amendments during the period for unexpected occurrences.

Following is a summary of amendments made to appropriations:

- \$ 13,000 increase for SHARS Medicaid administrative fees
- \$ 4,240 increase for appraisal district fees
- \$ 400 increase for debt service fees
- \$ 95,000 increase for utilities
- \$ 25,145 increase for addition of police officer and extra contracted security
- \$ 60,500 increase for sale of land
- \$ 25,500 increase for substitute pay
- \$ 10,217 increase for administrative expenses
- \$ 43,192 increase to budget for donations
- \$ 49,500 increase for TASB facility study
- \$ 282,207 increase for energy efficiency project
- \$11,500 increase for property insurance
- \$ 3,015 increase for band equipment
- \$2,400 increase for scoreboard ad sales

After appropriations were amended as described above, actual revenues were more than the final budget by \$ 464,304 mainly due to increase in local and intermediate source revenue. Actual expenditures were \$ 2,890,219 below final budget amounts. The major portion of this positive variance was due to the decreases in expenditures in instruction, student (pupil) transportation, general administration, facility maintenance and operations, and contracted instructional services.

Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2018 amounts to \$ 59,581,014 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, furniture, equipment and vehicles, and construction in progress.

District's Capital Assets (net of depreciation)

	August, 31 2018	August 31, 2017
	<u> </u>	<u> </u>
Land and land improvements	\$ 1,703,554	\$ 1,722,567
Buildings and building improvements	55,431,227	57,227,311
Furniture, equipment and vehicles	2,432,976	2,605,306
Construction in progress	<u>13,257</u>	<u> </u>
Total at historical cost	<u>\$ 59,581,014</u>	<u>\$ 61,555,184</u>

Additional information on the District's capital assets can be found in Note 6 on page 57 through 58 of this report.

SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2018

Long-term debt. At August 31, 2018, the District had total long-term debt outstanding of \$ 48,460,128, a decrease of \$ 8,715,955 from the previous year, primarily due to the payment of outstanding bonds and the change in OPEB liability. Long-term debt is made up of the following:

	August 31, 2018	August 31, 2017
General obligation bonds	\$ 35,870,000	\$ 39,185,000
Tax notes	1,600,000	1,735,000
Notes payable	185,815	
Net pension liability	2,337,821	2,599,100
Net OPEB liability	6,567,087	11,593,860
Premium on general obligation bonds	1,899,405	2,063,123
Total long-term debt	\$ 48,460,128	\$ 57,176,083

Additional information on the District's long-term debt can be found in Note 7 on pages 58 through 62 of this report.

Economic Factors and Next Year's Budgets and Rates

- Appraised values used for the 2018-19 budget decreased \$ 730,935,823 or 29.33% from 2017-18 values.
- The District's 2018-2019 refined average daily attendance is expected to be 1,856.
- The District's attendance rate is estimated to be 97%.
- The total Maintenance and Operations revenue budget is \$ 29,306,712. The revenue breakdown is \$ 26,823,933 from local funds, \$ 2,297,779 from state funds, and \$ 185,000 from federal funds.
- The District has adopted a surplus budget of \$1,080,355. The District has appropriated General Fund revenues of \$ 29,306,712 and expenditures of \$ 28,226,357 which includes recapture expenditures of \$ 7,814,839.
- The 2018-19 District had a successful tax ratification election in November 2018. The 2018 tax rate was set at \$ 1.2117 (\$ 1.06 for Maintenance and Operations and \$ 0.1517 for Interest and Sinking).
- For 2018-19, the District has budgeted a pay increase of 3% of the mid-point salary.
- Excluding recapture, the 2018-19 employee salaries amount to 76.8% of the General Fund budget.
- The District funds \$ 264 per employee per month for health insurance, \$ 38.31 for dental insurance, \$ 1.90 for \$ 20,000 life insurance, and \$8.81 for accident insurance for those who decline health.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Business Services, Sweeny Independent School District, 1310 North Elm, Sweeny, Texas, 77480.

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

Exhibit A-1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 14,073,429
1120	Current investments	540,638
1220	Property taxes receivables - delinquent	723,413
1230	Allowance for uncollectible taxes	(408,150)
1240	Due from other governments	834,350
1250	Accrued interest	10,785
1260	Internal balances	14,717
1290	Other receivables (net)	28,195
1300	Inventories	94,927
1410	Prepaid items	192,667
	Capital Assets:	
1510	Land and land improvements	1,703,554
1520	Buildings and building improvements, net	55,431,227
1530	Furniture, equipment and vehicles, net	2,432,976
1580	Construction in progress	13,257
1910	Investments	<u>4,311,244</u>
1000	Total assets	<u>79,997,229</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows of resources	<u>1,491,560</u>
	Total deferred outflows of resources	<u>1,491,560</u>
	LIABILITIES:	
2110	Accounts payable	211,765
2140	Accrued Interest payable	86,752
2160	Accrued wages payable	1,046,508
2180	Payable to other governments	548,410
2300	Unearned revenue	185,944
	Noncurrent Liabilities:	
2501	Due within one year	3,001,097
2502	Due in more than one year	36,554,123
2540	Net pension liability	2,337,821
2545	Net OPEB liability	<u>6,567,087</u>
2000	Total liabilities	<u>50,539,507</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred inflows of resources	<u>3,485,490</u>
	Total deferred inflows of resources	<u>3,485,490</u>
	NET POSITION:	
3200	Net investment in capital assets	21,901,374
	Restricted For:	
3820	Federal and state programs	436,698
3850	Debt service	1,404,949
3890	Long-term investments	4,311,244
3900	Unrestricted	<u>(590,473)</u>
3000	Total net position	<u>\$ 27,463,792</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 10,655,226	\$	\$ 1,216,040	\$(9,439,186)
12	Instructional resources and media services	290,628		14,705	(275,923)
13	Curriculum and staff development	302,870		31,570	(271,300)
21	Instructional leadership	526,563		68,224	(458,339)
23	School leadership	986,822		57,225	(929,597)
31	Guidance, counseling, and evaluation services	570,395		77,306	(493,089)
32	Social work services	59,107		2,880	(56,227)
33	Health services	226,197		13,580	(212,617)
34	Student (pupil) transportation	820,492		36,187	(784,305)
35	Food services	1,090,193	264,423	819,001	(6,769)
36	Extracurricular activities	1,467,952	59,976	28,152	(1,379,824)
41	General administration	860,137		35,759	(824,376)
51	Facilities maintenance and operations	2,806,317		30,343	(2,775,974)
52	Security and monitoring services	128,650		5,066	(123,584)
53	Data processing services	417,419		19,161	(398,258)
61	Community services	8,935			(8,935)
72	Interest on long-term debt	1,237,111			(1,237,111)
73	Bond issuance costs and fees	6,134			(6,134)
91	Contracted instructional services	7,714,442			(7,714,442)
93	Payments related to shared services arrangements	12,300		12,300	-0-
99	Other intergovernmental charges	201,375			(201,375)
TG	Total governmental activities	<u>\$ 30,389,265</u>	<u>\$ 324,399</u>	<u>\$ 2,467,499</u>	<u>\$(27,597,367)</u>
General Revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 25,685,469
DT	Property taxes, levied for debt service				4,629,952
SF	State aid-formula grants				1,107,887
GC	Grants and contributions not restricted to specific programs				1,983,918
IE	Investment earnings				393,787
MI	Miscellaneous				249,919
SI	Gain on disposal of assets				<u>264,624</u>
TG	Total general revenues, special items, and others				<u>34,315,556</u>
CN	Change in net position				6,718,189
NB	Net position – beginning (restated)				<u>20,745,603</u>
NE	Net position – ending				<u>\$ 27,463,792</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2018

Exhibit C-1

Data Control Codes	Functions/Programs	10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets:						
1110	Cash and cash equivalents	\$ 10,928,982	\$ 308,595	\$ 818,065	\$ 2,017,787	\$ 14,073,429
1120	Current investments			540,638		540,638
1220	Taxes receivable - delinquent	625,705		97,708		723,413
1230	Allowance for uncollectible taxes (credit)	(355,986)		(52,164)		(408,150)
1240	Receivables from other governments	693,645			140,705	834,350
1250	Accrued interest receivable		10,785			10,785
1260	Due from other funds	36,696		3,766	117,911	158,373
1290	Other receivables	23,067			5,128	28,195
1300	Inventories	42,396			52,531	94,927
1410	Prepaid items	192,667				192,667
1910	Investments		4,311,244			4,311,244
1000	Total assets	<u>12,187,172</u>	<u>4,630,624</u>	<u>1,408,013</u>	<u>2,334,062</u>	<u>20,559,871</u>
Deferred Outflows of Resources:						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 12,187,172</u>	<u>\$ 4,630,624</u>	<u>\$ 1,408,013</u>	<u>\$ 2,334,062</u>	<u>\$ 20,559,871</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 164,894	\$	\$	\$ 46,871	\$ 211,765
2160	Accrued wages payable	947,868			98,640	1,046,508
2170	Due to other funds	116,494			27,162	143,656
2180	Payable to other governments	548,410				548,410
2300	Unearned revenue			3,064	182,880	185,944
2000	Total liabilities	<u>1,777,666</u>	<u>-0-</u>	<u>3,064</u>	<u>355,553</u>	<u>2,136,283</u>
Deferred Inflows of Resources:						
2600	Deferred inflows of resources – property taxes	230,735		39,162		269,897
	Total deferred inflows of resources	<u>230,735</u>	<u>-0-</u>	<u>39,162</u>	<u>-0-</u>	<u>269,897</u>
Fund Balances:						
3410	Non-spendable - inventories	42,396			52,531	94,927
3430	Non-spendable - prepaid items	192,667				192,667
3450	Restricted - grant funds				384,167	384,167
3470	Restricted - capital acquisitions and contractual obligations				1,541,811	1,541,811
3480	Restricted - debt service			1,365,787		1,365,787
3490	Restricted - long-term investments		4,311,244			4,311,244
3520	Committed - claims and judgments	250,000				250,000
3530	Committed - capital expenditures for equipment	350,000				350,000
3545	Committed - other purposes		319,380			319,380
3590	Assigned - other	2,476,715				2,476,715
3600	Unassigned	6,866,993				6,866,993
3000	Total fund balances	<u>10,178,771</u>	<u>4,630,624</u>	<u>1,365,787</u>	<u>1,978,509</u>	<u>18,153,691</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,187,172</u>	<u>\$ 4,630,624</u>	<u>\$ 1,408,013</u>	<u>\$ 2,334,062</u>	<u>\$ 20,559,871</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
YEAR ENDED AUGUST 31, 2018

Exhibit C-1R

Total fund balances – governmental funds balance sheet (C-1)	\$ 18,153,691
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 105,643,904 in assets less \$ 46,062,890 in accumulated depreciation.	59,581,014
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 230,735 and \$ 39,162, respectively.	269,897
Payments for pension contributions of \$ 245,553 and OPEB contributions of \$ 83,820 from the TRS actuary date to the District's year-end are reported as expenditures in the funds and deferred outflows of resources in the governmental activities statement of position.	329,373
Pension deferred outflows of resources of \$ 740,637 less pension deferred inflows of resources of \$ 738,465	2,172
OPEB deferred outflows of resources of \$ 1,029 less pension deferred inflows of resources of \$ 2,747,025	(2,745,996)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. This is the bond refunding costs which is amortized over the life of the refunding bond, or the refunded bonds, whichever is shorter. The amount is bond refunding costs of \$ 811,680 less accumulated amortization costs of \$ 391,159.	420,521
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the governmental activities statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was (premium on sale of bonds of \$ 2,322,911 less amortization cost of \$ 423,506).	(1,899,405)
Payables for net pension liability are not reported in the funds	(2,337,821)
Payables for net OPEB liability are not reported in the funds	(6,567,087)
Payables for bond principal are not reported in the funds.	(35,870,000)
Payables for notes principle are not reported in the funds.	(1,785,815)
Payables for bond interest are not reported in the funds.	(86,752)
Net position of governmental activities – statement of net position (see A-1)	<u>\$ 27,463,792</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2018

Exhibit C-2

Data Control Codes	Functions/Programs	10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:						
5700	Local and intermediate sources	\$ 26,098,933	\$ 1,875,180	\$ 4,666,258	\$ 343,544	\$ 32,983,915
5800	State program revenues	1,695,522		25,540	156,269	1,877,331
5900	Federal program revenues	<u>220,325</u>			<u>1,698,055</u>	<u>1,918,380</u>
5020	Total revenues	<u>28,014,780</u>	<u>1,875,180</u>	<u>4,691,798</u>	<u>2,197,868</u>	<u>36,779,626</u>
EXPENDITURES:						
Current:						
0011	Instruction	9,968,797			1,108,524	11,077,321
0012	Instructional resources and media services	293,641			1,000	294,641
0013	Curriculum and staff development	329,952			17,655	347,607
0021	Instructional leadership	511,030			50,215	561,245
0023	School leadership	1,108,889				1,108,889
0031	Guidance, counseling, and evaluation services	586,018			54,948	640,966
0032	Social work services	67,418				67,418
0033	Health services	243,371			1,812	245,183
0034	Student (pupil) transportation	770,684			26,815	797,499
0035	Food services				1,033,170	1,033,170
0036	Extracurricular activities	856,708			13,320	870,028
0041	General administration	933,863	4,149		15,454	953,466
0051	Facilities maintenance and operations	2,879,564			127,897	3,007,461
0052	Security and monitoring services	127,372				127,372
0053	Data processing services	397,670				397,670
0071	Principal on long-term debt	180,816		2,785,000		2,965,816
0072	Interest on long-term debt	28,807		1,129,408		1,158,215
0073	Bond issuance costs and fees	400		5,734		6,134
0091	Contracted instructional services	7,714,442				7,714,442
0093	Payments related to shared services arrangements				12,300	12,300
0099	Other intergovernmental charges	<u>201,375</u>				<u>201,375</u>
6030	Total expenditures	<u>27,200,817</u>	<u>4,149</u>	<u>3,920,142</u>	<u>2,463,110</u>	<u>33,588,218</u>
1100	Excess (deficiency) of revenues over expenditures	<u>813,963</u>	<u>1,871,031</u>	<u>771,656</u>	<u>(265,242)</u>	<u>3,191,408</u>
OTHER FINANCING SOURCES (USES):						
7911	Issuance of notes	231,631				231,631
7912	Sale of real and personal property	292,966				292,966
7915	Transfers in	1,767,804			178,118	1,945,922
8911	Transfers out		(1,945,922)			(1,945,922)
8949	Payment to bond refunding escrow agent			(553,562)		(553,562)
	Total other financing sources and (uses)	<u>2,292,401</u>	<u>(1,945,922)</u>	<u>(553,562)</u>	<u>178,118</u>	<u>(28,965)</u>
1200	Net change in fund balances	3,106,364	(74,891)	218,094	(87,124)	3,162,443
0100	Fund balances – beginning	<u>7,072,407</u>	<u>4,705,515</u>	<u>1,147,693</u>	<u>2,065,633</u>	<u>14,991,248</u>
3000	Fund balances – ending	<u>\$ 10,178,771</u>	<u>\$ 4,630,624</u>	<u>\$ 1,365,787</u>	<u>\$ 1,978,509</u>	<u>\$ 18,153,691</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018**

Exhibit C-2R

Net change in fund balances – total governmental funds (from C-2)	\$ 3,162,443
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities 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 \$ 739,671 was less than depreciation of \$ 2,685,499 in the current period.	(1,945,828)
Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 28,223 more than the amount reported in the funds.	(28,223)
Governmental funds report OPEB payments as expenditures. However, in the governmental activities statement of activities, the OPEB cost is calculated by an actuary and involves multiple factors. The amount of OPEB expense reported was \$ 2,286,084 less than the amount reported in the funds.	2,286,084
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Change in deferred property tax revenues for the general fund and the debt service fund amounted to \$ 54,318 and \$ 8,886, respectively.	63,204
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 163,718 (premium on sale of bonds of \$ -0- less amortization of \$ 163,718).	163,718
Deferred refunding cost is another use in the governmental funds, but the costs increase deferred outflows in the statement of net position. This amount is amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. Current year amortized amount was \$ 226,146.	(226,146)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term proceeds in the governmental fund were \$ 231,631 for notes.	(231,631)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. This amount was for general obligation bonded debt \$ 3,315,000 and notes \$ 180,816.	3,495,816
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of accrued interest on long-term debt of \$ 7,094.	7,094
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed was \$ 28,342 (cost of \$ 28,342 less accumulated depreciation of \$ -0-).	(<u>28,342</u>)
Change in net position of governmental activities (see B-1)	\$ <u><u>6,718,189</u></u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

Exhibit E-1

	<u>Family Crisis Trust</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$ 19,807	\$ 211,505
Amounts due from others		<u>6,312</u>
Total assets	<u>19,807</u>	<u>\$ 217,817</u>
LIABILITIES:		
Amounts due to student groups		\$ 186,465
Amounts due to others		21,029
Payroll deductions and other withholdings		<u>10,323</u>
Total liabilities	<u>-0-</u>	<u>\$ 217,817</u>
NET POSITION:		
Held in trust for family crisis	<u>19,807</u>	
Total net position	<u>\$ 19,807</u>	

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2018

Exhibit E-2

	Family Crisis Trust
ADDITIONS:	
Total additions	\$ <u>-0-</u>
DEDUCTIONS:	
Total deductions	<u>-0-</u>
Change in net position	-0-
NET POSITION:	
Net position - beginning of year	<u>19,807</u>
Net position - end of year	<u>\$ 19,807</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

INDEX

Note		Page
1.	Summary of Significant Accounting Policies	35
2.	Change in Accounting Principle and Prior Period Adjustment.....	47
3.	Deposits, Investments and Derivatives	47
4.	Receivables, Uncollectible Accounts, Deferred Outflows and Inflows of Resources and Unearned Revenues	54
5.	Interfund Receivables, Payables and Transfers.....	56
6.	Capital Assets.....	57
7.	Long-Term Debt	58
8.	Leases	62
9.	Defined Benefit Pension Plans	63
10.	Defined Other Post-Employment Benefit Plan	68
11.	General Fund Federal Source Revenues.....	73
12.	Local and Intermediate Revenues.....	74
13.	Risk Management	74
14.	Risk Pool Participation.....	74
15.	Litigation and Contingencies	75
16.	Joint Ventured-Shared Service Arrangements.....	76
17.	Interlocal Agreement	76
18.	Tax Abatements	77
19.	Evaluation of Subsequent Events.....	77

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sweeny Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees that are elected by registered voters of the District.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources; and it complies with the requirements of the appropriate version of Texas Education Agency's (the "TEA") *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The District's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". A blended component unit, although a legally separate entity, is, in substance, part of the District's operations.

- Blended component unit. The Sweeny Independent School District Education Foundation was established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation's board is approved by the Superintendent. The Foundation is a supporting organization to the District. The Foundation is presented as a special revenue fund of the District.

The District receives support from various PTO and booster clubs. None of these organizations meet the criteria specified by GASB 61 to be included in the District's financial statements

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial 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. The *governmental activities* are supported by tax revenues, state foundation funds, grants, and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

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

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditure and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as receivables and payables on the government-wide statement of net position.

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 in separate columns in the fund financial statements.

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. 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.

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

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, debt service, and capital projects.

The *Sweeny Education Foundation* accounts for contributions that are tax-deductible. The foundation was established as a conduit for tax-deductible donations to the District.

The *debt service* fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the related debt obligations have been met. Major revenue sources include local property taxes, and interest earnings. Expenditures include all costs associated with related debt service.

Additionally, the District reports the following fiduciary funds:

The *private-purpose trust funds* are used to account for donations and other specified donor purposes for family crisis. The District uses the fund to pay for medical care needed by disadvantaged students who cannot afford such care.

The *agency fund* accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 4 for additional discussion of interfund receivables and payables.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on August 1, 2017, upon which the levy for the 2017-18 fiscal year was based, was \$ 2,443,232,566. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2018 to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.04 and \$.1717 per \$ 100 valuation, respectively, for a total of \$ 1.2117 per \$ 100 valuation.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

Current tax collections for the year ended August 31, 2018 were 99.17% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 269,719 and \$ 45,544 for the general and debt service funds, respectively.

Inventories

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their market value is recorded as inventory and unearned revenue when received in the governmental funds. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Capital Assets and Depreciation

Capital assets, which include land and land improvements, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Land improvements, buildings and improvements, and furniture, equipment, and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	20-40
Furniture and equipment	5-20
Vehicles	10-15

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Compensated Absences

Compensated absences are absences for which employees will be paid. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

Vacations are to be taken within the twelve month period that they are earned. Any unused vacation days will be forfeited with the exception of five carry over days per year. A maximum of twenty total days can be accumulated and paid when an employee retires without prior approval. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, no liability for unused sick leave has been accrued in the accompanying basic financial statements.

The following is a summary of changes in the accumulated unused vacation liability:

	<u>2018</u>
Balance, September 1	\$ 74,018
Additions – net unused	60,176
Deductions – payments	<u>(35,256)</u>
Balance, August 31	\$ <u>98,938</u>

The amounts attributable to the current and non-current portions on the liability resulting from this policy can only be estimated. As such, the entire amount of the liability is accounted for in the general fund.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. Bond issuance costs are reported as expenditure or expenses in the current period. Net pension and OPEB liabilities are reported as long term liabilities and pension and OPEB expenses, based upon actuarial data, are reported as expenses within functional categories.

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

Pensions

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

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net 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.

Budgetary Data

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The official school budget is prepared for adoption for required governmental funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and the child nutrition program (special revenue fund). The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

The Official Budget was prepared for adoption for the general fund, child nutrition program (special revenue fund) and debt service fund prior to August 31, 2017. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures.

Encumbrance Accounting

The District utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts), and are used to control expenditures for the period and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrance Accounting (Continued)

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate.

The District canceled all the open purchase orders at the end of fiscal year. Therefore, the District had no outstanding encumbrances as of August 31, 2018.

Fund Balances

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees, delegates authority to the Superintendent or the Executive Director of Business Services. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The District implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

As of August 31, 2018, non-spendable fund balances include \$ 42,396 for inventories and \$ 192,667 for prepaid items in the general fund and \$ 52,531 for inventories in child nutrition program (special revenue fund). Restricted fund balances include \$ 4,311,244 for Sweeny education foundation fund long-term investments, \$ 1,365,787 for debt service fund, \$ 1,541,811 for capital projects fund, and \$ 384,167 for special revenue funds. Committed fund balances include \$ 250,000 for claims and judgments and \$ 350,000 for capital expenditures for equipment in the general fund, and \$ 319,380 for other purpose in Sweeny Education Foundation fund. Assigned fund balance includes \$ 2,476,715 in the general fund for other purposes. Unassigned fund balance includes \$ 6,866,993 in the general fund.

Data Control Codes

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

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The statement was implemented and did have a material effect on the District's financial statements. This statement is effective for periods beginning after June 15, 2017.

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2018.

GASB No. 85 "Omnibus 2017" was issued in March 2017. The statement was implemented and did not have a material effect on the District's financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 86 "Certain Debt Extinguishment Issues" was issued in May 2017. The statement was implemented and did not have a material effect on the District's financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 87 "Leases" was issued in June 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2019.

GASB No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" was issued in April 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" was issued in June 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61" was issued in August 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

NOTE 2. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

During the year ended August 31, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The following represents the retroactive restatement of net position as a result of implementation of GASB Statement No. 75 and prior period adjustment as noted above:

	<u>2017</u>
<u>Governmental Activities</u>	
Net position, August 31, previously reported	\$ 32,260,950
Addition of Outflows of Resources – Subsequent OPEB Contributions	78,513
Addition of net OPEB liability	<u>(11,593,860)</u>
Net position, August, restated	\$ <u>20,745,603</u>

This change in accounting principle had no effect on governmental funds fund balance or changes in fund balance.

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2018***NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net position at August 31, 2018 are as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 137	\$	\$ 137
Financial Institution Deposits:			
Demand deposits	407,448	231,312	638,760
Texpool	10,726,371		10,726,371
MBIA Texas Class	2,934,785		2,934,785
Lonestar	<u>4,688</u>		<u>4,688</u>
Total cash and cash equivalents	<u>14,073,429</u>	<u>231,312</u>	<u>14,304,741</u>
Current Investments:			
Other investment	<u>540,638</u>		<u>540,638</u>
Total current investments	<u>540,638</u>	<u>-0-</u>	<u>540,638</u>
Non-current Investments:			
Certificates of deposit	3,500,840		3,500,840
Other investments	<u>810,404</u>		<u>810,404</u>
Non-current investments	<u>4,311,244</u>	<u>-0-</u>	<u>4,311,244</u>
Totals	<u>\$ 18,925,311</u>	<u>\$ 231,312</u>	<u>\$ 19,156,623</u>

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2018, in addition to petty cash of \$ 137, the carrying amount of the District's cash, savings, and time deposits was \$ 4,139,600 and the financial institutions balances were \$ 5,226,866. Deposit balances of \$ 465,517 were covered by federal depository insurance, \$ 3,501,199 was covered by the Securities Investor Protection Corporation Insurance, and \$ 1,260,150 was covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent. These amounts include those of the Sweeny Education Foundation.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Deposits (Continued)

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

Depository:

- a. Name of bank: First State Bank of Louise, Sweeny, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 4,500,000.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 6,425,512 and occurred on June 12, 2018.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 465,517. Total amount of Securities Investor Protection Corporation Insurance coverage at the time of the largest combined balance was \$ 3,500,840. \$ 2,459,155 was covered by collateral pledged in the District's name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes and "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

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

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

The District participates in a repurchase agreement for the purpose of investing funds to pay matured bonds. This agreement governs the investment of bond payments at a fixed rate between the District and the depository on scheduled dates. This agreement is not considered a deposit and is not insured by federal deposit insurance or any other insurance. These investments have a custodial risk as uninsured and unregistered, with securities held by the financial institutions trust department or agent in the District's name.

The District entered into this agreement for the purpose of repaying bonds. This agreement shall not be terminable upon demand. The District will participate in this agreement until completion of term with an interest rate of 2.95% on the investments. The District will then repay bonds with this investment. During the year ended August 31, 2018 the District made its 12th payment of \$ 37,307. At August 31, 2018 the value of cash and investments were \$ 540,638. See Note 7 on pages 58-62 for additional information regarding the bonds and mandatory sinking fund requirements.

The District participates in three Local Government Investment Pools (LGIPs): Texpool, Lonestar and MBIA Texas Class. The State Comptroller oversees Texpool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Advisory boards consisting of participants or their designees, maintains oversight responsibility for MBIA Texas Class and Lonestar.

The District invests in Texpool, Lonestar and MBIA Texas Class to provide its liquidity needs. Texpool, Lonestar and MBIA Texas Class are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool, Lonestar and MBIA Texas Class are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texpool, Lonestar and MBIA Texas Class are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

At August 31, 2018 Texpool, Lonestar and MBIA Texas Class had a weighted average maturity of 28 days, 40 days and 55 days, respectively. Although Texpool, Lonestar and MBIA Texas Class portfolios had a weighted average maturity of 28 days, 40 days and 55 days, respectively, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value. The District's investments in LGIPs are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial risk.

The following table includes the portfolio balances of all investment types of the District at August 31, 2018.

	<u>Maturity Date</u>	<u>Coupon Rate (%)</u>	<u>Weighted Average Maturity (Days)</u>	<u>Market Value</u>
Local Government Investment Pools:				
Texpool	N/A	Varies daily	28	\$ 10,726,371
MBIA Texas Class	N/A	Varies daily	55	2,934,785
Lonestar	N/A	Varies daily	40	<u>4,688</u>
Total local government investment pools			36	<u>13,665,844</u>
Certificates of Deposit:				
Certificate of deposit	12/17/18	1.70%	108	248,000
Certificate of deposit	01/14/20	1.30%	501	184,000
Certificate of deposit	08/03/20	2.75%	703	246,000
Certificate of deposit	12/23/20	1.80%	845	248,000
Certificate of deposit	06/30/22	1.55%	1399	248,000
Certificate of deposit	07/01/21	1.55%	1035	248,000
Certificate of deposit	01/15/21	1.70%	868	138,000
Certificate of deposit	12/19/22	2.60%	1571	248,000
Certificate of deposit	12/18/25	2.50%	2666	246,000
Certificate of deposit	07/15/26	1.50%	2875	238,000
Certificate of deposit	01/22/24	1.50%	1970	246,000
Certificate of deposit	07/08/20	1.30%	677	248,000
Certificate of deposit	04/28/25	2.00%	2432	190,000
Certificate of deposit	06/04/20	1.65%	643	248,000
Certificate of deposit	10/04/27	2.98%	3321	<u>276,840</u>
Total Certificates of Deposit			1471	<u>3,500,840</u>
U.S. Government Bonds				
Discount notes	12/15/18	0.00%	106	540,638
Municipal Bonds	02/15/21	3.25%	899	<u>472,529</u>
Total U. S. Government Bonds			419	<u>1,013,167</u>

(continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

	<u>Maturity Date</u>	<u>Coupon Rate (%)</u>	<u>Weighted Average Maturity (Days)</u>	<u>Market Value</u>
Asset Backed Securities:				
Fhlmc multiclass mtg prtn cfs gtd	09/15/18	2.00%	15	\$ 188
Fhlmc multiclass mtg prtn cfs gtd	11/15/18	2.50%	76	507
GNMA II gtd pass thru	12/20/19	4.50%	476	8,027
Fhlmc multiclass mtg prtn cfs gtd	05/15/20	2.25%	623	<u>50</u>
Total Asset backed securities			444	<u>8,772</u>
Mutual Fund	N/A	N/A	1	<u>329,103</u>
Totals			328	<u>\$ 18,517,726</u>

Credit Risk – As of August 31, 2018, the LGIPs (which represent approximately 74% of the portfolio) are rated AAAM by Standard and Poor’s or AAA by Finch. Certificates of deposit (which represent approximately 19% of the portfolio) are fully insured by the Securities Investor Protection Corporation Insurance and by federal depository insurance through CDARS programs. The U.S. government bond (which represent approximately 5% of the portfolio) are rated AAA by Standard and Poor’s. The asset backed securities and mutual fund (which represent approximately 2% of the portfolio) are not rated.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District’s cash flow requirements.

At August 31, 2018, 98% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools), U.S. Government Securities, and certificates of deposit. 2% of the investment portfolio was invested in not rated asset backed securities and mutual funds. The dollar weighted average maturity for all investments was 328 days, which was less than the threshold of 365 days.

Fair Value – The District categorizes its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

SWEENY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of August 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Governmental Bonds	\$ 1,013,167	\$	\$	\$ 1,013,167
Asset Backed Securities	8,772			8,772
Mutual Funds	<u>329,103</u>			<u>329,103</u>
 Total assets at fair value	 <u>\$ 1,351,042</u>	 <u>\$ -0-</u>	 <u>\$ -0-</u>	 <u>\$ 1,351,042</u>

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its values from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended August 31, 2018, and holds no direct investments in derivatives at August 31, 2018.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUES

Receivables and Allowances

Receivables as of August 31, 2018, for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Sweeny Education Foundation</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 625,705	\$	\$ 97,708	\$	\$ 723,413
Receivables from other governments	693,645			140,705	834,350
Interest		10,785			10,785
Other	<u>23,067</u>			<u>5,128</u>	<u>28,195</u>
Gross receivables	1,342,417	10,785	97,708	145,833	1,596,743
Less: allowance for uncollectibles	<u>355,986</u>		<u>52,164</u>		<u>408,150</u>
Net total receivables	<u>\$ 986,431</u>	<u>\$ 10,785</u>	<u>\$ 45,544</u>	<u>\$ 145,833</u>	<u>\$1,188,593</u>

Receivables/Payables from/to Other Governments

The District participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of August 31, 2018 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General	\$ 614,473	\$ 67,195	\$ 11,977	\$ 693,645
Other governmental funds		<u>139,939</u>	<u>766</u>	<u>140,705</u>
Totals	<u>\$ 614,473</u>	<u>\$ 207,134</u>	<u>\$ 12,743</u>	<u>\$ 834,350</u>

Amounts due to federal, state, and local governments as of August 31, 2018 are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grant</u>	<u>Total</u>
Major Governmental Funds:			
General	<u>\$ 548,410</u>	<u>\$</u>	<u>\$ 548,410</u>
Totals	<u>\$ 548,410</u>	<u>\$ -0-</u>	<u>\$ 548,410</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2018***NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUES (Continued)****Deferred Outflows and Inflows of Resources/Unearned Revenue**Governmental Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2018, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 230,735	\$
Delinquent property taxes receivable (debt service fund)	39,162	
Federal food commodities		14,103
Advance Funding - State and local grants		143,722
Advance Funding - Other		<u>28,119</u>
Totals	<u>\$ 269,897</u>	<u>\$ 185,944</u>

Governmental Activities

Governmental activities defer the recognition of pension expense for contributions made from the measurement date (August 31, 2017) to the current year-end of August 31, 2018 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2018, the various components of deferred inflows and outflows of resources and unearned revenue reported in the governmental activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Pension deferred inflows and outflows of resources net of amortization	\$ 740,637	\$ 738,465	\$
Pension contributions subsequent to the measurement date	245,553		
OPEB deferred inflows and outflows of resources net of amortization	1,029	2,747,025	
OPEB contributions subsequent to the measurement date	83,820		
Bond refunding cost	420,521		
Federal food commodities			14,103
Advance funding			<u>171,841</u>
Totals	<u>\$ 1,491,560</u>	<u>\$ 3,485,490</u>	<u>\$ 185,944</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2018***NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS****Interfund Receivables and Payables**

Interfund balances at August 31, 2018 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 20,850	\$
Debt Service Fund		3,766
Capital Project Fund		112,728
Fiduciary Funds	<u>15,846</u>	
	<u>36,696</u>	<u>116,494</u>
Special Revenue Funds:		
General Fund:		
ESEA Title I Part A Improving Basic Programs		7,232
IDEA Part B, Formula		7,921
IDEA Part B, Preschool		132
Title II, Part A		5,565
Fiduciary Funds	<u>5,183</u>	<u>6,312</u>
	<u>5,183</u>	<u>27,162</u>
Debt Service:		
General Fund	<u>3,766</u>	
Capital Projects:		
General Fund	<u>112,728</u>	
Fiduciary Funds:		
General Fund		15,846
Special Revenue Fund:		
Payroll Clearing account		5,183
Student Activity account	<u>6,312</u>	
	<u>6,312</u>	<u>21,029</u>
	<u>\$ 164,685</u>	<u>\$ 164,685</u>

Interfund Transfers

Interfund transfers for the year ended August 31, 2018 consisted of the following individual fund transfer in and transfer out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Sweeny Education Foundation	General Fund	\$ 1,767,804
Sweeny Education Foundation	Special Revenue Fund	<u>178,118</u>
		<u>\$ 1,945,922</u>

The Board of Trustees approved this transfer, as transfers of operational funds to cover planned expenditures.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 6. CAPITAL ASSETS

Changes in Capital Assets and Accumulated Depreciation

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2018:

	Balance September 1, <u>2017</u>	Additions	Retirements	Balance August 31, <u>2018</u>
Non-Depreciated Capital Assets:				
Land	\$ 1,406,238	\$ 60,500	\$(28,342)	\$ 1,438,396
Construction in progress	<u> </u>	<u>13,257</u>	<u> </u>	<u>13,257</u>
Total non-depreciated	<u>1,406,238</u>	<u>73,757</u>	<u>(28,342)</u>	<u>1,451,653</u>
Depreciated Capital Assets:				
Land improvements	1,101,878			1,101,878
Buildings and improvements	96,774,784	311,148		97,085,932
Furniture, equipment & vehicles	<u>5,649,675</u>	<u>354,766</u>	<u> </u>	<u>6,004,441</u>
Total depreciated	<u>103,526,337</u>	<u>665,914</u>	<u>-0-</u>	<u>104,192,251</u>
Total	<u>104,932,575</u>	<u>\$ 739,671</u>	<u>\$(28,342)</u>	<u>105,643,904</u>
Accumulated Depreciated:				
Land improvements	785,549	\$ 51,171	\$	836,720
Buildings and improvements	39,547,473	2,107,232		41,654,705
Furniture, equipment & vehicles	<u>3,044,369</u>	<u>527,096</u>	<u> </u>	<u>3,571,465</u>
Total	<u>43,377,391</u>	<u>\$ 2,685,499</u>	<u>\$ -0-</u>	<u>46,062,890</u>
Net depreciated capital assets	<u>60,148,946</u>			<u>58,129,361</u>
Net capital assets	<u>\$61,555,184</u>			<u>\$ 59,581,014</u>

Depreciation Expense

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 1,149,813
0012	Instructional resources and media services	38,414
0021	Instructional leadership	23,949
0023	School leadership	43,047
0031	Guidance, counseling, and evaluation services	14,614
0033	Health services	20,196
0034	Student (pupil) transportation	161,343
0035	Food service	93,463
0036	Extracurricular activities	692,473

(Continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2018***NOTE 6. CAPITAL ASSETS (Continued)****Depreciation Expense (Continued)**

<u>Data Control</u> <u>Codes</u>	<u>Function</u>	<u>Amount</u>
0041	General administration	\$ 23,143
0051	Facilities maintenance and operations	319,431
0052	Security and monitoring services	21,644
0053	Data processing services	75,034
0061	Community services	<u>8,935</u>
	Total depreciation expense	<u>\$ 2,685,499</u>

Governmental Fund Construction Commitments

At August 31, 2018, the District had no construction commitments.

NOTE 7. LONG-TERM DEBT**Loans**

Short term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. This District was not a party to any loan transactions during the year ended August 31, 2018.

General Obligation Bonds

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, contractual obligations and loans. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts, and gain and losses on refunding are amortized using the straight-line method.

The following is a summary of the District's general obligation bonded debt as of August 31, 2018:

<u>Date of Issue</u>	<u>Original</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>	<u>% Rates</u>	<u>Outstanding</u> <u>Balance</u> <u>08-31-18</u>
2005 QZAB	\$ 750,000	2022	0.500	\$ 750,000
2012	9,205,870	2026	1.500-2.500	6,125,000
2014	9,685,000	2034	1.750-3.750	9,235,000
2015	9,500,000	2035	3.000-3.125	9,220,000
2016	8,430,000	2035	3.000	6,480,000
2017	<u>4,410,000</u>	2027	4.000	<u>4,060,000</u>
Total	<u>\$ 41,980,870</u>			<u>\$ 35,870,000</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2018***NOTE 7. LONG-TERM DEBT (Continued)****General Obligation Bonds (Continued)**

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2019	\$ 2,670,000	\$ 1,042,045	\$ 3,712,045
2020	3,095,000	962,745	4,057,745
2021	3,065,000	870,670	3,935,670
2022	3,780,000	781,470	4,561,470
2023	3,035,000	698,145	3,733,145
2024-2028	10,645,000	2,435,639	13,080,639
2029-2033	7,140,000	1,099,262	8,239,262
2034-2035	<u>2,440,000</u>	<u>106,663</u>	<u>2,546,663</u>
Totals	<u>\$ 35,870,000</u>	<u>\$ 7,996,639</u>	<u>\$ 43,866,639</u>

Bond indebtedness of the District is recorded in the governmental activities statement of net position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

The District has entered into continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Sweeny Independent School District.

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2018.

General Obligation bonds consist of 2005 Unlimited Tax School Building Bonds ("Qualified Zone Academy Bonds") bearing interest at 0.5%. During the year ended August 31, 2007, the District entered into a repurchase agreement for the 2005 Unlimited Tax School Building Bonds ("Qualified Zone Academy Bonds"). The 2005 QZAB bonds repurchase agreement calls for an annual payment of \$ 37,307 and will yield an interest rate of 2.95% with a maturity date of December 15, 2021 and an expected yield of \$ 750,000. Payments are due each December 15th. Presented below is a summary of the sinking fund requirements:

<u>Year Ended August 31</u>	<u>Annual Requirements</u>
2019	\$ 37,307
2020	37,307
2021	37,307
2022	<u>37,307</u>
Total Minimum Requirements	<u>\$ 149,228</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

During the year ended August 31, 2013, the District issued \$ 9,205,870 in Unlimited Tax Refunding Bonds - Series 2012, bearing interest at 1.500% to 2.500% with a maturity of 2026. These bonds were used to refund \$ 8,405,000 of the Unlimited Tax School Building Bonds - Series 2007.

During the year ended August 31, 2014, the District issued \$ 9,685,000 in Unlimited Tax School Building Bonds - Series 2014, bearing interest at 1.750% to 3.750% with a maturity of 2034.

During the year ended August 31, 2015, the District issued \$ 9,500,000 in Unlimited Tax School Building Bonds – Series 2015, bearing interest at 3.000% to 3.125% with a maturity of 2035 for the construction of facilities.

During the year ended August 31, 2016, the District issued \$ 8,430,000 in Unlimited Tax School Building – Series 2016, bearing interest at 3.000% with a maturity of 2035

During the year ended August 31, 2017, the District issued \$ 4,410,000 in Unlimited Tax Refunding Bonds – Series 2017, bearing interest at 4.000% with a maturity of 2027. These bonds were used to refund \$ 4,735,000 of Unlimited Tax School Building Bonds – Series 2008.

Defeased Debt

During the year ended August 31, 2013, the District issued \$ 9,205,870 in Unlimited Tax Refunding Bonds - Series 2012, for the refunding of previously issued Unlimited Tax School Building Bonds - Series 2007. The District placed the proceeds of the refunding, in the amount of \$ 9,389,893, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issue being refunded. The difference between the cash flow to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 1,092,224. The economic gain resulting from the transaction was \$ 1,000,308. The balance of the escrow account and the bonds payable at August 31, 2018 was \$ 7,347,744 and \$ 6,560,000, respectively.

During the year ended August 31, 2018, the District initiated a partial defeasance, in the amount of \$ 530,000, of the previously issued Unlimited Tax Refunding Bonds - Series 2012. The District placed the \$ 553,562 of local funds in escrow for the payment of these bonds. The escrow fund is irrevocably pledged to the payment of principal and interest on the defeased fund. The difference between the cash flow to service the old debt and the amount of the escrow payment was \$ 8,900, the economic gain resulting from the transaction was \$ 8,900. The balance of the escrow account and the bonds payable at August 31, 2018 was \$ 537,237 and \$ 530,000.

Tax Notes

During the year ended August 31, 2016, the District issued \$ 2,000,000 in Maintenance Tax Notes – Tax Credit Qualified Energy Conservation Bonds (QECB) – Series 2015, bearing interest at 4.620% with a maturity of 2030. These notes are available through the U.S. Department of Energy Green Community Program. The Notes contain a tax credit that is available to the purchaser of the bonds.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2018***NOTE 7. LONG-TERM DEBT (Continued)****Tax Notes (Continued)**

The following is a summary of the District's tax notes as of August 31, 2018:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-18</u>
2015 QECB	\$ <u>2,000,000</u>	2030	4.620	\$ <u>1,600,000</u>
Total	\$ <u>2,000,000</u>			\$ <u>1,600,000</u>

Presented below is a summary of tax notes requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2019	\$ 135,000	\$ 22,176	\$ 157,176
2020	135,000	20,305	155,305
2021	135,000	18,434	153,434
2022	135,000	16,563	151,563
2023	135,000	14,692	149,692
2024-2028	665,000	45,461	710,461
2029-2030	<u>260,000</u>	<u>5,405</u>	<u>265,405</u>
Totals	\$ <u>1,600,000</u>	\$ <u>143,036</u>	\$ <u>1,743,036</u>

Notes Payable

During the year ended August 31, 2018, the District issued \$ 231,631 in notes bearing interest at 3.49% with a maturity of 2022. These notes are available through Public Property Finance Act Contract for installing energy efficiency project.

The following is a summary of the notes as of August 31, 2018:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-18</u>
2017	\$ <u>231,631</u>	2022	3.49	\$ <u>185,815</u>
Total	\$ <u>231,631</u>			\$ <u>185,815</u>

Presented below is a summary of tax notes requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2019	\$ 44,091	\$ 6,485	\$ 50,576
2020	45,630	4,946	50,576
2021	47,223	3,354	50,577
2022	<u>48,871</u>	<u>1,705</u>	<u>50,576</u>
Totals	\$ <u>185,815</u>	\$ <u>16,490</u>	\$ <u>202,305</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

NOTE 7. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

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

	Balance 09-01-17	Additions	Reductions	Balance 08-31-18	Due Within One Year
General obligation bonds	\$ 39,185,000		\$(3,315,000)	\$ 35,870,000	\$ 2,670,000
Tax Notes	1,735,000		(135,000)	1,600,000	135,000
Notes payable		231,631	(45,816)	185,815	44,091
Net pension liability	2,599,100	1,535,126	(1,796,405)	2,337,821	
Net OPEB liability	11,593,860	1,009,200	(6,035,973)	6,567,087	
Premium on general obligation bonds	<u>2,063,123</u>	<u>8,681</u>	<u>(172,399)</u>	<u>1,899,405</u>	<u>152,006</u>
Totals	<u>\$ 57,176,083</u>	<u>\$ 2,784,638</u>	<u>\$(11,500,593)</u>	<u>\$ 48,460,128</u>	<u>\$ 3,001,097</u>

NOTE 8. LEASES

Operating Leases

Commitments under operating lease (non-capital) agreements for copier and other equipment provides for minimum future rental payments as of August 31, 2018 as follows:

<u>Year Ended August 31</u>	<u>Amount</u>
2019	\$ 160,838
2020	68,689
2021	60,819
2022	60,819
2023	<u>55,751</u>
Total minimum rentals	<u>\$ 406,916</u>

Rental expenditures on the above mentioned equipment for the year ended August 31, 2018 were \$ 159,108.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by 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-sponsored education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/amount/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 services 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 credit 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 "*Plan Description*" above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to established 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 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS (Continued)

Contributions (Continued)

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

	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 1202 – 2017 Employer Contributions	\$	239,628
Employer # 1202 – 2017 Member Contributions	\$	237,079
Employer # 1202 – 2017 NECE On-behalf Contributions	\$	631,059
Employer # 1202 – 2018 Medicare Part D On-behalf Contributions	\$	39,976

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 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS (Continued)

Contributions (Continued)

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	2.5%
Salary Increases including inflation	3.5% to 9.5% including inflation
Payroll Growth Rate	2.5%
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 8.00%. 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 statutory 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 the 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate (Continued)

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	Long-Term Expected Portfolio Real Rate of Return*
Global Equity:			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value:			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
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%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

** The Expected Contribution to Long-Term Portfolio 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 Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the Net pension liability	\$ 3,941,104	\$ 2,337,821	\$ 1,002,827

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS (Continued)

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 \$ 2,337,821 for its proportionate share of 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	\$ 2,337,821
State's proportionate share that is associated with the District	<u>1,211,381</u>
Total	<u>\$ 3,549,202</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 contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0073114908% which was an increase of 0.0004334742% from its proportion measured as of August 31, 2016.

Changes since the prior Actual 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 \$ 470,591 and revenue of \$ 631,059 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 34,203	\$ 126,076
Changes in actuarial assumptions	106,491	60,964
Difference between projected and actual investment earnings	359,530	529,905
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	240,413	21,520
Contribution paid to TRS subsequent to the measurement date	<u>245,553</u>	<u> </u>
Total	<u>\$ 986,190</u>	<u>\$ 738,465</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS (Continued)

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

\$ 245,553 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending August 31, 2019. Other employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2019	\$(36,114)
2020	113,115
2021	(47,578)
2022	(82,463)
2023	40,664
Thereafter	14,548

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Description

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in a separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The report may be obtained on the Internet at <http://www.trs.state.tx.us/amount/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 are 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

Benefits Provided (Continued)

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 with two optional plans.

TRS-Care Plan Premium Rates
Effective September 1, 2016 – December 31, 2017

	<u>TRS-Care 1</u>		<u>TRS-Care 2</u>		<u>TRS-Care 3</u>
	<u>Basic Plan</u>		<u>Optional Plan</u>		<u>Optional Plan</u>
Retiree*	\$ -0-	\$	70	\$	100
Retiree and Spouse	20		175		255
Retiree* and Children	41		132		182
Retiree and Family	61		237		337
Surviving Children Only	28		62		82
* or surviving spouse					

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2017</u>	<u>2018</u>
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%
Employer # 1202 – 2017 Employer Contributions		\$ 78,513
Employer # 1202 – 2017 Member Contributions		\$ 32,203
Employer # 1202 – 2017 NECE On-behalf Contributions		\$ 120,466

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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

Actuarial Assumptions

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

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

** Includes Inflation at 2.50%

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

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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projected of cash flows used to determine the discount rate is 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 project to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (2.42%)</u>	<u>Discount Rate (3.42%)</u>	<u>1% Increase in Discount Rate (4.42%)</u>
District’s proportionate share of the Net OPEB Liability	\$ <u>7,750,793</u>	\$ <u>6,567,087</u>	\$ <u>5,615,654</u>

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 \$ 6,567,087 for its proportionate share of 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	\$ 6,567,087
State’s proportionate share that is associated with the District	<u>3,837,885</u>
Total	<u>\$ 10,404,972</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 0.0151015255%, which was the same proportion measured as of August 31, 2016.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

Changes since the prior Actual Valuation

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$ 3,371,759 and revenue of \$ 120,466 for support provided by the State.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 137,093
Changes in actuarial assumptions		2,609,932
Difference between projected and actual investment earnings	998	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	31	
Contributions paid to TRS subsequent to the measurement date	<u>83,820</u>	
Total	<u>\$ 84,849</u>	<u>\$ 2,747,025</u>

\$ 83,820 reported as deferred outflows of resources related to OPEB relating from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending August 31, 2019. Other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended August 31,</u>	<u>OPEB Expense Amount</u>
2019	\$(362,337)
2020	(362,337)
2021	(362,337)
2022	(362,337)
2023	(362,586)
Thereafter	(934,062)

NOTE 11. GENERAL FUND FEDERAL SOURCE REVENUES

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
Federal Refuge Act	15.000	\$ 35,366
School Health and Related Services (SHARS)	---	<u>139,326</u>
		174,692
Indirect Costs:		
FEMA	---	<u>45,633</u>
Total direct		<u>\$ 220,325</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2018***NOTE 12. LOCAL AND INTERMEDIATE REVENUES**

During the year ended August 31, 2018, local and intermediate revenues for governmental funds consisted of the following:

	<u>General Fund</u>	<u>Sweeny Education Foundation</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property taxes	\$ 25,631,151	\$	\$ 4,621,066	\$	\$ 30,252,217
Investment					
Income/(loss)	157,888	163,482	45,192	27,226	393,788
Food sales				264,423	264,423
Enterprising activities	1,345				1,345
Co-curricular income	59,976				59,976
Gifts and bequests	200,539	1,711,698		49,589	1,961,826
Other	<u>48,034</u>			<u>2,306</u>	<u>50,340</u>
Totals	<u>\$ 26,098,933</u>	<u>\$ 1,875,180</u>	<u>\$ 4,666,258</u>	<u>\$ 343,544</u>	<u>\$ 32,983,915</u>

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended August 31, 2018, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 14. RISK POOL PARTICIPATION

The District is a participant in the Texas Association of School Boards, Inc. (TASB) Risk Management for coverage of unemployment compensation and worker's compensation. The District pays annual premiums to the pool for coverage stated. The District participates in a pool and is not responsible for its own claims.

Unemployment Compensation Pool

During the year ended August 31, 2018, Sweeny ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations 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 Unemployment Compensation pool. For the year ended August 31, 2018, the Fund anticipates that Sweeny ISD has no additional liability beyond the contractual obligation for payment of contribution.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 12. RISK POOL PARTICIPATION (Continued)

Unemployment Compensation Pool (Continued)

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

Workers' Compensation Pool

During the year ended August 31, 2018, Sweeny ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

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

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

NOTE 15. LITIGATION AND 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.

Plaintiff, a former District employee, filed suit against the District on April 18, 2017. Plaintiff's complaint alleged disability discrimination in violation of the Americans with Disabilities Act, sexual harassment and retaliation under Title VII of the Civil Rights Act of 1964, and retaliatory termination under the Family Medical Leave Act. The Court granted the District's motion dismissing all of Plaintiff's claims on October 29, 2018. Plaintiff has appealed the dismissal to the 5th Circuit Court of Appeals. This matter is being vigorously defended by the District's attorney.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 16. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Services Arrangement (“SSA”) for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Bend Independent School District, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Sweeny Independent School District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The amount of state revenues and expenditures attributable to the District’s participation is not available. The District portion of cost covered by revenue received by the fiscal agent was \$ 12,300.

NOTE 17. INTERLOCAL AGREEMENT

During the year ended August 31, 2018, the Sweeny Independent School District (SISD) entered into an interlocal agreement with Brazosport Independent School District (BISD) for management and director services for SISD’s Child Nutrition Department. SISD agrees to supply necessary personnel including the Director position, equipment, supplies, food and other costs to operate the Child Nutrition Department. BISD agrees to provide consulting services including a dietician for shared menu development along with training opportunities to allow for continuous improvement of the current program. As part of the agreement, BISD will review SISD’s current purchasing contracts and operating procedures and make recommendation for SISD’s administration and Board to consider. In an effort to maintain operational consistencies between the two districts, SISD’s employees will be included in trainings held at BISD. The parties intend that BISD, in performing such services, shall act as an independent contractor.

In consideration of the services above, SISD agrees to pay BISD \$ 10,000 annually.

The effective commencement date of this Agreement shall be September 1, 2017 and shall continue until August 31, 2018. Thereafter, this Agreement shall be automatically renewed on an annual basis, unless either party provides the other party with written notice of termination no less than sixty (60) days prior to any such renewal. Upon receipt of written notice, parties mutually agree to begin a transition period not to exceed 60 days. No reason has to be provided to end the agreement. Any modifications of the terms of this Agreement, upon any renewals thereof, shall be agreed to in writing by the parties.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

NOTE 18. TAX ABATEMENTS

The District enters into appraised value limitations with local businesses under the Texas Economic Development Act (Tax Code Chapter 313). Under the Act, an appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for a 10-year limitation on the taxable property value for the District's maintenance and operations tax (M&O) purposes. The minimum limitation value varies by District. The application for a limitation on the appraised value for M&O purposes is submitted directly to the District and requires an application fee that is established by the District. Tax credits are applicable only to applications determined to be complete prior to January 1, 2014. To qualify for a tax credit, a separate application must be submitted to the District after property taxes for the last complete year of the qualifying time period are paid. The credit is for M&O taxes paid in excess of the limitation amount in each complete year of the qualifying time period. The District's tax collector must credit the overage in equal parts over the last seven years of the agreement, but the credit in each year may not exceed 50 percent of the total taxes paid on the qualified property during that year. Any eligible amount not credited during the seven-year period are to be credited over the following three years, but the amount credited in each year may not exceed the total taxes paid on the qualified property in that year. The following are brief descriptions of each agreement followed by a summary of the agreements as of August 31, 2018:

The District entered into an agreement with Chevron Phillips 66 Company on April 8, 2014. In addition to the tax abatement, Phillips 66 Company has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 286.

<u>Application Number</u>	<u>Project Value</u>	<u>Project's Value Limitation Amount</u>	<u>Amount of Applicant's M&O Taxes Paid</u>	<u>Amount of Applicant's M&O Taxes Reduced</u>	<u>Company Revenue Loss Payments to the District</u>	<u>Company PILOT Payment to District</u>	<u>Net Benefit (Loss) to the District</u>
286	\$ 257,250,600	\$ 30,000,000	\$ 312,000	\$ 2,363,406	\$ 1,602,248	\$ 76,116	\$ 1,678,364
	<u>\$ 257,250,600</u>	<u>\$300,000,000</u>	<u>\$ 312,000</u>	<u>\$ 2,363,406</u>	<u>\$ 1,602,248</u>	<u>\$ 76,116</u>	<u>\$ 1,678,364</u>

NOTE 19. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 13, 2018, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

SWEENEY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED AUGUST 31, 2018**

Exhibit G-1

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 25,758,608	\$ 25,761,108	\$ 26,098,933	\$ 337,825
5800	State program revenues	1,654,368	1,654,368	1,695,522	41,154
5900	Federal program revenues	135,000	135,000	220,325	85,325
5020	Total revenues	<u>27,547,976</u>	<u>27,550,476</u>	<u>28,014,780</u>	<u>464,304</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	10,716,863	10,832,059	9,968,797	863,262
0012	Instructional resources and media services	301,320	322,239	293,641	28,598
0013	Curriculum and staff development	340,381	366,636	329,952	36,684
0021	Instructional leadership	599,749	559,749	511,030	48,719
0023	School leadership	1,127,212	1,191,560	1,108,889	82,671
0031	Guidance, counseling, and evaluation services	728,492	640,742	586,018	54,724
0032	Social work services	65,225	75,225	67,418	7,807
0033	Health services	231,301	265,501	243,371	22,130
0034	Student (pupil) transportation	1,078,452	888,452	770,684	117,768
0036	Extracurricular activities	889,542	891,266	856,708	34,558
0041	General administration	1,056,397	1,110,314	933,863	176,451
0051	Facilities maintenance and operations	2,879,949	3,350,744	2,879,564	471,180
0052	Security and monitoring services	91,140	142,135	127,372	14,763
0053	Data processing services	389,176	429,176	397,670	31,506
0071	Principal on long term debt	135,000	180,816	180,816	-0-
0072	Interest on long-term debt	80,157	84,917	28,807	56,110
0073	Bond issuance costs and fees		400	400	
0091	Contracted instructional services between public schools	8,551,365	8,551,365	7,714,442	836,923
0095	Payments to Juvenile Justice Alternative Education Programs	1,500	1,500		1,500
0099	Other intergovernmental charges	202,000	206,240	201,375	4,865
6030	Total expenditures	<u>29,465,221</u>	<u>30,091,036</u>	<u>27,200,817</u>	<u>2,890,219</u>
1100	Excess (deficiency) of revenues over expenditures	(1,917,245)	(2,540,560)	812,963	3,354,523
	OTHER FINANCING SOURCES (USES):				
7911	Issuance of notes		231,631	231,631	
7912	Sale of real and personal property		292,966	292,966	
7915	Transfers in	1,269,782	1,767,804	1,767,804	
	Total other financing sources (uses)	<u>1,269,782</u>	<u>2,292,401</u>	<u>2,292,401</u>	<u>-0-</u>
1200	Net change in fund balances	(647,463)	(248,159)	3,106,364	3,354,523
0100	Fund balances – beginning	<u>7,072,407</u>	<u>7,072,407</u>	<u>7,072,407</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 6,424,944</u>	<u>\$ 6,824,248</u>	<u>\$ 10,178,771</u>	<u>\$ 3,354,523</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS – COST SHARING EMPLOYER PLAN*
AUGUST 31, 2018 WITH MEASUREMENT DATE OF AUGUST 31, 2017
FOR THE PRIOR TEN YEARS (1)

EXHIBIT G-2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0073115%	0.0068780%	0.0063917%	0.0065320%
District's proportionate share of the net pension liability (asset)	\$ 2,337,821	\$ 2,599,100	\$ 2,259,381	\$ 1,744,788
State's proportionate share of the net pension liability (asset) associated with the District	<u>1,211,381</u>	<u>1,370,723</u>	<u>1,214,358</u>	<u>1,053,704</u>
Total	<u>\$ 3,549,202</u>	<u>\$ 3,969,823</u>	<u>\$ 3,473,739</u>	<u>\$ 2,798,492</u>
District's covered payroll	\$ 12,895,433	\$ 12,776,402	\$ 12,061,878	\$ 11,098,109
District's proportionate share of the net pension Liability (asset) as a percentage of its covered payroll	18.13%	20.34%	18.73%	15.72%
Plan fiduciary net position as a percentage of total pension liability	82.17%	78.00%	78.43%	83.25%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SWEENEY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED CONTRIBUTIONS – COST SHARING EMPLOYER PLAN
AUGUST 31, 2018 WITH MEASUREMENT DATE OF AUGUST 31, 2017
FOR THE PRIOR TEN YEARS (1)

EXHIBIT G-3

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 239,628	\$ 218,532	\$ 189,261	\$ 165,605
Contributions in relation to the contractually required contribution	<u>239,628</u>	<u>218,532</u>	<u>189,261</u>	<u>165,605</u>
Contribution deficiency (excess)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
District's covered payroll	\$ 12,895,433	\$ 12,776,402	\$ 12,061,878	\$ 11,098,109
Contributions as a percentage of covered payroll	1.86%	1.71%	1.57%	1.49%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SWEENEY INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND
RELATED RATIOS - COST SHARING EMPLOYER PLAN
FOR THE PRIOR TEN YEARS (1)
AUGUST 31, 2018 WITH MEASUREMENT DATE OF AUGUST 31, 2017*

EXHIBIT G-4

	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.0151015255%
District's proportionate share of the net OPEB liability (asset)	\$ 6,567,087
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>3,837,885</u>
Total	<u>\$ 10,404,972</u>
District's covered payroll	\$ 12,895,433
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	50.93%
Plan fiduciary net position as a percentage of total OPEB liability	0.91%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available.

SWEENEY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS - COST SHARING EMPLOYER PLAN
FOR THE PRIOR TEN YEARS (1)
AUGUST 31, 2018 WITH MEASUREMENT DATE OF AUGUST 31, 2017

EXHIBIT G-5

	<u>2018</u>
Contractually required contributions	\$ 78,513
Contributions in relation to the contractually required contribution	<u>78,513</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
District's covered payroll	\$ 12,895,433
Contributions as a percentage of covered payroll	0.61%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		Special				
		211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Child Nutrition Program	244 Vocational Education Basic Grant
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets:						
1110	Cash and cash equivalents	\$	\$	\$	\$ 358,624	\$
1240	Receivables from other governments	36,544	45,758	2,840	53,535	
1260	Due from other funds					
1290	Other receivables				5,128	
1300	Inventories				52,531	
1000	Total assets	<u>36,544</u>	<u>45,758</u>	<u>2,840</u>	<u>469,818</u>	<u>-0-</u>
Deferred Outflows of Resources:						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 36,544</u>	<u>\$ 45,758</u>	<u>\$ 2,840</u>	<u>\$ 469,818</u>	<u>\$ -0-</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$ 170	\$	\$ 45,109	\$
2160	Accrued wages payable	23,000	37,667	2,708	35,265	
2170	Due to other funds	13,544	7,921	132		
2300	Unearned revenue				42,222	
2000	Total liabilities	<u>36,544</u>	<u>45,758</u>	<u>2,840</u>	<u>122,596</u>	<u>-0-</u>
Deferred Inflows of Resources:						
2600	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
3410	Non-spendable - Inventories				52,531	
3450	Restricted - Grant funds				294,691	
3470	Restricted - Capital acquisitions and contractual obligations					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>347,222</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,544</u>	<u>\$ 45,758</u>	<u>\$ 2,840</u>	<u>\$ 469,818</u>	<u>\$ -0-</u>

Revenue Funds							
255 Title II Part A: Teacher and Principal Training and Recruitment	263 Title III Part A Language Education Program	289 Summer School Language Education Program	397 Campus Awards	410 Instructional Materials Allotment (IMA)	429 AP/IB Campus Awards	480 Local Grants	481 Security Grants
\$ 1,262 5,183	\$	\$	\$	\$ 66 766	\$	\$ 139,772	\$ 54
<u>6,445</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>832</u>	<u>-0-</u>	<u>139,772</u>	<u>54</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 6,445</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 832</u>	<u>\$ -0-</u>	<u>\$ 139,772</u>	<u>\$ 54</u>
\$ 880 5,565	\$	\$	\$	\$	\$	\$	\$
<u>6,445</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>832</u>	<u>-0-</u>	<u>139,772</u>	<u>54</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 6,445</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 832</u>	<u>\$ -0-</u>	<u>\$ 139,772</u>	<u>\$ 54</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

EXHIBIT H-1
Page 2 of 2

Data Control Codes	Special Revenue Funds			Capital Projects Funds	Total Non-major Governmental Funds	
	482	485	Total Special Revenue Funds	60		
	Technology Grants	Foundation Grants		Capital Projects Fund		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets:						
1110	Cash and cash equivalents	\$ 39,382	\$ 50,806	\$ 588,704	\$ 1,429,083	\$ 2,017,787
1240	Receivables from other governments			140,705		140,705
1260	Due from other funds			5,183	112,728	117,911
1290	Other receivables			5,128		5,128
1300	Inventories			52,531		52,531
1000	Total assets	<u>39,382</u>	<u>50,806</u>	<u>792,251</u>	<u>1,541,811</u>	<u>2,334,062</u>
Deferred Outflows of Resources:						
1700	Deferred outflows of resources					-0-
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 39,382</u>	<u>\$ 50,806</u>	<u>\$ 792,251</u>	<u>\$ 1,541,811</u>	<u>\$ 2,334,062</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 712	\$	\$ 46,871	\$	\$ 46,871
2160	Accrued wages payable			98,640		98,640
2170	Due to other funds			27,162		27,162
2300	Unearned revenue			182,880		182,880
2000	Total liabilities	<u>712</u>	<u>-0-</u>	<u>355,553</u>	<u>-0-</u>	<u>355,553</u>
Deferred Inflows of Resources:						
2600	Deferred inflows of resources					-0-
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
3410	Non-spendable - Inventories			52,531		52,531
3450	Restricted - Grant funds	38,670	50,806	384,167		384,167
3470	Restricted - Capital acquisitions and contractual obligations			-0-	1,541,811	1,541,811
3000	Total fund balances	<u>38,670</u>	<u>50,806</u>	<u>436,698</u>	<u>1,541,811</u>	<u>1,978,509</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,382</u>	<u>\$ 50,806</u>	<u>\$ 792,251</u>	<u>\$ 1,541,811</u>	<u>\$ 2,334,062</u>

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SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2018

Data Control Codes		Special				
		211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Child Nutrition Program	244 Vocational Education Program
REVENUES:						
5700	Local and intermediate sources	\$	\$	\$	\$ 264,423	\$
5800	State program revenues				17,955	
5900	Federal program revenues	<u>319,252</u>	<u>474,484</u>	<u>15,202</u>	<u>819,001</u>	<u>23,240</u>
5020	Total revenues	<u>319,252</u>	<u>474,484</u>	<u>15,202</u>	<u>1,101,379</u>	<u>23,240</u>
EXPENDITURES:						
Current:						
0011	Instruction	317,152	413,534	15,202		
0012	Instructional resources and media services					
0013	Curriculum and staff development	150				
0021	Instructional leadership	1,950	500			23,240
0031	Guidance, counseling and evaluation services		48,150			
0033	Health services					
0034	Student (pupil) transportation					
0035	Food Services				1,033,170	
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0093	Payments related to shared service arrangements		<u>12,300</u>			
6030	Total expenditures	<u>319,252</u>	<u>474,484</u>	<u>15,202</u>	<u>1,033,170</u>	<u>23,240</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>68,209</u>	<u>-0-</u>
OTHER FINANCING SOURCES:						
7915	Transfers in					
	Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net change in fund balances	-0-	-0-	-0-	68,209	-0-
0100	Fund balances - beginning				<u>279,013</u>	
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 347,222</u>	<u>\$ -0-</u>

Revenue Funds							
255	263	289	397	410	429	480	481
Title II Part A: Teacher and Principal Training and Recruitment	Title III Part A Language Education Program	Summer School Language Education Program	Campus Awards	Instructional Materials Allotment (IMA)	AP/IB Campus Awards	Local Grants	Security Grants
\$	\$	\$	\$	\$	\$	\$	
			308	2,306 137,352	286	49,589 368	
<u>35,308</u>	<u>1,568</u>	<u>10,000</u>					
<u>35,308</u>	<u>1,568</u>	<u>10,000</u>	<u>308</u>	<u>139,658</u>	<u>286</u>	<u>49,957</u>	<u>-0-</u>
(5,688)	1,568	10,000	308	139,658	286	38,757 1,000 1,590	
15,915 24,525						6,798 1,812	
556							
<u>35,308</u>	<u>1,568</u>	<u>10,000</u>	<u>308</u>	<u>139,658</u>	<u>286</u>	<u>49,957</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2018**

**EXHIBIT H-2
Page 2 of 2**

Data Control Codes		Special Revenue Funds		Total Special Revenue Funds	Capital Projects Funds	Total Non-major Governmental Funds
		482	485		60	
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$ 316,318	\$ 27,226	\$ 343,544
5800	State program revenues			156,269		156,269
5900	Federal program revenues			<u>1,698,055</u>		<u>1,698,055</u>
5020	Total revenues	<u>-0-</u>	<u>-0-</u>	<u>2,170,642</u>	<u>27,226</u>	<u>2,197,868</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	154,446	10,053	1,095,276	13,248	1,108,524
0012	Instructional resources and media services			1,000		1,000
0013	Curriculum and staff development			17,655		17,655
0021	Instructional leadership			50,215		50,215
0031	Guidance, counseling, and evaluation services			54,948		54,948
0033	Health services			1,812		1,812
0034	Student (pupil) transportation			-0-	26,815	26,815
0035	Food service			1,033,170		1,033,170
0036	Extracurricular activities		13,320	13,320		13,320
0041	General administration			556	14,898	15,454
0051	Plant maintenance and operations		259	259	127,638	127,897
0093	Payments related to shared service arrangements			<u>12,300</u>		<u>12,300</u>
6030	Total expenditures	<u>154,446</u>	<u>23,632</u>	<u>2,280,511</u>	<u>182,599</u>	<u>2,463,110</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(154,446)</u>	<u>(23,632)</u>	<u>(109,869)</u>	<u>(155,373)</u>	<u>(265,242)</u>
	OTHER FINANCING SOURCES					
7915	Transfers in	<u>103,680</u>	<u>74,438</u>	<u>178,118</u>		<u>178,118</u>
	Total other financing sources	<u>103,680</u>	<u>74,438</u>	<u>178,118</u>	<u>-0-</u>	<u>178,118</u>
1200	Net change in fund balances	<u>(50,766)</u>	<u>50,806</u>	<u>68,249</u>	<u>(155,373)</u>	<u>(87,124)</u>
0100	Fund balances - beginning	<u>89,436</u>	<u>-0-</u>	<u>368,449</u>	<u>1,697,184</u>	<u>2,065,633</u>
3000	Fund balances - ending	<u>\$ 38,670</u>	<u>\$ 50,806</u>	<u>\$ 436,698</u>	<u>\$ 1,541,811</u>	<u>\$ 1,978,509</u>

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SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2018

Last Ten Years Ended August 31,	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2017
	Maintenance	Debt Service		
2009 and Prior	\$ 1.04000	\$ 0.17170	\$ 1,687,030,453	\$ 169,238
2010	1.04000	0.17170	1,397,632,087	16,494
2011	1.04000	0.17170	1,291,306,512	16,795
2012	1.04000	0.17170	1,266,082,281	15,561
2013	1.04000	0.17170	1,273,678,303	20,977
2014	1.04000	0.17170	1,385,441,281	32,089
2015	1.04000	0.17170	1,416,575,225	41,652
2016	1.04000	0.17170	1,790,173,475	111,326
2017	1.04000	0.17170	2,066,708,096	204,871
2018 (School Year under Audit)	1.04000	0.17170	2,443,232,566	
1000 Totals				\$ <u>629,003</u>

<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance August 31, 2018</u>
\$	\$ 6,575	\$ 838	\$(13,439)	\$ 148,386
	1,911	315	(1,079)	13,189
	627	104	(1,060)	15,004
	833	138	(822)	13,768
	2,765	456	(128)	17,628
	6,544	1,080	8,584	33,049
	10,038	1,657	8,252	38,209
	27,304	4,508	8,669	88,183
	74,489	12,298	69	118,153
<u>29,604,649</u>	<u>25,399,900</u>	<u>4,193,426</u>	<u>226,521</u>	<u>237,844</u>
<u>\$ 29,604,649</u>	<u>\$ 25,530,986</u>	<u>\$ 4,214,820</u>	<u>\$ 235,567</u>	<u>\$ 723,413</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
AUGUST 31, 2018
UNAUDITED

EXHIBIT J-3

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/18 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>10,178,771</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	235,063
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	-0-
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	600,000
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	2,476,715
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing unearned revenues)	2,680,178
7	Estimate of two month's average cash disbursements during the fiscal year.	4,533,470
8	Estimate of delayed payments from state sources (58XX)	-0-
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-0-
10	Estimate of delayed payments from federal sources (59XX)	-0-
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>-0-</u>
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>10,525,426</u>
13	Excess (deficit) unassigned General Fund fund balance (1-12)	\$(<u>346,655</u>)

SWEENEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – NONMAJOR FUND
– CHILD NUTRITION PROGRAM SPECIAL REVENUE FUND

EXHIBIT J-4

YEAR ENDED AUGUST 31, 2018

Data Control Codes		Child Nutrition Program Special Revenue Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 425,000	\$ 426,833	\$ 264,423	\$(162,410)
5800	State program revenues	21,700	21,700	17,955	(3,745)
5900	Federal program revenues	<u>756,000</u>	<u>756,000</u>	<u>819,001</u>	<u>63,001</u>
5020	Total revenues	<u>1,202,700</u>	<u>1,204,533</u>	<u>1,101,379</u>	<u>(103,154)</u>
	EXPENDITURES:				
	Current:				
0035	Food services	<u>1,258,284</u>	<u>1,260,117</u>	<u>1,033,170</u>	<u>226,947</u>
6030	Total expenditures	<u>1,258,284</u>	<u>1,260,117</u>	<u>1,033,170</u>	<u>226,947</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(55,584)</u>	<u>(55,584)</u>	<u>68,209</u>	<u>123,793</u>
0100	Fund balances – beginning	<u>279,013</u>	<u>279,013</u>	<u>279,013</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 223,429</u>	<u>\$ 223,429</u>	<u>\$ 347,222</u>	<u>\$ 123,793</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

*BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2018*

EXHIBIT J-5

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 4,604,938	\$ 4,604,938	\$ 4,666,258	\$ 61,320
5800	State program revenues			25,540	25,540
5020	Total revenues	<u>4,604,938</u>	<u>4,604,938</u>	<u>4,691,798</u>	<u>86,860</u>
	EXPENDITURES:				
	Current:				
0071	Debt Service - Principal on long-term debt	2,785,000	2,785,000	2,785,000	-0-
0072	Debt Service - Interest on long-term debt	1,134,045	1,134,045	1,129,408	4,637
0073	Bond issuance costs and fees	<u>120,000</u>	<u>120,000</u>	<u>5,734</u>	<u>114,266</u>
6030	Total expenditures	<u>4,039,045</u>	<u>4,039,045</u>	<u>3,920,142</u>	<u>118,903</u>
1100	Excess of revenues over expenditures	<u>565,893</u>	<u>565,893</u>	<u>771,656</u>	<u>205,763</u>
	OTHER FINANCING SOURCES (USES):				
8949	Payments to escrow agent	(567,319)	(567,319)	(553,562)	13,757
	Total other financing sources and (uses)	<u>(567,319)</u>	<u>(567,319)</u>	<u>(553,562)</u>	<u>13,757</u>
1200	Net change in fund balances	(1,426)	(1,426)	218,094	219,520
0100	Fund balances – beginning	<u>1,147,693</u>	<u>1,147,693</u>	<u>1,147,693</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 1,146,267</u>	<u>\$ 1,146,267</u>	<u>\$ 1,365,787</u>	<u>\$ 219,520</u>

FEDERAL AWARDS SECTION

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Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

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El Campo, Texas 77437
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Independent Auditor's 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
Sweeny Independent School District
Sweeny, Texas 77480

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweeny Independent School District (the "District"), as of and for year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 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 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.

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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.

Kerremey, Masters & Kingford, LLC

Lake Jackson, Texas
December 13, 2018

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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Independent Auditor's Report

On Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance

To the Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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Report on Internal Control over Compliance

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

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

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

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

Kennemer, Masters & Hunford, LLC

Lake Jackson, Texas 77566
December 13, 2018

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

I. Summary of auditors' results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR Sec. 200.516(a): No
7. Major programs include:
 - Cluster Program:
 - National School Breakfast Program - CFDA #10.553
 - National School Lunch Program - CFDA #10.555
 - Commodity Supplement Program - CFDA #10.555
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
9. Low risk auditee: Yes.

II. Findings related to the financial statements:

The audit disclosed no findings required to be reported.

III. Findings and questioned costs related to the federal awards.

The audit disclosed no findings required to be reported.

SWEENY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2018

None.

SWEENY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2018

None.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA, Title I, Part A, Improving Basic Programs	84.010	18610101020906	\$ 296,252
ESEA, Title I, Part A, Improving Basic Programs	84.010	19610101020906	<u>23,000</u>
			<u>319,252</u>
IDEA - Part B, Formula*	84.027	186600010209066600	6,817
IDEA - Part B, Formula*	84.027	196600010209066600	<u>37,667</u>
			<u>474,484</u>
IDEA - Part B, Preschool*	84.173	186610010209066610	12,495
IDEA - Part B, Preschool*	84.173	196610010209066610	<u>2,707</u>
			<u>15,202</u>
Career and Technical Education, Basic Grant	84.048	18420006020906	<u>23,240</u>
Improving Teacher Quality	84.367	186945101020906	<u>35,308</u>
English Language Acquisition	84.365	6493SW	<u>1,568</u>
Title IV, Part A	84.424	18680101020906	<u>10,000</u>
FEMA	97.036	4332DRTXP0000001	<u>52,576</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>931,630</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program**	10.555	020906	\$ <u>26,002</u>
Passed Through State Department of Education:			
School Breakfast Program**	10.553	71401601	155,119
National School Lunch Program**	10.555	71301601	<u>538,636</u>
			<u>693,755</u>
Child and Adult Care Food Program	10.558	18460023470	<u>92,302</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ <u>812,059</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>1,743,689</u>
*IDEA Cluster Program			
** National School Lunch Cluster Programs			
Reconciliation:			
Federal program revenues (Exhibit C-2)			\$ 1,918,380
Less Federal Revenue not included in the Schedule of Federal Awards:			
School Health and Related Services (SHARS)			(139,326)
Refuge Revenue in Lieu of Taxes			<u>(35,365)</u>
Total federal financial assistance (Schedule of Expenditures of Federal Awards).			\$ <u>1,743,689</u>

See notes to supplemental Schedule of Expenditures of Federal Awards.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

NOTE 1 – BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency’s *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 27,576, while the monetary value of goods used and recognized as income and expenditures was \$ 26,002.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

The District does not use 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

NOTE 3 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-2:

Total shown on Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$ 1,743,689
Federal Revenue Not Included in the Schedule of Federal Awards:	
School Health and Related Services (SHARS)	139,326
Refuge Revenue in Lieu of Taxes	<u>35,365</u>
Total federal revenue (Exhibit C-2)	<u>\$ 1,918,380</u>

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