

# **Coldspring-Oakhurst Consolidated Independent School District**

Annual Financial Report

For the Fiscal Year Ended August 31, 2018

**Coldspring-Oakhurst Consolidated Independent School District**  
Annual Financial Report  
For the Fiscal Year Ended August 31, 2018  
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# **Coldspring-Oakhurst Consolidated Independent School District**

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### Certificate of the Board

**Coldspring-Oakhurst Consolidated**  
**Independent School District**

Name of School District

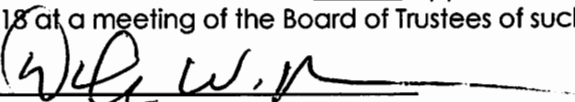
**San Jacinto**

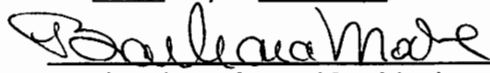
County

**204-901**

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved \_\_\_\_\_ disapproved for the fiscal year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 22<sup>nd</sup> day of January, 2019.

  
Signature of Board Secretary

  
Signature of Board President

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

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## **Financial Section**

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## Independent Auditor's Report

To the Board of Trustees of  
Coldspring-Oakhurst Consolidated Independent School District  
Coldspring, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldspring-Oakhurst Consolidated Independent School District (the District), as of and for the fiscal 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.

### Opinions

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

***Emphasis of Matter***

As discussed in Note 1.E. to the basic financial statements, during the year ended August 31, 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are 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 and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and 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 Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School FIRST Indicators 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.

The Board of Trustees of  
Coldspring-Oakhurst Consolidated Independent School District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
January 22, 2019

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## Management's Discussion and Analysis

As management of the Coldspring-Oakhurst Consolidated 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 fiscal year ended August 31, 2018.

### 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 fiscal year by \$7,081,460 (*net position*). Of this amount, \$4,851,207 (*unrestricted net position*) was a deficit due to implementation of GASB Statement No. 75 discussed in Notes 1.E.
- The District's total net position increased by \$1,848,660 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,172,666, an increase of \$15,265,260.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,376,680, or 28 percent of total general fund expenditures.
- The District's total bonded debt increased by \$20,387,363 during the current fiscal year due to the issuance of the Unlimited Tax Refunding Bonds, Series 2017 and Unlimited Tax School Bonds, Series 2018.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and 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, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, and Other Intergovernmental Charges, as applicable.*

The government-wide financial statements can be found as noted in the table of contents of this report.

In fiscal year 2018, the District implemented the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75) – *which superseded GASB Statement No. 45.*

Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined benefit other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning OPEB liability and beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The implementation of this statement has no impact on the District's governmental fund financial statements. However, implementation has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the implementation of this statement and the District's OPEB plan is available in Note 1. E. and Note 4.D., respectively.

***Fund Financial Statements.*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

***Governmental Funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District'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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information can be found as noted in the table of contents of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,084,460 at the close of the most recent fiscal year.

### Coldspring-Oakhurst Consolidated Independent School District's Net Position

|                                      | Governmental Activities |           |                      |            |                        |       |
|--------------------------------------|-------------------------|-----------|----------------------|------------|------------------------|-------|
|                                      | 2018                    |           | 2017                 |            | Increase (Decrease)    |       |
|                                      | Amount                  | %         | Amount               | %          | Amount                 | %     |
| Current and other assets             | \$ 24,051,668           | 57        | \$ 7,552,304         | 33         | \$ 16,499,364          | 218   |
| Capital assets                       | 18,057,563              | 43        | 15,095,024           | 67         | 2,962,539              | 20    |
| Total assets                         | 42,109,231              | 100       | 22,647,328           | 100        | 19,461,903             |       |
| Total deferred outflows of resources | 1,330,740               | 100       | 1,508,610            | 100        | (177,870)              | (12)  |
| Long-term liabilities outstanding    | 31,234,316              | 95        | 5,773,698            | 88         | 25,460,618             | 441   |
| Other liabilities                    | 1,724,829               | 5         | 809,770              | 12         | 915,059                | 113   |
| Total liabilities                    | 32,959,145              | 100       | 6,583,468            | 100        | 26,375,677             |       |
| Total deferred inflows of resources  | 3,399,366               | 100       | 241,759              | 100        | 3,157,607              | 1,306 |
| Net position:                        |                         |           |                      |            |                        |       |
| Net investment in capital assets     | 11,913,022              | 168       | 12,976,008           | 75         | (1,062,986)            | (8)   |
| Restricted                           | 19,645                  | -         | 10,581               | -          | 9,064                  | 86    |
| Unrestricted                         | (4,851,207)             | (69)      | 4,344,122            | 25         | (9,195,329)            | (212) |
| <b>Total net position</b>            | <b>\$ 7,081,460</b>     | <b>99</b> | <b>\$ 17,330,711</b> | <b>100</b> | <b>\$ (10,249,251)</b> |       |

The net position decreased mainly from the implementation of GASB Statement No. 75 which is discussed on page 8.

Investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding represents the majority of the District's positive net position. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net 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. Net position that is restricted for grants totaled \$19,645 of net position. The unrestricted net position of (\$4,851,207) deficit resulted from the implementation of GASB Statement No. 75 for other postemployment benefits (retiree health care provided through TRS-CARE).

**Governmental Activities.** Governmental activities increased the District's net position by \$1,848,660 from current operations. The elements giving rise to this change may be determined from the table below.

**Coldspring-Oakhurst Consolidated Independent School District's Changes in Net Position**

|                                                              | Governmental Activities |     |                      |     |                        |       |
|--------------------------------------------------------------|-------------------------|-----|----------------------|-----|------------------------|-------|
|                                                              | 2018                    |     | 2017                 |     | Increase (Decrease)    |       |
|                                                              | Amount                  | %   | Amount               | %   | Amount                 | %     |
| Revenue:                                                     |                         |     |                      |     |                        |       |
| Program revenues:                                            |                         |     |                      |     |                        |       |
| Charges for services                                         | \$ 302,862              | 2   | \$ 385,423           | 2   | \$ (82,561)            | (21)  |
| Operating grants and contributions                           | (28,135)                | -   | 2,892,466            | 16  | (2,920,601)            | (101) |
| General revenues:                                            |                         |     |                      |     |                        |       |
| Property taxes, levied for general purposes                  | 12,710,355              | 79  | 11,226,261           | 65  | 1,484,094              | 13    |
| Property taxes, levied for debt service                      | -                       | -   | 492,937              | 3   | (492,937)              | (100) |
| Grants and contributions not restricted to specific programs | 2,756,884               | 17  | 2,489,950            | 14  | 266,934                | 11    |
| Investment earnings                                          | 336,394                 | 2   | 38,002               | -   | 298,392                | 785   |
| Miscellaneous                                                | 48,273                  | -   | 62,783               | -   | (14,510)               | (23)  |
| Total revenues                                               | 16,126,633              | 100 | 17,587,822           | 100 | (1,461,189)            |       |
| Expenses:                                                    |                         |     |                      |     |                        |       |
| Instruction                                                  | 5,645,501               | 39  | 8,483,839            | 48  | (2,838,338)            | (33)  |
| Instructional resources and media services                   | 399,426                 | 3   | 435,048              | 2   | (35,622)               | (8)   |
| Curriculum and instructional staff development               | 222,708                 | 2   | 349,010              | 2   | (126,302)              | (36)  |
| Instructional leadership                                     | 357,300                 | 3   | 849,114              | 5   | (491,814)              | (58)  |
| School leadership                                            | 629,319                 | 4   | 902,673              | 5   | (273,354)              | (30)  |
| Guidance, counseling, and evaluation services                | 213,291                 | 1   | 436,454              | 2   | (223,163)              | (51)  |
| Health services                                              | 149,190                 | 1   | 178,420              | 1   | (29,230)               | (16)  |
| Student transportation                                       | 1,115,592               | 8   | 1,167,669            | 6   | (52,077)               | (4)   |
| Food services                                                | 895,737                 | 6   | 1,187,469            | 6   | (291,732)              | (25)  |
| Extracurricular activities                                   | 682,694                 | 5   | 922,704              | 5   | (240,010)              | (26)  |
| General administration                                       | 667,092                 | 5   | 713,394              | 4   | (46,302)               | (6)   |
| Plant maintenance and operations                             | 1,680,087               | 12  | 1,930,851            | 10  | (250,764)              | (13)  |
| Security and monitoring services                             | 232,221                 | 2   | 174,663              | 1   | 57,558                 | 33    |
| Data processing services                                     | 134,862                 | 1   | 147,205              | 1   | (12,343)               | (8)   |
| Community services                                           | 28,678                  | -   | 30,369               | -   | (1,691)                | (6)   |
| Interest on long-term debt                                   | 462,175                 | 3   | 63,888               | -   | 398,287                | 623   |
| Issuance costs and fees                                      | 309,673                 | 2   | -                    | -   | 309,673                | -     |
| Other intergovernmental charges                              | 452,427                 | 3   | 418,184              | 2   | 34,243                 | 8     |
| Total expenses                                               | 14,277,973              | 100 | 18,390,954           | 100 | (4,112,981)            |       |
| Change in net position                                       | 1,848,660               |     | (803,132)            |     | 2,651,792              |       |
| Net position - beginning                                     | 17,330,711              |     | 18,133,843           |     | (803,132)              |       |
| Prior period adjustment - implement GASB 75 for OPEB         | (12,097,911)            |     | -                    |     | (12,097,911)           |       |
| Net position - beginning, as restated                        | 5,232,800               |     | 18,133,843           |     | (12,901,043)           |       |
| <b>Net position - ending</b>                                 | <b>\$ 7,081,460</b>     |     | <b>\$ 17,330,711</b> |     | <b>\$ (10,249,251)</b> |       |

(a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018. The implementation is discussed previously in MD&A.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$2,728,749) represent 17 percent of total revenues and property taxes (\$12,710,355) represent 79 percent of total revenues. The remaining 2 percent is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is Instruction (\$5,645,501), which represents 39 percent of total expenses. Plant maintenance and operations (\$1,680,087) represents 12 percent of total expenses. The remaining functional categories of expenses are individually less than 10 percent total expenses.

### **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,172,666, an increase of \$15,265,260.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,376,680 while total fund balance reached \$5,165,116. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represents 28 percent and 33 percent of total general fund expenditures, respectively. The fund balance of the District's general fund increased by \$302,781 during the current fiscal year. The increase was not attributable to any individually significant item.

The debt service fund had a deficit fund balance of (\$5,476) in the current year due to the issuance of new debt. The District adopted an interest and sinking tax rate in the subsequent fiscal year which will cover the deficit.

The capital projects fund ended the year with a total fund balance of \$14,949,627, all of which is reserved for capital acquisition program and contractual obligations. The capital projects fund balance increased by \$14,949,627 due to issuance of Unlimited Tax School Bonds, Series 2018.

### **General Fund Budgetary Highlights**

The District amends the budget as needed throughout the year. There were no significant amendments to the budget.

There were no significant variations between final budget and actual results.

### **Capital Assets and Long-term Liabilities**

**Capital Assets.** The District's investment in capital assets for its governmental type activities as of August 31, 2018, amounts to \$18,057,563 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 19 percent.

Major capital asset additions during the current fiscal year included the following:

- \$3,670,108 2018 bond projects
- \$519,956 4 new vehicles and 4 new buses

**Coldspring-Oakhurst Consolidated Independent School District's Capital Assets**  
(net of depreciation)

|                            | Governmental Activities |            |                      |            |                     |     |
|----------------------------|-------------------------|------------|----------------------|------------|---------------------|-----|
|                            | 2018                    |            | 2017                 |            | Increase (Decrease) |     |
|                            | Amount                  | %          | Amount               | %          | Amount              | %   |
| Land and improvements      | \$ 586,383              | 3          | \$ 586,383           | 4          | \$ -                | -   |
| Construction in progress   | 3,670,108               | 20         | -                    | -          | 3,670,108           | 100 |
| Buildings and improvements | 12,402,332              | 69         | 13,139,454           | 87         | (737,122)           | (6) |
| Furniture and equipment    | 1,398,740               | 8          | 1,369,187            | 9          | 29,553              | 2   |
| <b>Totals</b>              | <b>\$ 18,057,563</b>    | <b>100</b> | <b>\$ 15,095,024</b> | <b>100</b> | <b>\$ 2,962,539</b> |     |

Additional information on the District's capital assets can be found in notes to the financial statements as noted in the table of contents of this report.

**Long-term Liabilities.** At year-end, the District had the following long-term liabilities:

**Coldspring-Oakhurst Consolidated Independent School District's Long-term Liabilities Outstanding**

|                                | Governmental Activities |            |                      |            |                      |       |
|--------------------------------|-------------------------|------------|----------------------|------------|----------------------|-------|
|                                | 2018                    |            | 2017                 |            | Increase (Decrease)  |       |
|                                | Amount                  | %          | Amount               | %          | Amount               | %     |
| General obligation bonds (net) | \$ 20,387,363           | 66         | \$ -                 | -          | \$ 20,387,363        | -     |
| Notes payable                  | 718,807                 | 2          | 2,119,016            | 12         | (1,400,209)          | (66)  |
| Workers' compensation          | 22,949                  | -          | 253                  | -          | 22,696               | 8,971 |
| Compensated absences           | 26,775                  | -          | 30,363               | -          | (3,588)              | (12)  |
| Net pension liability          | 3,179,104               | 10         | 3,624,066            | 20         | (444,962)            | (12)  |
| Net OPEB liability             | 6,899,318               | 22         | 12,180,398           | 68         | (5,281,080)          | (43)  |
| <b>Totals</b>                  | <b>\$ 31,234,316</b>    | <b>100</b> | <b>\$ 17,954,096</b> | <b>100</b> | <b>\$ 13,280,220</b> |       |

The District's bonded debt increased by \$20,387,363 during the current fiscal year due to issuance of new debt.

Notes payable decreased due to the issuance of the 2017 refunding bond and scheduled payments.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program.

State statutes do not limit the rate or amount for the support of school districts bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in the notes to the financial statements as indicated in the table of contents of this report.

## **Economic Factors and Next Year's Budget and Rates**

- Current enrollment totals 1,532 students, which is one percent increase from the prior year.
- District staff totals 273 employees, which includes 106 teachers and 39 teachers' aides and secretaries.
- The District maintains 4 campuses for instruction.
- The unemployment rate for the County is currently 5.1 percent, which is an decrease from a rate of 6.0 percent a year ago. This compares unfavorably to the state's average unemployment rate of 3.9 percent, which is a decrease from a rate of 4.5 percent a year ago.
- Property values of the District are projected to increase 15 percent.
- A maintenance and operations tax rate of \$1.04 and an interest and sinking tax rate of \$.1150 was adopted for 2018-2019.

All of these factors were considered in preparing the District's budget for the 2019 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Coldspring-Oakhurst Consolidated Independent School District, 125 FM 1514, Coldspring, Texas 77331.

## **Basic Financial Statements**

**Coldspring-Oakhurst Consolidated Independent School District**

## Statement of Net Position

August 31, 2018

**Exhibit A-1****1**

| <b>Data<br/>Control<br/>Codes</b>     |                                      | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> |
|---------------------------------------|--------------------------------------|---------------------------------------------------------------|
| <b>ASSETS</b>                         |                                      |                                                               |
| 1110                                  | Cash and cash equivalents            | \$ 17,993,184                                                 |
| 1120                                  | Current investments                  | 2,989,669                                                     |
| 1220                                  | Property taxes receivable            | 2,335,690                                                     |
| 1230                                  | Allowances for uncollectible taxes   | (140,000)                                                     |
| 1240                                  | Due from other governments           | 806,120                                                       |
| 1300                                  | Inventories                          | 28,569                                                        |
| 1410                                  | Prepaid items                        | 38,436                                                        |
|                                       | Capital assets:                      |                                                               |
| 1510                                  | Land and improvements                | 586,383                                                       |
| 1520                                  | Buildings and improvements (net)     | 12,402,332                                                    |
| 1530                                  | Furniture and equipment (net)        | 1,398,740                                                     |
| 1580                                  | Construction in progress             | 3,670,108                                                     |
| 1000                                  | Total assets                         | 42,109,231                                                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                      |                                                               |
| 1705                                  | Deferred outflows - pension          | 1,212,506                                                     |
| 1706                                  | Deferred outflows - OPEB             | 106,232                                                       |
| 1710                                  | Deferred charge on refunding         | 12,002                                                        |
| 1700                                  | Total deferred outflows of resources | 1,330,740                                                     |
| <b>LIABILITIES</b>                    |                                      |                                                               |
| 2110                                  | Accounts payable                     | 1,053,687                                                     |
| 2140                                  | Interest payable                     | 41,517                                                        |
| 2150                                  | Payroll deductions and withholdings  | 105,674                                                       |
| 2160                                  | Accrued wages payable                | 482,060                                                       |
| 2180                                  | Due to other governments             | 14,025                                                        |
| 2200                                  | Accrued liabilities                  | 13,575                                                        |
| 2300                                  | Unearned revenue                     | 14,291                                                        |
|                                       | Noncurrent liabilities:              |                                                               |
| 2501                                  | Due within one year                  | 809,308                                                       |
| 2502                                  | Due in more than one year            | 20,346,586                                                    |
| 2540                                  | Net pension liability                | 3,179,104                                                     |
| 2545                                  | Net OPEB Liability                   | 6,899,318                                                     |
| 2000                                  | Total liabilities                    | 32,959,145                                                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                      |                                                               |
| 2605                                  | Deferred inflows - pension           | 513,368                                                       |
| 2606                                  | Deferred inflows - OPEB              | 2,885,998                                                     |
| 2600                                  | Total deferred inflows of resources  | 3,399,366                                                     |
| <b>NET POSITION</b>                   |                                      |                                                               |
| 3200                                  | Net investment in capital assets     | 11,913,022                                                    |
| 3820                                  | Restricted for grants                | 19,645                                                        |
| 3900                                  | Unrestricted                         | (4,851,207)                                                   |
| 3000                                  | <b>TOTAL NET POSITION</b>            | <b>\$ 7,081,460</b>                                           |

The Notes to the Financial Statements are an integral part of this statement.

# Coldspring-Oakhurst Consolidated Independent School District

## Exhibit B-1

### Statement of Activities

For the Fiscal Year Ended August 31, 2018

| Data<br>Control<br>Codes | Functions/Programs                                           | 1                    | 3                       | 4                                        | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--------------------------|--------------------------------------------------------------|----------------------|-------------------------|------------------------------------------|------------------------------------------------------------|
|                          |                                                              | Expenses             | Program Revenues        |                                          | Governmental<br>Activities                                 |
|                          |                                                              |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions |                                                            |
|                          | <b>PRIMARY GOVERNMENT</b>                                    |                      |                         |                                          |                                                            |
|                          | Governmental activities:                                     |                      |                         |                                          |                                                            |
| 0011                     | Instruction                                                  | \$ 5,645,501         | \$ 7,500                | \$ (558,721)                             | \$ (6,196,722)                                             |
| 0012                     | Instructional resources and media services                   | 399,426              | -                       | 36,058                                   | (363,368)                                                  |
| 0013                     | Curriculum and instructional staff development               | 222,708              | -                       | 94,467                                   | (128,241)                                                  |
| 0021                     | Instructional leadership                                     | 357,300              | -                       | 7,785                                    | (349,515)                                                  |
| 0023                     | School leadership                                            | 629,319              | -                       | (115,395)                                | (744,714)                                                  |
| 0031                     | Guidance, counseling, and evaluation services                | 213,291              | -                       | 56,833                                   | (156,458)                                                  |
| 0033                     | Health services                                              | 149,190              | -                       | (16,257)                                 | (165,447)                                                  |
| 0034                     | Student transportation                                       | 1,115,592            | -                       | (144,994)                                | (1,260,586)                                                |
| 0035                     | Food services                                                | 895,737              | 223,396                 | 709,235                                  | 36,894                                                     |
| 0036                     | Extracurricular activities                                   | 682,694              | 67,946                  | (61,221)                                 | (675,969)                                                  |
| 0041                     | General administration                                       | 667,092              | -                       | (39,631)                                 | (706,723)                                                  |
| 0051                     | Plant maintenance and operations                             | 1,680,087            | 4,020                   | (19,812)                                 | (1,695,879)                                                |
| 0052                     | Security and monitoring services                             | 232,221              | -                       | (34,708)                                 | (266,929)                                                  |
| 0053                     | Data processing services                                     | 134,862              | -                       | (7,095)                                  | (141,957)                                                  |
| 0061                     | Community services                                           | 28,678               | -                       | 65,321                                   | 36,643                                                     |
| 0072                     | Interest on long-term debt                                   | 462,175              | -                       | -                                        | (462,175)                                                  |
| 0073                     | Issuance costs and fees                                      | 309,673              | -                       | -                                        | (309,673)                                                  |
| 0099                     | Other intergovernmental charges                              | 452,427              | -                       | -                                        | (452,427)                                                  |
| TG                       | Total governmental activities                                | 14,277,973           | 302,862                 | (28,135)                                 | (14,003,246)                                               |
| TP                       | <b>TOTAL PRIMARY GOVERNMENT</b>                              | <u>\$ 14,277,973</u> | <u>\$ 302,862</u>       | <u>\$ (28,135)</u>                       | (14,003,246)                                               |
|                          | General revenues:                                            |                      |                         |                                          |                                                            |
| MT                       | Property taxes, levied for general purposes                  |                      |                         |                                          | 12,710,355                                                 |
| GC                       | Grants and contributions not restricted to specific programs |                      |                         |                                          | 2,756,884                                                  |
| IE                       | Investment earnings                                          |                      |                         |                                          | 336,394                                                    |
| MI                       | Miscellaneous                                                |                      |                         |                                          | 48,273                                                     |
| TR                       | Total general revenues                                       |                      |                         |                                          | 15,851,906                                                 |
| CN                       | Change in net position                                       |                      |                         |                                          | 1,848,660                                                  |
| NB                       | Net position - beginning                                     |                      |                         |                                          | 17,330,711                                                 |
| PA                       | Prior period adjustment - implement GASB 75 for OPEB         |                      |                         |                                          | (12,097,911)                                               |
|                          | Net position - beginning, as restated                        |                      |                         |                                          | 5,232,800                                                  |
| NE                       | <b>NET POSITION - ENDING</b>                                 |                      |                         |                                          | <u>\$ 7,081,460</u>                                        |

The Notes to the Financial Statements are an integral part of this statement.

# Coldspring-Oakhurst Consolidated Independent School District

## Balance Sheet - Governmental Funds

August 31, 2018

| Data<br>Control<br>Codes |                                                                        | 199          | 599                  |
|--------------------------|------------------------------------------------------------------------|--------------|----------------------|
|                          |                                                                        | General Fund | Debt Service<br>Fund |
|                          | ASSETS                                                                 |              |                      |
| 1110                     | Cash and cash equivalents                                              | \$ 2,482,489 | \$ -                 |
| 1120                     | Current investments                                                    | 2,470,962    | 2,024                |
| 1220                     | Property taxes receivable                                              | 2,335,690    | -                    |
| 1230                     | Allowance for uncollectible taxes                                      | (140,000)    | -                    |
| 1240                     | Due from other governments                                             | 552,313      | -                    |
| 1260                     | Due from other funds                                                   | 234,400      | -                    |
| 1300                     | Inventories                                                            | -            | -                    |
| 1410                     | Prepaid items                                                          | 38,436       | -                    |
| 1000                     | Total assets                                                           | 7,974,290    | 2,024                |
| 1000a                    | TOTAL ASSETS AND DEFERRED<br>OUTFLOWS OF RESOURCES                     | \$ 7,974,290 | \$ 2,024             |
|                          | LIABILITIES                                                            |              |                      |
| 2110                     | Accounts payable                                                       | \$ 66,785    | \$ -                 |
| 2150                     | Payroll deductions and withholdings                                    | 105,674      | -                    |
| 2160                     | Accrued wages payable                                                  | 431,954      | -                    |
| 2170                     | Due to other funds                                                     | -            | 7,500                |
| 2180                     | Due to other governments                                               | -            | -                    |
| 2200                     | Accrued liabilities                                                    | 9,071        | -                    |
| 2300                     | Unearned revenue                                                       | -            | -                    |
| 2000                     | Total liabilities                                                      | 613,484      | 7,500                |
|                          | DEFERRED INFLOWS OF RESOURCES                                          |              |                      |
| 2600                     | Unavailable revenue - property taxes                                   | 2,195,690    | -                    |
|                          | Total deferred inflows of resources                                    | 2,195,690    | -                    |
|                          | FUND BALANCES                                                          |              |                      |
| 3430                     | Nonspendable prepaid items                                             | 38,436       | -                    |
| 3450                     | Restricted - grant funds                                               | -            | -                    |
| 3470                     | Restricted - capital acquisitions and contractual obligations          | -            | -                    |
| 3530                     | Committed - instructional program enhancement                          | 250,000      | -                    |
| 3510                     | Committed - construction                                               | 500,000      | -                    |
| 3545                     | Committed - campus activity                                            | -            | -                    |
| 3600                     | Unassigned                                                             | 4,376,680    | (5,476)              |
| 3000                     | Total fund balances                                                    | 5,165,116    | (5,476)              |
| 4000                     | TOTAL LIABILITIES, DEFERRED INFLOWS OF<br>RESOURCES, AND FUND BALANCES | \$ 7,974,290 | \$ 2,024             |

The Notes to the Financial Statements are an integral part of this statement.

| <b>699</b>           |                   | <b>98</b>            |
|----------------------|-------------------|----------------------|
| <b>Capital</b>       | <b>Total</b>      | <b>Total</b>         |
| <b>Projects Fund</b> | <b>Nonmajor</b>   | <b>Governmental</b>  |
| <b>Funds</b>         | <b>Funds</b>      | <b>Funds</b>         |
| \$ 15,373,191        | \$ 137,504        | \$ 17,993,184        |
| 515,888              | 795               | 2,989,669            |
| -                    | -                 | 2,335,690            |
| -                    | -                 | (140,000)            |
| -                    | 253,807           | 806,120              |
| -                    | -                 | 234,400              |
| -                    | 28,569            | 28,569               |
| -                    | -                 | 38,436               |
| 15,889,079           | 420,675           | 24,286,068           |
| <u>\$ 15,889,079</u> | <u>\$ 420,675</u> | <u>\$ 24,286,068</u> |
| \$ 939,452           | \$ 47,450         | \$ 1,053,687         |
| -                    | -                 | 105,674              |
| -                    | 50,106            | 482,060              |
| -                    | 226,900           | 234,400              |
| -                    | 14,025            | 14,025               |
| -                    | 4,504             | 13,575               |
| -                    | 14,291            | 14,291               |
| 939,452              | 357,276           | 1,917,712            |
| -                    | -                 | 2,195,690            |
| -                    | -                 | 2,195,690            |
| -                    | -                 | 38,436               |
| -                    | 19,645            | 19,645               |
| 14,949,627           | -                 | 14,949,627           |
| -                    | -                 | 250,000              |
| -                    | -                 | 500,000              |
| -                    | 43,754            | 43,754               |
| -                    | -                 | 4,371,204            |
| 14,949,627           | 63,399            | 20,172,666           |
| <u>\$ 15,889,079</u> | <u>\$ 420,675</u> | <u>\$ 24,286,068</u> |

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**Coldspring-Oakhurst Consolidated Independent School District****Exhibit C-1R**

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
August 31, 2018

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** **\$ 20,172,666**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

|                                                         |               |            |
|---------------------------------------------------------|---------------|------------|
| Governmental capital assets costs                       | \$ 35,323,914 |            |
| Accumulated depreciation of governmental capital assets | (17,266,351)  | 18,057,563 |

|                                                                                                                                                                             |  |           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. |  | 2,195,690 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

Long-term liabilities, including notes payable, workers' compensation, compensated absences, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items, consist of:

|                                   |                 |              |
|-----------------------------------|-----------------|--------------|
| Bonds payable, at original par    | \$ (19,695,000) |              |
| Premium on bonds payable          | (692,363)       |              |
| Accrued interest on the bonds     | (30,181)        |              |
| Notes payable                     | (718,807)       |              |
| Accrued interest on notes payable | (11,336)        |              |
| Workers' compensation             | (22,949)        |              |
| Compensated absences              | (26,775)        |              |
| Net pension liability             | (3,179,104)     |              |
| Net OPEB liability                | (6,899,318)     | (31,275,833) |

|                                                                                                                                                                                                                                               |  |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Deferred charge on refunding is reported as deferred outflow of resources in the statement of net position and is not reported in the governmental funds as it is not a current financial resource available to pay for current expenditures. |  | 12,002 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

|                                                                                                                                                                                                                 |  |           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. |  | 1,212,506 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                                                                                        |  |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. |  | (513,368) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                                                                                              |  |         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. |  | 106,232 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

|                                                                                                                                                                                                     |  |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|
| Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. |  | (2,885,998) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** **\$ 7,081,460**

# Coldspring-Oakhurst Consolidated Independent School District

## Statement of Revenues, Expenditures, and Changes

### in Fund Balances - Governmental Funds

For the Fiscal Year Ended August 31, 2018

| Data<br>Control<br>Codes       |                                                              | 199           | 599                  |
|--------------------------------|--------------------------------------------------------------|---------------|----------------------|
|                                |                                                              | General Fund  | Debt Service<br>Fund |
| REVENUES                       |                                                              |               |                      |
| 5700                           | Local and intermediate sources                               | \$ 12,512,778 | \$ 3,893             |
| 5800                           | State program revenues                                       | 3,146,265     | -                    |
| 5900                           | Federal program revenues                                     | 430,561       | -                    |
| 5020                           | Total revenues                                               | 16,089,604    | 3,893                |
| EXPENDITURES                   |                                                              |               |                      |
| Current:                       |                                                              |               |                      |
| 0011                           | Instruction                                                  | 7,318,195     | -                    |
| 0012                           | Instructional resources and media services                   | 386,653       | -                    |
| 0013                           | Curriculum and instructional staff development               | 175,725       | -                    |
| 0021                           | Instructional leadership                                     | 580,444       | -                    |
| 0023                           | School leadership                                            | 905,003       | -                    |
| 0031                           | Guidance, counseling, and evaluation services                | 272,568       | -                    |
| 0033                           | Health services                                              | 191,774       | -                    |
| 0034                           | Student transportation                                       | 1,518,114     | -                    |
| 0035                           | Food services                                                | 646           | -                    |
| 0036                           | Extracurricular activities                                   | 709,479       | -                    |
| 0041                           | General administration                                       | 652,209       | -                    |
| 0051                           | Plant maintenance and operations                             | 1,844,661     | -                    |
| 0052                           | Security and monitoring services                             | 349,306       | -                    |
| 0053                           | Data processing services                                     | 155,362       | -                    |
| 0061                           | Community services                                           | 35,450        | -                    |
| Debt service:                  |                                                              |               |                      |
| 0071                           | Principal on long-term debt                                  | 144,708       | -                    |
| 0072                           | Interest on long-term debt                                   | 23,491        | 425,069              |
| 0073                           | Issuance costs and fees                                      | -             | 20,721               |
| Capital outlay:                |                                                              |               |                      |
| 0081                           | Facilities acquisition and construction                      | -             | -                    |
| Intergovernmental:             |                                                              |               |                      |
| 0099                           | Other intergovernmental charges                              | 452,427       | -                    |
| 6030                           | Total expenditures                                           | 15,716,215    | 445,790              |
| 1100                           | Excess (deficiency) of revenues<br>over (under) expenditures | 373,389       | (441,897)            |
| OTHER FINANCING SOURCES (USES) |                                                              |               |                      |
| 7911                           | Issuance of bonds                                            | -             | 1,290,000            |
| 7915                           | Transfers in                                                 | -             | 415,700              |
| 7916                           | Premium on issuance of bonds                                 | -             | -                    |
| 8911                           | Transfers out                                                | (70,608)      | -                    |
| 8940                           | Payment to refunding bond escrow agent                       | -             | (1,269,279)          |
| 7080                           | Total other financing sources (uses)                         | (70,608)      | 436,421              |
| 1200                           | Net change in fund balances                                  | 302,781       | (5,476)              |
| 0100                           | Fund balances - beginning                                    | 4,862,335     | -                    |
| 3000                           | FUND BALANCES - ENDING                                       | \$ 5,165,116  | \$ (5,476)           |

The Notes to the Financial Statements are an integral part of this statement.

| <b>699</b>           |                 | <b>98</b>           |
|----------------------|-----------------|---------------------|
| <b>Capital</b>       | <b>Total</b>    | <b>Total</b>        |
| <b>Projects Fund</b> | <b>Nonmajor</b> | <b>Governmental</b> |
|                      | <b>Funds</b>    | <b>Funds</b>        |
| \$ 265,077           | \$ 261,484      | \$ 13,043,232       |
| -                    | 125,094         | 3,271,359           |
| -                    | 1,957,317       | 2,387,878           |
| 265,077              | 2,343,895       | 18,702,469          |
| -                    | 555,688         | 7,873,883           |
| -                    | 62,537          | 449,190             |
| -                    | 145,988         | 321,713             |
| -                    | 192,901         | 773,345             |
| -                    | 995             | 905,998             |
| -                    | 156,450         | 429,018             |
| -                    | 1,072           | 192,846             |
| -                    | -               | 1,518,114           |
| -                    | 1,178,322       | 1,178,968           |
| -                    | 28,143          | 737,622             |
| 61,821               | -               | 714,030             |
| -                    | 70,135          | 1,914,796           |
| -                    | 2,475           | 351,781             |
| -                    | -               | 155,362             |
| -                    | 1,469           | 36,919              |
| -                    | -               | 144,708             |
| -                    | -               | 448,560             |
| 288,952              | -               | 309,673             |
| 3,670,108            | -               | 3,670,108           |
| -                    | -               | 452,427             |
| 4,020,881            | 2,396,175       | 22,579,061          |
| (3,755,804)          | (52,280)        | (3,876,592)         |
| 18,405,000           | -               | 19,695,000          |
| -                    | 70,608          | 486,308             |
| 716,131              | -               | 716,131             |
| (415,700)            | -               | (486,308)           |
| -                    | -               | (1,269,279)         |
| 18,705,431           | 70,608          | 19,141,852          |
| 14,949,627           | 18,328          | 15,265,260          |
| -                    | 45,071          | 4,907,406           |
| \$ 14,949,627        | \$ 63,399       | \$ 20,172,666       |

**Coldspring-Oakhurst Consolidated Independent School District**  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended August 31, 2018

**Exhibit C-3**

**TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** **\$ 15,265,260**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

|                          |              |           |
|--------------------------|--------------|-----------|
| Capital assets increased | \$ 4,190,064 |           |
| Depreciation expense     | (1,046,316)  | 3,143,748 |

|                                                                                                                                                            |  |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. |  | (181,209) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                                                                                                                                                           |  |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. |  | 354,652 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

|                    |                 |              |
|--------------------|-----------------|--------------|
| Par value          | \$ (19,695,000) |              |
| (Premium) discount | (716,131)       | (20,411,131) |

|                                                                            |  |           |
|----------------------------------------------------------------------------|--|-----------|
| Payment to the escrow agent to refund bonds reduces long-term liabilities. |  | 1,269,279 |
|----------------------------------------------------------------------------|--|-----------|

Repayment of notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|                                 |  |         |
|---------------------------------|--|---------|
| Notes payable principal payment |  | 144,708 |
|---------------------------------|--|---------|

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The change is reported in the statement of activities consists of the following:

|                                                                                 |             |          |
|---------------------------------------------------------------------------------|-------------|----------|
| Accrued interest on current interest bonds payable <i>(increased) decreased</i> | \$ (30,181) |          |
| Accrued interest on notes payable <i>(increased) decreased</i>                  | (5,426)     |          |
| Amortization of bond premium                                                    | 23,768      |          |
| Amortization of deferred charge on refunding                                    | (1,776)     | (13,615) |

|                                                                                                                                                                                                                                     |  |          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|
| The (increase) decrease in workers' compensation is reported in the statement of activities but does not require the use of current financial resources, and, therefore, is not reported as expenditures in the governmental funds. |  | (22,696) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|

|                                                                                                                                                                                                                                    |  |       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|
| The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources, and, therefore, is not reported as expenditures in the governmental funds. |  | 3,588 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

|                                             |              |           |
|---------------------------------------------|--------------|-----------|
| Deferred outflows increased (decreased)     | \$ (296,104) |           |
| Deferred inflows (increased) decreased      | (271,609)    |           |
| Net pension liability (increased) decreased | 444,962      | (122,751) |

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

|                                          |             |           |
|------------------------------------------|-------------|-----------|
| Deferred outflows increased (decreased)  | \$ 23,745   |           |
| Deferred inflows (increased) decreased   | (2,885,998) |           |
| Net OPEB liability (increased) decreased | 5,281,080   | 2,418,827 |

|                                                                       |  |                     |
|-----------------------------------------------------------------------|--|---------------------|
| <b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)</b> |  | <b>\$ 1,848,660</b> |
|-----------------------------------------------------------------------|--|---------------------|

The Notes to the Financial Statements are an integral part of this statement.

**Coldspring-Oakhurst Consolidated Independent School District**  
Statement of Assets and Liabilities  
Fiduciary Fund  
August 31, 2018

**Exhibit E-1**

| <b>Data<br/>Control<br/>Codes</b> |                           | <b>865</b>                       |
|-----------------------------------|---------------------------|----------------------------------|
|                                   |                           | <b>Agency<br/>Fund</b>           |
|                                   |                           | <b>Student Activity<br/>Fund</b> |
| <b>ASSETS</b>                     |                           |                                  |
| 1110                              | Cash and cash equivalents | \$ 124,179                       |
| 1120                              | Current investments       | 25,774                           |
| 1000                              | <b>TOTAL ASSETS</b>       | <b>\$ 149,953</b>                |
| <b>LIABILITIES</b>                |                           |                                  |
| 2190                              | Due to student groups     | \$ 149,953                       |
| 2000                              | <b>TOTAL LIABILITIES</b>  | <b>\$ 149,953</b>                |

The Notes to the Financial Statements are an integral part of this statement.

# Coldspring-Oakhurst Consolidated Independent School District

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

#### A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

#### B. Reporting Entity

The Coldspring-Oakhurst Consolidated Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

#### C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for acquiring school sites; constructing, renovating and equipping District facilities; purchasing buses; and technology projects and enhancements.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in governmental activities.

#### **E. Change in Accounting Principle**

In fiscal year 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75) – which supersedes GASB Statement No. 45.

The requirements of Statement No. 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense related to the OPEB plan. Note disclosure and required supplementary information requirements about the OPEB plan also are addressed. The implementation of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively. Refer to Note 4.D. for more information regarding the District's OPEB plan. The implementation of Statement No. 75 resulted in the retroactive restatement of the District's beginning net position by \$12,097,911. See Note 4.G. for details of the District's prior period adjustment and restatement of beginning net position.

#### **F. Measurement Focus and Basis of Accounting**

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

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

## **Coldspring-Oakhurst Consolidated Independent School District**

### **Notes to the Financial Statements**

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

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

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

#### **G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

##### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of twelve months or less from the date of acquisition.

##### **2. Investments**

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value.

##### **3. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies used to operate the National School Breakfast and Lunch Program. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

##### **4. Capital Assets**

Capital assets, which include land and improvements, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements is not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| Capital Asset Classes      | Lives |
|----------------------------|-------|
| Buildings and improvements | 5-40  |
| Furniture and equipment    | 3-25  |

#### **5. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

#### **6. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused leave benefits. The term leave includes state personal days and state sick leave days. Payment for unused leave days accumulated will be made upon retirement (in accordance with guidelines established by the board policy) for all employees. All sick pay is accrued when incurred for employees who are eligible for retirement in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have met the District's requirements and State's retirement eligibility requirements.

The District does not have a liability for unpaid vacation at year-end due to the District's policy does not allow a carryover of vacation days not taken at August 31.

#### **7. Net Position Flow Assumption**

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

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

## **Coldspring-Oakhurst Consolidated Independent School District**

### **Notes to the Financial Statements**

#### **8. Fund Balance Flow Assumptions**

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

#### **9. Fund Balance Policies**

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

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

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

#### **10. Pension**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 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 Pension Plan 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.

#### **11. Other Postemployment 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 postemployment 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.

# Coldspring-Oakhurst Consolidated Independent School District

## Notes to the Financial Statements

### H. Revenues and Expenditures/Expenses

#### 1. Program Revenues

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

#### 2. Property Taxes

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

### I. 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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### J. Data Control Codes

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

## Note 2. Stewardship, Compliance, and Accountability

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund and debt service fund. All other governmental funds adopt project length budgets. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

#### B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The District had no open encumbrances at year end, however, the capital projects fund has contract commitments of \$3,697,333.

#### C. Excess of Expenditures over Appropriation

For the fiscal year ended August 31, 2018, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following fund:

| <u>Fund</u>       | <u>Function</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------|-----------------|---------------------|---------------|-----------------|
| General fund      | 21              | \$ 578,582          | \$ 580,444    | \$ (1,862)      |
| General fund      | 33              | 190,243             | 191,774       | (1,531)         |
| General fund      | 34              | 1,516,840           | 1,518,114     | (1,274)         |
| Debt service fund | 73              | -                   | 20,721        | (20,721)        |

#### Note 3. Detailed Notes on All Funds

##### A. Deposits and Investments

###### Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

# Coldspring-Oakhurst Consolidated Independent School District

## Notes to the Financial Statements

### Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0015; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have a dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

The District's investments are in investment pools and presented in the table below. The District's investment balances and weighted average maturity of such investments at August 31, 2018 are as follows:

|                                            | Governmental<br>Funds | Fiduciary<br>Fund | Percent of<br>Total<br>Investments | Weighted<br>Average<br>Maturity<br>(Days) | Credit<br>Risk |
|--------------------------------------------|-----------------------|-------------------|------------------------------------|-------------------------------------------|----------------|
| Investments measured at amortized cost:    |                       |                   |                                    |                                           |                |
| Investment pools                           |                       |                   |                                    |                                           |                |
| LoneStar Corporate Overnight Plus          | \$ 2,988,130          | \$ 25,774         | 100%                               | 48                                        | AAAF           |
| Investments measured at fair value:        |                       |                   |                                    |                                           |                |
| Investment pools                           |                       |                   |                                    |                                           |                |
| TexSTAR                                    | 1,539                 | -                 | 0%                                 | 24                                        | AAAm           |
| <b>Total value</b>                         | <b>\$ 2,989,669</b>   | <b>\$ 25,774</b>  | <b>100%</b>                        |                                           |                |
| <b>Portfolio weighted average maturity</b> |                       |                   |                                    | <b>48</b>                                 |                |

Certain investment types are not required to be measured at fair value, those include certain investment pools measured at amortized cost. Other investment pools are measured at net asset value, which approximates fair value. These investments are exempt from categorization within the fair value hierarchy.

## **Coldspring-Oakhurst Consolidated Independent School District**

### **Notes to the Financial Statements**

The Lone Star Corporate Overnight Plus investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, has no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Lone Star has a redemption notice period of one day and no maximum transaction amounts. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

The TexSTAR investment pool is an external investment pool measured at their net asset value. TexSTAR's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pool. TexSTAR has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

#### **Credit Risk**

For fiscal year 2018, the District invested in TexSTAR and Lone Star Corporate Overnight Plus investment pool. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Chase. Lone Star Corporate Overnight Plus investment pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC., formerly the Texas Association of School Boards Financial Services. The ratings for each investment are noted in the table above.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any individual investments not to exceed one year, unless specifically authorized by the Board of Trustees.

#### **Concentration of Credit Risk**

The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

#### **Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2018, District's deposits were not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

#### **Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are insured or registered, or securities held by the District or its agent in the District's name.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

#### B. Receivables

Tax revenues of the general fund are reported net of uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

|                                                                  |                    |
|------------------------------------------------------------------|--------------------|
| Change in uncollectibles related to general fund property taxes  | \$ (23,000)        |
| <b>Total change in uncollectibles of the current fiscal year</b> | <b>\$ (23,000)</b> |

Approximately 91% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

#### C. Interfund Receivables, Payables, and Transfers

##### 1. Receivables/Payables

The composition of interfund receivable/payable balances as of August 31, 2018, is as follows:

| Fund              | Interfund<br>Receivables | Interfund<br>Payables |
|-------------------|--------------------------|-----------------------|
| General fund      | \$ 234,400               | \$ -                  |
| Debt service fund | -                        | 7,500                 |
| Nonmajor funds    | -                        | 226,900               |
| <b>Totals</b>     | <b>\$ 234,400</b>        | <b>\$ 234,400</b>     |

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

##### 2. Transfers

Interfund transfers are defined as “flows of assets from one fund to another fund without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund to finance various programs accounted for in other funds. The following is a summary of the District’s transfers for the fiscal year ended August 31, 2018:

| Fund                  | Transfer Out      | Transfer In       |
|-----------------------|-------------------|-------------------|
| General fund          | \$ 70,608         | \$ -              |
| Debt service fund     | -                 | 415,700           |
| Capital projects fund | 415,700           | -                 |
| Nonmajor funds        | -                 | 70,608            |
| <b>Total</b>          | <b>\$ 486,308</b> | <b>\$ 486,308</b> |

Transfers between the general fund and nonmajor funds is to cover the excess expenditures in the national school breakfast and lunch fund. The transfers between capital projects and debt service fund is to account for bond proceeds for the 2018 bond issuance.

# Coldspring-Oakhurst Consolidated Independent School District

## Notes to the Financial Statements

### D. Capital Assets

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

|                                                    | Beginning<br>Balance | Additions           | Reductions          | Ending<br>Balance    |
|----------------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Governmental activities:                           |                      |                     |                     |                      |
| Capital assets, not being depreciated:             |                      |                     |                     |                      |
| Land and improvements                              | \$ 586,383           | \$ -                | \$ -                | \$ 586,383           |
| Construction in progress                           | -                    | 3,670,108           | -                   | 3,670,108            |
| Total capital assets, not being depreciated        | 586,383              | 3,670,108           | -                   | 4,256,491            |
| Capital assets, being depreciated:                 |                      |                     |                     |                      |
| Buildings and improvements                         | 25,737,913           | -                   | -                   | 25,737,913           |
| Furniture and equipment                            | 5,433,214            | 519,956             | (623,660)           | 5,329,510            |
| Total capital assets, being depreciated            | 31,171,127           | 519,956             | (623,660)           | 31,067,423           |
| Less accumulated depreciation for:                 |                      |                     |                     |                      |
| Buildings and improvements                         | (12,598,459)         | (737,122)           | -                   | (13,335,581)         |
| Furniture and equipment                            | (4,064,027)          | (309,194)           | 442,451             | (3,930,770)          |
| Total accumulated depreciation                     | (16,662,486)         | (1,046,316)         | 442,451             | (17,266,351)         |
| Total capital assets, being depreciated, net       | 14,508,641           | (526,360)           | (181,209)           | 13,801,072           |
| <b>Governmental activities capital assets, net</b> | <b>\$ 15,095,024</b> | <b>\$ 3,143,748</b> | <b>\$ (181,209)</b> | <b>\$ 18,057,563</b> |

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

|                                                           |                     |
|-----------------------------------------------------------|---------------------|
| Governmental activities:                                  |                     |
| 11 Instruction                                            | \$ 587,961          |
| 12 Instructional resources and media services             | 23,271              |
| 13 Curriculum and instructional staff development         | 14,738              |
| 23 School leadership                                      | 16,523              |
| 31 Guidance, counseling, and evaluation services          | 3,667               |
| 33 Health services                                        | 1,961               |
| 34 Student transportation                                 | 140,526             |
| 35 Food services                                          | 76,738              |
| 36 Extracurricular activities                             | 89,628              |
| 41 General administration                                 | 53,231              |
| 51 Facilities maintenance and operations                  | 27,665              |
| 52 Security and monitoring services                       | 10,407              |
| <b>Total depreciation expense-governmental activities</b> | <b>\$ 1,046,316</b> |

The District has a remaining commitments of \$3,697,333 for building renovations as of year end.

# Coldspring-Oakhurst Consolidated Independent School District

## Notes to the Financial Statements

### E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, notes payable, workers' compensation, compensated absences, and net pension and OPEB liabilities. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

### Changes in Long-term Liabilities

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

|                                                          | Beginning<br>Balance | Additions<br>(Provisions) | Reductions            | Ending<br>Balance    | Due Within<br>One Year |
|----------------------------------------------------------|----------------------|---------------------------|-----------------------|----------------------|------------------------|
| Governmental activities:                                 |                      |                           |                       |                      |                        |
| Bonds payable:                                           |                      |                           |                       |                      |                        |
| General obligation bonds                                 | \$ -                 | \$ 19,695,000             | \$ -                  | \$ 19,695,000        | \$ 665,000             |
| Deferred amounts:                                        |                      |                           |                       |                      |                        |
| Issuance premium (CIB's)                                 | -                    | 716,131                   | (23,768)              | 692,363              | -                      |
| Total bonds payable, net                                 | -                    | 20,411,131                | (23,768)              | 20,387,363           | 665,000                |
| Notes payable                                            | 2,119,016            | -                         | (1,400,209)           | 718,807              | 94,584                 |
| Workers' compensation                                    | 253                  | 25,471                    | (2,775)               | 22,949               | 22,949                 |
| Compensated absences                                     | 30,363               | (488)                     | (3,100)               | 26,775               | 26,775                 |
| Net pension liability                                    | 3,624,066            | 480,703                   | (925,665)             | 3,179,104            | -                      |
| Net OPEB liability*                                      | 12,180,398           | 1,166                     | (5,282,246)           | 6,899,318            | -                      |
| <b>Governmental activities<br/>long-term liabilities</b> | <b>\$ 17,954,096</b> | <b>\$ 20,917,983</b>      | <b>\$ (7,637,763)</b> | <b>\$ 31,234,316</b> | <b>\$ 809,308</b>      |

\* Per GASB Statement No. 75, beginning balance for net OPEB liability includes the restatement of the net OPEB liability at September 1, 2017.

### General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 3 year current interest bonds (CIB) with various amounts of principal maturing each year. The following is a summary of changes in the general obligation bonds for the fiscal year:

| Series                     | Interest<br>Rate | Original<br>Issue | Maturity<br>Date | Beginning<br>Balance | Additions            | Reductions  | Ending<br>Balance    |
|----------------------------|------------------|-------------------|------------------|----------------------|----------------------|-------------|----------------------|
| 2017 REF                   | 1.50-2.10%       | \$ 1,290,000      | 2023             | \$ -                 | \$ 1,290,000         | \$ -        | \$ 1,290,000         |
| 2018 BLDG                  | 3.00-5.00%       | \$ 18,405,000     | 2038             | -                    | 18,405,000           | -           | 18,405,000           |
| <b>Total bonds payable</b> |                  |                   |                  | <b>\$ -</b>          | <b>\$ 19,695,000</b> | <b>\$ -</b> | <b>\$ 19,695,000</b> |

In December 2017, the District issued \$1,290,000 of unlimited tax refunding bonds, series 2017. The net proceeds of \$1,269,279 (after payment of \$20,721 in issuance costs) were used to legally defease \$1,255,501 of previously issued District maintenance tax notes in order to move the District's obligations to be funded with future debt service property tax collections. The net carrying value exceeded the reacquisition price of the old debt by \$13,778. The District increased its future debt service payments by \$35,321 and obtained an economic loss (differences between the present values of the debt service payments on the old and new debt) of \$15,171.

# Coldspring-Oakhurst Consolidated Independent School District

## Notes to the Financial Statements

Annual debt service requirements for the general obligation bonds at August 31, 2018 are as follows:

| Year Ending<br>August 31, | Principal<br>Value   | Interest            | Total<br>Requirements |
|---------------------------|----------------------|---------------------|-----------------------|
| 2019                      | \$ 665,000           | \$ 672,605          | \$ 1,337,605          |
| 2020                      | 700,000              | 649,474             | 1,349,474             |
| 2021                      | 725,000              | 622,615             | 1,347,615             |
| 2022                      | 745,000              | 592,875             | 1,337,875             |
| 2023                      | 775,000              | 560,625             | 1,335,625             |
| 2024                      | 805,000              | 524,025             | 1,329,025             |
| 2025                      | 835,000              | 483,025             | 1,318,025             |
| 2026                      | 870,000              | 440,400             | 1,310,400             |
| 2027                      | 905,000              | 400,550             | 1,305,550             |
| 2028                      | 940,000              | 367,175             | 1,307,175             |
| 2029                      | 980,000              | 337,200             | 1,317,200             |
| 2030                      | 1,020,000            | 307,200             | 1,327,200             |
| 2031                      | 1,065,000            | 275,925             | 1,340,925             |
| 2032                      | 1,105,000            | 243,375             | 1,348,375             |
| 2033                      | 1,155,000            | 209,475             | 1,364,475             |
| 2034                      | 1,200,000            | 174,150             | 1,374,150             |
| 2035                      | 1,225,000            | 137,775             | 1,362,775             |
| 2036                      | 1,275,000            | 100,275             | 1,375,275             |
| 2037                      | 1,325,000            | 61,275              | 1,386,275             |
| 2038                      | 1,380,000            | 20,700              | 1,400,700             |
| <b>Totals</b>             | <b>\$ 19,695,000</b> | <b>\$ 7,180,719</b> | <b>\$ 26,875,719</b>  |

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2018, the District had no outstanding bonds that are considered defeased.

### Notes Payable

The following is a summary of changes in the notes payable for the fiscal year:

| Description                                                 | Interest<br>Rate | Original<br>Issue | Maturity<br>Date | Beginning<br>Balance | Additions   | Reductions            | Ending<br>Balance |
|-------------------------------------------------------------|------------------|-------------------|------------------|----------------------|-------------|-----------------------|-------------------|
| Equipment purchase and construction<br>of school facilities | 1.890%           | \$ 1,285,000      | 2023             | \$ 800,000           | \$ -        | \$ (800,000)          | \$ -              |
| Five buses                                                  | 2.987%           | 476,945           | 2020             | 204,358              | -           | (204,358)             | -                 |
| Equipment purchase and construction<br>of school facilities | 2.730%           | 1,000,000         | 2025             | 810,823              | -           | (92,016)              | 718,807           |
| Copiers                                                     | 3.160%           | 387,866           | 2021             | 303,835              | -           | (303,835)             | -                 |
| <b>Total notes payable</b>                                  |                  |                   |                  | <b>\$ 2,119,016</b>  | <b>\$ -</b> | <b>\$ (1,400,209)</b> | <b>\$ 718,807</b> |

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

Annual debt service requirements for the notes payable at August 31, 2018 are as follows:

| Year Ending<br>August 31, | Principal         | Interest         | Total<br>Requirements |
|---------------------------|-------------------|------------------|-----------------------|
| 2019                      | \$ 94,584         | \$ 19,609        | \$ 114,193            |
| 2020                      | 97,165            | 17,029           | 114,194               |
| 2021                      | 99,815            | 14,378           | 114,193               |
| 2022                      | 102,538           | 11,655           | 114,193               |
| 2023                      | 105,335           | 8,858            | 114,193               |
| 2024                      | 108,209           | 5,984            | 114,193               |
| 2025                      | 111,161           | 3,033            | 114,194               |
| <b>Totals</b>             | <b>\$ 718,807</b> | <b>\$ 80,546</b> | <b>\$ 799,353</b>     |

#### F. Revenues from Local and Intermediate Sources

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

|                      | General              | Debt Service    | Capital<br>Projects | Other<br>Nonmajor<br>Funds | Totals               |
|----------------------|----------------------|-----------------|---------------------|----------------------------|----------------------|
| Property taxes       | \$ 12,355,703        | \$ -            | \$ -                | \$ -                       | \$ 12,355,703        |
| Investment income    | 66,743               | 3,893           | -                   | 681                        | 71,317               |
| Charges for services | 45,059               | -               | 265,077             | 260,803                    | 570,939              |
| Other                | 48,273               | -               | -                   | -                          | 48,273               |
| <b>Totals</b>        | <b>\$ 12,515,778</b> | <b>\$ 3,893</b> | <b>\$ 265,077</b>   | <b>\$ 261,484</b>          | <b>\$ 13,046,232</b> |

#### Note 4. Other Information

##### A. Risk Management

###### Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District participates in the Texas Association of Public Schools Risk Management Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages, and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, 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.

###### Health Insurance

During the fiscal year ended August 31, 2018, employees of the District were covered by the TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$276 per month, per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

#### Workers' Compensation

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

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the members' Contribution and Coverage Summary document. After the members' deductible has been met, the Fund is responsible for additional claims liability.

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 \$106,572,250 for future development on reported claims and claims that have been incurred but not yet reported. For the fiscal year-ended August 31, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

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

The liability estimation requires the estimate of loss development over an extended period of time. During the self-insurance period of time, numerous internal and external factors will affect the ultimate settlement value of claims. Due to the inherent uncertainty with regard to the impact of these factors, there can be no guarantee that actual losses will not vary, perhaps significantly, from the estimates. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years. The following is summary of the changes in the balances of claims liabilities for workers' compensation for the fiscal year ended August 31:

|                                             | 2018             | 2017          |
|---------------------------------------------|------------------|---------------|
| Unpaid claims, beginning of fiscal year     | \$ 253           | \$ 21,323     |
| Current year claims and change in estimates | 25,471           | (16,685)      |
| Claim payments                              | (2,775)          | (4,385)       |
| <b>Unpaid claims, end of fiscal year</b>    | <b>\$ 22,949</b> | <b>\$ 253</b> |

#### B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2018, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

## **Coldspring-Oakhurst Consolidated Independent School District**

### **Notes to the Financial Statements**

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

#### **C. Defined Benefit Pension Plan**

##### **Plan Description**

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

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

##### **Pension Plan Fiduciary Net Position**

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

##### **Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, 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 postemployment benefit changes; including automatic cost of living adjustments. Ad hoc postemployment benefit changes, including ad hoc cost of living adjustments can be granted by the Texas Legislature as noted in the Plan Description above.

##### **Contributions**

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

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017 and the 85th Texas Legislature, GAA established the employer contribution rates for Plan fiscal years 2018 and 2019. Rates for such plan fiscal years are as follows:

|                                          | 2018 | 2017 | 2016 |
|------------------------------------------|------|------|------|
| Member                                   | 7.7% | 7.7% | 7.2% |
| Non-employer contributing entity (state) | 6.8% | 6.8% | 6.8% |
| Employers/district                       | 6.8% | 6.8% | 6.8% |

The contribution amounts for the District's fiscal year 2018 are as follows:

|                                      |    |         |
|--------------------------------------|----|---------|
| District contributions               | \$ | 353,336 |
| Member contributions                 |    | 793,124 |
| NECE on-behalf contributions (state) |    | 521,246 |

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

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

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

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

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 rate                                                         | 8.00%                              |
| Municipal bond rate                                                             | N/A*                               |
| Last year ending August 31 in the 2017 to 2116<br>projection period (100 years) | 2116                               |
| Inflation                                                                       | 2.50%                              |
| Salary increases                                                                | 3.50% to 9.50% including inflation |
| Ad hoc post-employment benefit changes                                          | None                               |

\*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data 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."

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.

# Coldspring-Oakhurst Consolidated Independent School District

## Notes to the Financial Statements

### Discount Rate

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

| Asset Class                   | Target Allocation | Long-Term Expected Geometric Real Rate of Return | Expected Contribution to Long-Term Portfolio Returns* |
|-------------------------------|-------------------|--------------------------------------------------|-------------------------------------------------------|
| Global equity:                |                   |                                                  |                                                       |
| U.S.                          | 18.0%             | 4.6%                                             | 1.0%                                                  |
| Non-U.S. developed            | 13.0%             | 5.1%                                             | 0.8%                                                  |
| Emerging markets              | 9.0%              | 5.9%                                             | 0.7%                                                  |
| Directional hedge funds       | 4.0%              | 3.2%                                             | 0.1%                                                  |
| Private equity                | 13.0%             | 7.0%                                             | 1.1%                                                  |
| Stable value:                 |                   |                                                  |                                                       |
| U.S. treasuries               | 11.0%             | 0.7%                                             | 0.1%                                                  |
| Absolute return               | 0.0%              | 1.8%                                             | 0.0%                                                  |
| Stable value hedge funds      | 4.0%              | 3.0%                                             | 0.1%                                                  |
| Cash                          | 1.0%              | (0.2%)                                           | 0.0%                                                  |
| Real return:                  |                   |                                                  |                                                       |
| Global inflation linked bonds | 3.0%              | 0.9%                                             | 0.0%                                                  |
| Real assets                   | 16.0%             | 5.1%                                             | 1.1%                                                  |
| Energy and natural resources  | 3.0%              | 6.6%                                             | 0.2%                                                  |
| Commodities                   | 0.0%              | 1.2%                                             | 0.0%                                                  |
| Risk parity:                  |                   |                                                  |                                                       |
| Risk parity                   | 5.0%              | 6.7%                                             | 0.3%                                                  |
| Inflation expectation         |                   |                                                  | 2.2%                                                  |
| Alpha                         |                   |                                                  | 1.0%                                                  |
| <b>Totals</b>                 | <b>100%</b>       |                                                  | <b>8.7%</b>                                           |

\*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

#### Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate:

| 1% Decrease<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1% Increase<br>(9.00%) |
|------------------------|-------------------------------------|------------------------|
| \$ 5,359,341           | \$ 3,179,104                        | \$ 1,363,703           |

#### 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 \$3,179,104 for its proportionate share of the TRS's net pension liability. 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 are as follows:

|                                                                                       |                     |
|---------------------------------------------------------------------------------------|---------------------|
| District's proportionate share of the net pension liability                           | \$ 3,179,104        |
| State's proportionate share of the net pension liability associated with the District | 5,240,504           |
| <b>Total</b>                                                                          | <b>\$ 8,419,608</b> |

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

At August 31, 2017, the employer's proportion of the net pension liability was 0.009943% which was an increase of 0.000353% from its proportion measured as of August 31, 2016.

#### Changes Since the Prior Actuarial Valuation

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

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

For the fiscal year ended August 31, 2018, the District recognized pension expense of \$875,812 and revenue of \$399,725 for support provided by the State.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

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

|                                                                                                                                      | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                                                                   | \$ 46,512                            | \$ 171,445                          |
| Changes of assumptions                                                                                                               | 144,813                              | 82,902                              |
| Net difference between projected and actual earnings on pension plan investments                                                     | -                                    | 231,686                             |
| Changes in proportion and differences between District contributions<br>and proportionate share of contributions (cost-sharing plan) | 667,845                              | 27,335                              |
| District contribution after measurement date                                                                                         | 353,336                              | -                                   |
| <b>Totals</b>                                                                                                                        | <b>\$ 1,212,506</b>                  | <b>\$ 513,368</b>                   |

\$353,336 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

| Year Ending<br>August 31, |                   |
|---------------------------|-------------------|
| 2019                      | \$ 52,945         |
| 2020                      | 255,875           |
| 2021                      | 37,352            |
| 2022                      | (24,869)          |
| 2023                      | 13,938            |
| Thereafter                | 10,561            |
| <b>Totals</b>             | <b>\$ 345,802</b> |

#### D. Defined Other Postemployment 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 Postemployment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

##### OPEB Plan Fiduciary Net Position

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

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

#### Benefits Provided

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

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

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

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

|                         | TRS-Care 1<br>Basic Plan | TRS-Care 2<br>Optional Plan | TRS-Care 3<br>Optional Plan |
|-------------------------|--------------------------|-----------------------------|-----------------------------|
| Retiree*                | \$ -                     | \$ 70                       | \$ 100                      |
| Retiree and spouse      | 20                       | 175                         | 255                         |
| Retiree* and children   | 41                       | 132                         | 182                         |
| Retiree and family      | 61                       | 237                         | 337                         |
| Surviving children only | 28                       | 62                          | 82                          |

\* or surviving spouse

#### Contributions

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

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

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.

|                                               | 2018  | 2017  |
|-----------------------------------------------|-------|-------|
| Active employee                               | 0.65% | 0.65% |
| Non-employer contribution entity (state)      | 1.25% | 1.00% |
| Employers/District                            | 0.75% | 0.55% |
| Federal/private funding remitted by employers | 1.25% | 1.00% |

The contribution amounts for the District's fiscal year 2018 are as follows:

|                                      |            |
|--------------------------------------|------------|
| District contributions               | \$ 105,154 |
| Member contributions                 | 66,952     |
| NECE on-behalf contributions (state) | 153,259    |

In addition, the State of Texas contributed \$32,129, \$46,308 and \$38,193 in 2018, 2017, and 2016, respectively, for on-behalf payments for Medicare Part D.

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 \$212 million in fiscal year 2018.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

#### Actuarial Assumptions

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

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

The following additional actuarial methods and assumptions were employed in the August 31, 2017 actuarial valuation of the total OPEB liability:

|                                        |                                                                                                                                                                          |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date                         | August 31, 2017                                                                                                                                                          |
| Actuarial cost method                  | Individual entry age normal                                                                                                                                              |
| Inflation                              | 2.50%                                                                                                                                                                    |
| Discount rate*                         | 3.42%*                                                                                                                                                                   |
| Aging factors                          | Based on plan specific experience<br>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 retiree; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

#### Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

#### Sensitivity of the Net OPEB Liability

##### Discount Rate

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

Sensitivity of the Net OPEB Liability  
to the Single Discount Rate Assumptions

| 1% Decrease<br>(2.42%) | Current<br>Discount Rate<br>(3.42%) | 1% Increase<br>(4.42%) |
|------------------------|-------------------------------------|------------------------|
| \$ 8,142,908           | \$ 6,899,318                        | \$ 5,899,752           |

##### Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to  
the Healthcare Cost Trend Rate Assumptions

| 1% Decrease  | Current<br>Healthcare Cost<br>Trend Rate | 1% Increase  |
|--------------|------------------------------------------|--------------|
| \$ 5,744,372 | \$ 6,899,318                             | \$ 8,414,754 |

#### 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 \$6,899,318 for its proportionate share of the TRS's net OPEB liability. 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 net OPEB liability                           | \$ 6,899,318        |
| State's proportionate share of the net OPEB liability associated with the District | 7,936,330           |
| <b>Total</b>                                                                       | <b>\$14,835,648</b> |

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 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.001587% which was the same proportion measured as of August 31, 2016.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

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

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
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.

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

GASB Statement No. 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2017, the State's proportionate share of collected OPEB expense was a negative expense of \$8,504,163,580 and the portion of that amount that is associated with the District is a negative expense of \$2,655,707. This amount is recorded as a negative revenue and negative expense for the year ended August 31, 2018.

For the year ended August 31, 2018, the District recognized total negative OPEB expense of \$4,969,380, which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

At August 31, 2018, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

|                                                                                                                                      | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience                                                                          | \$ -                                 | \$ 144,029                          |
| Changes of assumptions                                                                                                               | -                                    | 2,741,969                           |
| Net difference between projected and actual earnings on<br>pension plan investments                                                  | 1,048                                | -                                   |
| Changes in proportion and differences between District contributions<br>and proportionate share of contributions (cost-sharing plan) | 30                                   | -                                   |
| District contributions after measurement date                                                                                        | 105,154                              | -                                   |
| <b>Totals</b>                                                                                                                        | <b>\$ 106,232</b>                    | <b>\$ 2,885,998</b>                 |

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Financial Statements

\$150,154 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

| Year Ending<br>August 31, |                       |
|---------------------------|-----------------------|
| 2019                      | \$ (380,667)          |
| 2020                      | (380,667)             |
| 2021                      | (380,667)             |
| 2022                      | (380,667)             |
| 2023                      | (380,929)             |
| Thereafter                | (981,323)             |
| <b>Total</b>              | <b>\$ (2,884,920)</b> |

#### E. Nonmonetary Transactions

During 2018, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$38,503. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$38,503 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

#### F. Deficit Net Position/Fund Balance

The statement of net position reported a deficit unrestricted balance of \$4,848,207 at August 31, 2018 due to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as described earlier in Note 1.E. and Note 4.D.

The District reported a deficit of \$5,476 in the debt service fund due to the interest payment and issuance cost being more than provided by the 2018 bond proceeds. Additionally, the District had not adopted a tax rate for the debt service fund for the current fiscal period.

#### G. Prior Period Adjustment and Restatement of Beginning Net Position

##### Implementation of GASB Statement No. 75

As described in Note 1.E, the District implemented GASB Statement No. 75 during the year ended August 31, 2018, resulting in a reduction of beginning net position by \$12,097,911. The reduction represents the recognition of the August 31, 2017 OPEB liability of \$12,180,398, offset by August 31, 2017 deferred outflows of resources of \$82,487.

|                                                | Governmental<br>Activities |
|------------------------------------------------|----------------------------|
| Beginning net position, as originally reported | \$ 17,330,711              |
| Implementation of GASB 75 for OPEB             | (12,097,911)               |
| <b>Beginning net position, restated</b>        | <b>\$ 5,232,800</b>        |

## **Required Supplementary Information**

# Coldspring-Oakhurst Consolidated Independent School District

## Exhibit G-1

### Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund For the Fiscal Year Ended August 31, 2018

| Data<br>Control<br>Codes       |                                                              | Budgeted Amounts |               | Actual        | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------|--------------------------------------------------------------|------------------|---------------|---------------|---------------------------------------------------------|
|                                |                                                              | Original         | Final         |               |                                                         |
| REVENUES                       |                                                              |                  |               |               |                                                         |
| 5700                           | Local and intermediate sources                               | \$ 12,820,908    | \$ 12,509,758 | \$ 12,512,778 | \$ 3,020                                                |
| 5800                           | State program revenues                                       | 2,797,131        | 3,138,000     | 3,146,265     | 8,265                                                   |
| 5900                           | Federal program revenues                                     | 218,000          | 538,000       | 430,561       | (107,439)                                               |
| 5020                           | Total revenues                                               | 15,836,039       | 16,185,758    | 16,089,604    | (96,154)                                                |
| EXPENDITURES                   |                                                              |                  |               |               |                                                         |
| Current:                       |                                                              |                  |               |               |                                                         |
| 0011                           | Instruction                                                  | 7,398,512        | 7,427,093     | 7,318,195     | 108,898                                                 |
| 0012                           | Instructional resources and media services                   | 418,751          | 418,751       | 386,653       | 32,098                                                  |
| 0013                           | Curriculum and instructional staff developmer                | 179,556          | 179,556       | 175,725       | 3,831                                                   |
| 0021                           | Instructional leadership                                     | 656,082          | 578,582       | 580,444       | (1,862)                                                 |
| 0023                           | School leadership                                            | 911,078          | 906,347       | 905,003       | 1,344                                                   |
| 0031                           | Guidance, counseling, and evaluation service                 | 290,502          | 285,102       | 272,568       | 12,534                                                  |
| 0033                           | Health services                                              | 175,243          | 190,243       | 191,774       | (1,531)                                                 |
| 0034                           | Student transportation                                       | 1,159,840        | 1,516,840     | 1,518,114     | (1,274)                                                 |
| 0035                           | Food services                                                | -                | -             | 646           | (646)                                                   |
| 0036                           | Extracurricular activities                                   | 699,352          | 716,352       | 709,479       | 6,873                                                   |
| 0041                           | General administration                                       | 621,415          | 661,415       | 652,209       | 9,206                                                   |
| 0051                           | Plant maintenance and operations                             | 1,977,472        | 2,052,472     | 1,844,661     | 207,811                                                 |
| 0052                           | Security and monitoring services                             | 219,113          | 360,113       | 349,306       | 10,807                                                  |
| 0053                           | Data processing services                                     | 165,381          | 165,381       | 155,362       | 10,019                                                  |
| 0061                           | Community services                                           | 48,336           | 43,336        | 35,450        | 7,886                                                   |
| Debt service:                  |                                                              |                  |               |               |                                                         |
| 0071                           | Principal on long-term debt                                  | 367,181          | 144,708       | 144,708       | -                                                       |
| 0072                           | Interest on long-term debt                                   | 79,225           | 26,698        | 23,491        | 3,207                                                   |
| Intergovernmental:             |                                                              |                  |               |               |                                                         |
| 0099                           | Other intergovernmental charges                              | 469,000          | 469,000       | 452,427       | 16,573                                                  |
| 6030                           | Total expenditures                                           | 15,836,039       | 16,141,989    | 15,716,215    | 425,774                                                 |
| 1100                           | Excess (deficiency) of revenues<br>over (under) expenditures | -                | 43,769        | 373,389       | 329,620                                                 |
| OTHER FINANCING SOURCES (USES) |                                                              |                  |               |               |                                                         |
| 8911                           | Transfers out                                                | -                | (83,269)      | (70,608)      | 12,661                                                  |
| 7080                           | Total other financing sources (uses)                         | -                | (83,269)      | (70,608)      | 12,661                                                  |
| 1200                           | Net change in fund balance                                   | -                | (39,500)      | 302,781       | 342,281                                                 |
| 0100                           | Fund balance - beginning                                     | 4,862,335        | 4,862,335     | 4,862,335     | -                                                       |
| 3000                           | FUND BALANCE - ENDING                                        | \$ 4,862,335     | \$ 4,822,835  | \$ 5,165,116  | \$ 342,281                                              |

The Notes to the Required Supplementary information are an integral part of this schedule.

**Coldspring-Oakhurst Consolidated Independent School District****Exhibit G-2**

Schedule of the District's Proportionate Share of the  
 Net Pension Liability of a Cost-Sharing Multiple-Employer  
 Pension Plan - Teacher Retirement System of Texas  
 For the Last Four Fiscal Years\*

|                                                                                                    | <b>2018</b>         | <b>2017</b>         | <b>2016</b>          | <b>2015</b>         |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------|----------------------|---------------------|
| District's proportion of the net pension liability                                                 | 0.009943%           | 0.009590%           | 0.010194%            | 0.006458%           |
| District's proportionate share of the net pension liability                                        | \$ 3,179,104        | \$ 3,624,066        | \$ 3,603,443         | \$ 1,725,021        |
| State's proportionate share of the net pension liability associated with the District              | 5,240,504           | 6,252,862           | 6,406,183            | 5,660,518           |
| <b>TOTALS</b>                                                                                      | <b>\$ 8,419,608</b> | <b>\$ 9,876,928</b> | <b>\$ 10,009,626</b> | <b>\$ 7,385,539</b> |
| District's covered payroll                                                                         | \$ 10,268,612       | \$ 10,007,018       | \$ 10,141,766        | \$ 10,013,984       |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 30.96%              | 36.22%              | 35.53%               | 17.23%              |
| Plan fiduciary net position as a percentage of the total pension liability                         | 82.17%              | 78.00%              | 78.43%               | 83.25%              |

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.  
 Ten years of data is not available.

**Coldspring-Oakhurst Consolidated Independent School District****Exhibit G-3**

Schedule of the District's Contributions to the  
Teacher Retirement System of Texas Pension Plan  
For the Last Four Fiscal Years\*

|                                                                          | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   |
|--------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>TRS</b>                                                               |               |               |               |               |
| Contractually required contributions                                     | \$ 353,336    | \$ 325,863    | \$ 304,711    | \$ 301,850    |
| Contributions in relation to the contractually<br>required contributions | (353,336)     | (325,863)     | (304,711)     | (301,850)     |
| <b>CONTRIBUTION DEFICIENCY (EXCESS)</b>                                  | <b>\$ -</b>   | <b>\$ -</b>   | <b>\$ -</b>   | <b>\$ -</b>   |
| District's covered payroll                                               | \$ 10,300,313 | \$ 10,268,612 | \$ 10,007,018 | \$ 10,141,766 |
| Contributions as a percentage of<br>covered payroll                      | 3.43%         | 3.17%         | 3.04%         | 2.98%         |

\*The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.  
Ten years of data is not available.

**Coldspring-Oakhurst Consolidated Independent School District****Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB  
Liability of a Cost-Sharing Multiple-Employer OPEB Plan  
Teacher Retirement System of Texas  
Last Fiscal Year\*

|                                                                                                 | <b>2018</b>          |
|-------------------------------------------------------------------------------------------------|----------------------|
| District's proportion of the net OPEB liability                                                 | 0.001587%            |
| District's proportionate share of the net OPEB liability                                        | \$ 6,899,318         |
| State's proportionate share of the net OPEB liability                                           | 7,936,330            |
| <b>TOTALS</b>                                                                                   | <b>\$ 14,835,648</b> |
| District's covered payroll                                                                      | \$ 10,268,612        |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 67.19%               |
| Plan fiduciary net position as a percentage of the total OPEB liability                         | 0.91%                |

\* The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31 of the prior year.  
Ten years of data is not available.

**Coldspring-Oakhurst Consolidated Independent School District****Exhibit G-5**

Schedule of the District's Contributions to the  
Teacher Retirement System of Texas OPEB Plan  
Last Fiscal Year\*

|                                                                          | <b>2018</b>        |
|--------------------------------------------------------------------------|--------------------|
| <b>TRS</b>                                                               |                    |
| Contractually required contributions                                     | \$ 105,154         |
| Contributions in relation to the contractually<br>required contributions | <u>(105,154)</u>   |
| <b>CONTRIBUTION DEFICIENCY (EXCESS)</b>                                  | <b><u>\$ -</u></b> |
| District's covered payroll                                               | \$ 10,300,313      |
| Contributions as a percentage of<br>covered payroll                      | 1.02%              |

\*The amounts presented for the fiscal year were determined as of the District's fiscal year end August 31.  
Ten years of data is not available.

## Coldspring-Oakhurst Consolidated Independent School District

### Notes to the Required Supplementary Information

#### Note 1. Budget

##### A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

##### B. Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2018, expenditures exceeded appropriations in the following functions (the legal level of budgetary control):

| Fund              | Function | Final Budget | Actual     | Variance   |
|-------------------|----------|--------------|------------|------------|
| General fund      | 21       | \$ 578,582   | \$ 580,444 | \$ (1,862) |
| General fund      | 33       | 190,243      | 191,774    | (1,531)    |
| General fund      | 34       | 1,516,840    | 1,518,114  | (1,274)    |
| Debt service fund | 73       | -            | 20,721     | (20,721)   |

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## **Supplementary Information**

# Coldspring-Oakhurst Consolidated Independent School District

## Combining Balance Sheet

### Nonmajor Governmental Funds - Special Revenue Funds

August 31, 2018

|                          |                                            | 211                                                    | 214                                        | 224                       |
|--------------------------|--------------------------------------------|--------------------------------------------------------|--------------------------------------------|---------------------------|
| Data<br>Control<br>Codes |                                            | ESSA, Title I, Part A -<br>Improving Basic<br>Programs | Title I - School<br>Improvement<br>Program | IDEA - Part B,<br>Formula |
| <b>ASSETS</b>            |                                            |                                                        |                                            |                           |
| 1110                     | Cash and cash equivalents                  | \$ -                                                   | \$ -                                       | \$ -                      |
| 1120                     | Current investments                        | -                                                      | -                                          | -                         |
| 1240                     | Due from other governments                 | 36,348                                                 | 12,145                                     | 39,871                    |
| 1300                     | Inventories                                | -                                                      | -                                          | -                         |
| 1000                     | <b>TOTAL ASSETS</b>                        | <b>\$ 36,348</b>                                       | <b>\$ 12,145</b>                           | <b>\$ 39,871</b>          |
| <b>LIABILITIES</b>       |                                            |                                                        |                                            |                           |
| 2110                     | Accounts payable                           | \$ -                                                   | \$ 3,123                                   | \$ 467                    |
| 2160                     | Accrued wages payable                      | 11,713                                                 | -                                          | 19,743                    |
| 2170                     | Due to other funds                         | 9,414                                                  | 9,022                                      | 18,146                    |
| 2180                     | Due to other governments                   | 14,025                                                 | -                                          | -                         |
| 2200                     | Accrued liabilities                        | 1,196                                                  | -                                          | 1,515                     |
| 2300                     | Unearned revenue                           | -                                                      | -                                          | -                         |
| 2000                     | <b>Total liabilities</b>                   | <b>36,348</b>                                          | <b>12,145</b>                              | <b>39,871</b>             |
| <b>FUND BALANCES</b>     |                                            |                                                        |                                            |                           |
| 3450                     | Restricted - grant funds                   | -                                                      | -                                          | -                         |
| 3545                     | Committed - campus activity                | -                                                      | -                                          | -                         |
| 3000                     | <b>Total fund balances</b>                 | <b>-</b>                                               | <b>-</b>                                   | <b>-</b>                  |
| 4000                     | <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 36,348</b>                                       | <b>\$ 12,145</b>                           | <b>\$ 39,871</b>          |

**Exhibit H-1**  
(Page 1 of 2)

| 225                         | 240                                               | 244                                      | 255                                                                          | 270                                                                       | 287                       | 288           |
|-----------------------------|---------------------------------------------------|------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------|---------------|
| IDEA - Part B,<br>Preschool | National School<br>Breakfast and<br>Lunch Program | Career and<br>Technical - Basic<br>Grant | ESSA, Title II, Part A,<br>Teacher and<br>Principal Training<br>& Recruiting | ESSA, Title VI, Part<br>B, Subpart 2 - Rural<br>and Low-Income<br>Program | Teacher Incentive<br>Fund | JROTC Program |
| \$ -                        | \$ 80,217                                         | \$ -                                     | \$ -                                                                         | \$ -                                                                      | \$ -                      | \$ -          |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| 1,105                       | 24,775                                            | 3,341                                    | 12,050                                                                       | -                                                                         | 52,156                    | -             |
| -                           | 28,569                                            | -                                        | -                                                                            | -                                                                         | -                         | -             |
| <u>\$ 1,105</u>             | <u>\$ 133,561</u>                                 | <u>\$ 3,341</u>                          | <u>\$ 12,050</u>                                                             | <u>\$ -</u>                                                               | <u>\$ 52,156</u>          | <u>\$ -</u>   |
| \$ -                        | \$ 42,846                                         | \$ -                                     | \$ 1,014                                                                     | \$ -                                                                      | \$ -                      | \$ -          |
| 458                         | 16,211                                            | -                                        | 1,981                                                                        | -                                                                         | -                         | -             |
| 601                         | 53,334                                            | 3,341                                    | 8,863                                                                        | -                                                                         | 52,156                    | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| 46                          | 1,555                                             | -                                        | 192                                                                          | -                                                                         | -                         | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| 1,105                       | 113,946                                           | 3,341                                    | 12,050                                                                       | -                                                                         | 52,156                    | -             |
| -                           | 19,615                                            | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | 19,615                                            | -                                        | -                                                                            | -                                                                         | -                         | -             |
| <u>\$ 1,105</u>             | <u>\$ 133,561</u>                                 | <u>\$ 3,341</u>                          | <u>\$ 12,050</u>                                                             | <u>\$ -</u>                                                               | <u>\$ 52,156</u>          | <u>\$ -</u>   |

**Coldspring-Oakhurst Consolidated Independent School District**  
Combining Balance Sheet  
Nonmajor Governmental Funds - Special Revenue Funds - Continued  
August 31, 2018

|                                   |                                            | 289                           | 385                                                 | 392                                                     |
|-----------------------------------|--------------------------------------------|-------------------------------|-----------------------------------------------------|---------------------------------------------------------|
| <b>Data<br/>Control<br/>Codes</b> |                                            | <b>Hurricane<br/>Recovery</b> | <b>State<br/>Supplemental<br/>Visually Impaired</b> | <b>Noneducational<br/>Community -<br/>Based Support</b> |
| <b>ASSETS</b>                     |                                            |                               |                                                     |                                                         |
| 1110                              | Cash and cash equivalents                  | \$ -                          | \$ 2                                                | \$ -                                                    |
| 1120                              | Current investments                        | -                             | -                                                   | -                                                       |
| 1240                              | Due from other governments                 | 70,135                        | -                                                   | 1,881                                                   |
| 1300                              | Inventories                                | -                             | -                                                   | -                                                       |
| 1000                              | <b>TOTAL ASSETS</b>                        | <b>\$ 70,135</b>              | <b>\$ 2</b>                                         | <b>\$ 1,881</b>                                         |
| <b>LIABILITIES</b>                |                                            |                               |                                                     |                                                         |
| 2110                              | Accounts payable                           | \$ -                          | \$ -                                                | \$ -                                                    |
| 2160                              | Accrued wages payable                      | -                             | -                                                   | -                                                       |
| 2170                              | Due to other funds                         | 70,135                        | 2                                                   | 1,881                                                   |
| 2180                              | Due to other governments                   | -                             | -                                                   | -                                                       |
| 2200                              | Accrued liabilities                        | -                             | -                                                   | -                                                       |
| 2300                              | Unearned revenue                           | -                             | -                                                   | -                                                       |
| 2000                              | <b>Total liabilities</b>                   | <b>70,135</b>                 | <b>2</b>                                            | <b>1,881</b>                                            |
| <b>FUND BALANCES</b>              |                                            |                               |                                                     |                                                         |
| 3450                              | Restricted - grant funds                   | -                             | -                                                   | -                                                       |
| 3545                              | Committed - campus activity                | -                             | -                                                   | -                                                       |
| 3000                              | <b>Total fund balances</b>                 | <b>-</b>                      | <b>-</b>                                            | <b>-</b>                                                |
| 4000                              | <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 70,135</b>              | <b>\$ 2</b>                                         | <b>\$ 1,881</b>                                         |

**Exhibit H-1**  
(Page 2 of 2)

| 397                                  | 410                    | 423                                                                               | 428                                           | 429                                      | 461                     |                                                 |
|--------------------------------------|------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------|-------------------------|-------------------------------------------------|
| Advanced<br>Placement<br>Initiatives | State Textbook<br>Fund | Peace Officer<br>Allocation - Law<br>Enforcement<br>Officer Stds and<br>Education | Literacy and Math<br>Achievement<br>Academies | State Funded<br>Special Revenue<br>Funds | Campus Activity<br>Fund | Total<br>Nonmajor<br>Funds (See<br>Exhibit C-1) |
| \$ 2,184                             | \$ 10,996              | \$ 288                                                                            | \$ -                                          | \$ 63                                    | \$ 43,754               | \$ 137,504                                      |
| -                                    | -                      | 795                                                                               | -                                             | -                                        | -                       | 795                                             |
| -                                    | -                      | -                                                                                 | -                                             | -                                        | -                       | 253,807                                         |
| -                                    | -                      | -                                                                                 | -                                             | -                                        | -                       | 28,569                                          |
| <u>\$ 2,184</u>                      | <u>\$ 10,996</u>       | <u>\$ 1,083</u>                                                                   | <u>\$ -</u>                                   | <u>\$ 63</u>                             | <u>\$ 43,754</u>        | <u>\$ 420,675</u>                               |
| \$ -                                 | \$ -                   | \$ -                                                                              | \$ -                                          | \$ -                                     | \$ -                    | \$ 47,450                                       |
| -                                    | -                      | -                                                                                 | -                                             | -                                        | -                       | 50,106                                          |
| -                                    | -                      | -                                                                                 | -                                             | 5                                        | -                       | 226,900                                         |
| -                                    | -                      | -                                                                                 | -                                             | -                                        | -                       | 14,025                                          |
| -                                    | -                      | -                                                                                 | -                                             | -                                        | -                       | 4,504                                           |
| 2,184                                | 10,996                 | 1,083                                                                             | -                                             | 28                                       | -                       | 14,291                                          |
| 2,184                                | 10,996                 | 1,083                                                                             | -                                             | 33                                       | -                       | 357,276                                         |
| -                                    | -                      | -                                                                                 | -                                             | 30                                       | -                       | 19,645                                          |
| -                                    | -                      | -                                                                                 | -                                             | -                                        | 43,754                  | 43,754                                          |
| -                                    | -                      | -                                                                                 | -                                             | 30                                       | 43,754                  | 63,399                                          |
| <u>\$ 2,184</u>                      | <u>\$ 10,996</u>       | <u>\$ 1,083</u>                                                                   | <u>\$ -</u>                                   | <u>\$ 63</u>                             | <u>\$ 43,754</u>        | <u>\$ 420,675</u>                               |

# Coldspring-Oakhurst Consolidated Independent School District

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds - Special Revenue Funds  
For the Fiscal Year Ended August 31, 2018

|                                        |                                                              | 211                                                    | 214                                        | 224                       |
|----------------------------------------|--------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------|---------------------------|
| Data<br>Control<br>Codes               |                                                              | ESSA, Title I, Part A -<br>Improving Basic<br>Programs | Title I - School<br>Improvement<br>Program | IDEA - Part B,<br>Formula |
| <b>REVENUES</b>                        |                                                              |                                                        |                                            |                           |
| 5700                                   | Local and intermediate sources                               | \$ -                                                   | \$ -                                       | \$ -                      |
| 5800                                   | State program revenues                                       | -                                                      | -                                          | -                         |
| 5900                                   | Federal program revenues                                     | 313,619                                                | 72,415                                     | 272,317                   |
| 5020                                   | Total revenues                                               | 313,619                                                | 72,415                                     | 272,317                   |
| <b>EXPENDITURES</b>                    |                                                              |                                                        |                                            |                           |
| Current:                               |                                                              |                                                        |                                            |                           |
| 0011                                   | Instruction                                                  | 247,638                                                | 55,861                                     | 114,795                   |
| 0012                                   | Instructional resources and media services                   | -                                                      | -                                          | -                         |
| 0013                                   | Curriculum and instructional staff development               | 65,981                                                 | 15,085                                     | -                         |
| 0021                                   | Instructional leadership                                     | -                                                      | -                                          | -                         |
| 0023                                   | School leadership                                            | -                                                      | -                                          | -                         |
| 0031                                   | Guidance, counseling, and evaluation services                | -                                                      | -                                          | 156,450                   |
| 0033                                   | Health services                                              | -                                                      | -                                          | 1,072                     |
| 0035                                   | Food services                                                | -                                                      | -                                          | -                         |
| 0036                                   | Extracurricular activities                                   | -                                                      | -                                          | -                         |
| 0051                                   | Plant maintenance and operations                             | -                                                      | -                                          | -                         |
| 0052                                   | Security and monitoring services                             | -                                                      | -                                          | -                         |
| 0061                                   | Community services                                           | -                                                      | 1,469                                      | -                         |
| 6030                                   | Total expenditures                                           | 313,619                                                | 72,415                                     | 272,317                   |
| 1100                                   | Excess (deficiency) of revenues<br>over (under) expenditures | -                                                      | -                                          | -                         |
| <b>OTHER FINANCING SOURCES (USES):</b> |                                                              |                                                        |                                            |                           |
| 7915                                   | Transfers in                                                 | -                                                      | -                                          | -                         |
| 7080                                   | Total other financing sources (uses)                         | -                                                      | -                                          | -                         |
| 1200                                   | Net change in fund balances                                  | -                                                      | -                                          | -                         |
| 0100                                   | Fund balances - beginning                                    | -                                                      | -                                          | -                         |
| 3000                                   | <b>FUND BALANCES - ENDING</b>                                | \$ -                                                   | \$ -                                       | \$ -                      |

**Exhibit H-2**  
(Page 1 of 2)

| 225                         | 240                                               | 244                                      | 255                                                                          | 270                                                                       | 287                       | 288           |
|-----------------------------|---------------------------------------------------|------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------|---------------|
| IDEA - Part B,<br>Preschool | National School<br>Breakfast and<br>Lunch Program | Career and<br>Technical - Basic<br>Grant | ESSA, Title II, Part A,<br>Teacher and<br>Principal Training<br>& Recruiting | ESSA, Title VI, Part<br>B, Subpart 2 - Rural<br>and Low-Income<br>Program | Teacher Incentive<br>Fund | JROTC Program |
| \$ -                        | \$ 224,077                                        | \$ -                                     | \$ -                                                                         | \$ -                                                                      | \$ -                      | \$ -          |
| -                           | 12,550                                            | -                                        | -                                                                            | -                                                                         | -                         | -             |
| 7,663                       | 880,151                                           | 17,120                                   | 75,782                                                                       | -                                                                         | 244,332                   | 3,783         |
| 7,663                       | 1,116,778                                         | 17,120                                   | 75,782                                                                       | -                                                                         | 244,332                   | 3,783         |
| 7,663                       | -                                                 | 14,693                                   | 38,988                                                                       | -                                                                         | 27,885                    | 3,783         |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | -                                                 | 2,427                                    | 36,794                                                                       | -                                                                         | 22,551                    | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | 192,901                   | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | 995                       | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | 1,178,322                                         | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | -                                                 | -                                        | -                                                                            | -                                                                         | -                         | -             |
| 7,663                       | 1,178,322                                         | 17,120                                   | 75,782                                                                       | -                                                                         | 244,332                   | 3,783         |
| -                           | (61,544)                                          | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | 70,608                                            | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | 70,608                                            | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | 9,064                                             | -                                        | -                                                                            | -                                                                         | -                         | -             |
| -                           | 10,551                                            | -                                        | -                                                                            | -                                                                         | -                         | -             |
| \$ -                        | \$ 19,615                                         | \$ -                                     | \$ -                                                                         | \$ -                                                                      | \$ -                      | \$ -          |

# Coldspring-Oakhurst Consolidated Independent School District

Combining Statement of Revenues, Expenditures,

and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue Funds - Continued

For the Fiscal Year Ended August 31, 2018

|                                   |                                                              | 289                           | 385                                                 | 392                                                     |
|-----------------------------------|--------------------------------------------------------------|-------------------------------|-----------------------------------------------------|---------------------------------------------------------|
| <b>Data<br/>Control<br/>Codes</b> |                                                              | <b>Hurricane<br/>Recovery</b> | <b>State<br/>Supplemental<br/>Visually Impaired</b> | <b>Noneducational<br/>Community - Based<br/>Support</b> |
|                                   | <b>REVENUES</b>                                              |                               |                                                     |                                                         |
| 5700                              | Local and intermediate sources                               | \$ -                          | \$ -                                                | \$ -                                                    |
| 5800                              | State program revenues                                       | -                             | 1,400                                               | 2,265                                                   |
| 5900                              | Federal program revenues                                     | 70,135                        | -                                                   | -                                                       |
| 5020                              | Total revenues                                               | 70,135                        | 1,400                                               | 2,265                                                   |
|                                   | <b>EXPENDITURES</b>                                          |                               |                                                     |                                                         |
|                                   | Current:                                                     |                               |                                                     |                                                         |
| 0011                              | Instruction                                                  | -                             | 1,400                                               | 2,265                                                   |
| 0012                              | Instructional resources and media services                   | -                             | -                                                   | -                                                       |
| 0013                              | Curriculum and instructional staff development               | -                             | -                                                   | -                                                       |
| 0021                              | Instructional leadership                                     | -                             | -                                                   | -                                                       |
| 0023                              | School leadership                                            | -                             | -                                                   | -                                                       |
| 0031                              | Guidance, counseling, and evaluation services                | -                             | -                                                   | -                                                       |
| 0033                              | Health services                                              | -                             | -                                                   | -                                                       |
| 0035                              | Food services                                                | -                             | -                                                   | -                                                       |
| 0036                              | Extracurricular activities                                   | -                             | -                                                   | -                                                       |
| 0051                              | Plant maintenance and operations                             | 70,135                        | -                                                   | -                                                       |
| 0052                              | Security and monitoring services                             | -                             | -                                                   | -                                                       |
| 0061                              | Community services                                           | -                             | -                                                   | -                                                       |
| 6030                              | Total expenditures                                           | 70,135                        | 1,400                                               | 2,265                                                   |
| 1100                              | Excess (deficiency) of revenues<br>over (under) expenditures | -                             | -                                                   | -                                                       |
|                                   | <b>OTHER FINANCING SOURCES (USES):</b>                       |                               |                                                     |                                                         |
| 8911                              | Transfers out                                                | -                             | -                                                   | -                                                       |
| 7080                              | Total other financing sources (uses)                         | -                             | -                                                   | -                                                       |
| 1200                              | Net change in fund balances                                  | -                             | -                                                   | -                                                       |
| 0100                              | Fund balances - beginning                                    | -                             | -                                                   | -                                                       |
| 3000                              | <b>FUND BALANCES - ENDING</b>                                | \$ -                          | \$ -                                                | \$ -                                                    |

**Exhibit H-2**  
(Page 2 of 2)

| 397                            | 410                 | 423                                                                   | 428                                     | 429                                | 461                  |                                        |
|--------------------------------|---------------------|-----------------------------------------------------------------------|-----------------------------------------|------------------------------------|----------------------|----------------------------------------|
| Advanced Placement Initiatives | State Textbook Fund | Peace Officer Allocation - Law Enforcement Officer Stds and Education | Literacy and Math Achievement Academies | State Funded Special Revenue Funds | Campus Activity Fund | Total Nonmajor Funds (See Exhibit C-2) |
| \$ -                           | \$ -                | \$ -                                                                  | \$ -                                    | \$ -                               | \$ 37,407            | \$ 261,484                             |
| -                              | 101,040             | 2,475                                                                 | 3,150                                   | 2,214                              | -                    | 125,094                                |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 1,957,317                              |
| -                              | 101,040             | 2,475                                                                 | 3,150                                   | 2,214                              | 37,407               | 2,343,895                              |
| -                              | 38,503              | -                                                                     | -                                       | 2,214                              | -                    | 555,688                                |
| -                              | 62,537              | -                                                                     | -                                       | -                                  | -                    | 62,537                                 |
| -                              | -                   | -                                                                     | 3,150                                   | -                                  | -                    | 145,988                                |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 192,901                                |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 995                                    |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 156,450                                |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 1,072                                  |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 1,178,322                              |
| -                              | -                   | -                                                                     | -                                       | -                                  | 28,143               | 28,143                                 |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 70,135                                 |
| -                              | -                   | 2,475                                                                 | -                                       | -                                  | -                    | 2,475                                  |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 1,469                                  |
| -                              | 101,040             | 2,475                                                                 | 3,150                                   | 2,214                              | 28,143               | 2,396,175                              |
| -                              | -                   | -                                                                     | -                                       | -                                  | 9,264                | (52,280)                               |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 70,608                                 |
| -                              | -                   | -                                                                     | -                                       | -                                  | -                    | 70,608                                 |
| -                              | -                   | -                                                                     | -                                       | -                                  | 9,264                | 18,328                                 |
| -                              | -                   | -                                                                     | -                                       | 30                                 | 34,490               | 45,071                                 |
| \$ -                           | \$ -                | \$ -                                                                  | \$ -                                    | \$ 30                              | \$ 43,754            | \$ 63,399                              |

**Coldspring-Oakhurst Consolidated Independent School District**

## Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended August 31, 2018

| Year Ended<br>August 31, | 1           |         | 2            |         | 3                                                      |               |
|--------------------------|-------------|---------|--------------|---------|--------------------------------------------------------|---------------|
|                          | Tax Rates   |         |              |         | Assessed/Appraised<br>Value For School<br>Tax Purposes |               |
|                          | Maintenance |         | Debt Service |         |                                                        |               |
| 2009 and Prior Years     | \$          | Various | \$           | Various | \$                                                     | Various       |
| 2010                     |             | 1.0400  |              | 0.0650  |                                                        | 843,434,702   |
| 2011                     |             | 1.0400  |              | 0.0550  |                                                        | 894,395,434   |
| 2012                     |             | 1.0400  |              | 0.0550  |                                                        | 897,866,484   |
| 2013                     |             | 1.0400  |              | 0.0550  |                                                        | 954,198,174   |
| 2014                     |             | 1.0400  |              | 0.0550  |                                                        | 951,855,616   |
| 2015                     |             | 1.0400  |              | 0.0550  |                                                        | 996,138,356   |
| 2016                     |             | 1.0400  |              | 0.0550  |                                                        | 993,755,160   |
| 2017                     |             | 1.0400  |              | 0.0550  |                                                        | 1,037,229,406 |
| 2018                     |             | 1.0400  |              | 0.0000  |                                                        | 1,154,521,442 |

**1000 TOTALS**

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

**Exhibit J-1**

| <b>10<br/>Beginning<br/>Balance<br/>9/1/17</b> | <b>20<br/>Current<br/>Year's<br/>Total Levy</b> | <b>31<br/>Maintenance<br/>Collections</b> | <b>32<br/>Debt Service<br/>Collections</b> | <b>40<br/>Entire<br/>Year's<br/>Adjustments</b> | <b>50<br/>Ending<br/>Balance<br/>8/31/18</b> |
|------------------------------------------------|-------------------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------------|----------------------------------------------|
| \$ 226,687                                     | \$ -                                            | \$ 8,066                                  | \$ -                                       | \$ (768)                                        | \$ 217,853                                   |
| 68,910                                         | -                                               | 7,041                                     | -                                          | (422)                                           | 61,447                                       |
| 77,253                                         | -                                               | 8,959                                     | -                                          | (746)                                           | 67,548                                       |
| 98,885                                         | -                                               | 10,382                                    | -                                          | (839)                                           | 87,664                                       |
| 159,525                                        | -                                               | 38,294                                    | -                                          | (2,007)                                         | 119,224                                      |
| 191,925                                        | -                                               | 61,067                                    | -                                          | 108,491                                         | 239,349                                      |
| 261,940                                        | -                                               | 81,408                                    | -                                          | 110,090                                         | 290,622                                      |
| 322,580                                        | -                                               | 107,596                                   | -                                          | 100,564                                         | 315,548                                      |
| 550,333                                        | -                                               | 252,549                                   | -                                          | 82,705                                          | 380,489                                      |
| -                                              | 12,007,023                                      | 11,480,038                                | -                                          | 28,961                                          | 555,946                                      |
| <u>\$ 1,958,038</u>                            | <u>\$ 12,007,023</u>                            | <u>\$ 12,055,400</u>                      | <u>\$ -</u>                                | <u>\$ 426,029</u>                               | <u>\$ 2,335,690</u>                          |
|                                                |                                                 | \$ -                                      | \$ -                                       |                                                 |                                              |

**Coldspring-Oakhurst Consolidated Independent School District****Exhibit J-2**

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance – Budget and Actual  
National School Breakfast and Lunch Program  
For the Fiscal Year Ended August 31, 2018

| Data Control Codes              |                                                           | Budgeted Amounts |            |            | Actual      | Variance with Final Budget Positive (Negative) |
|---------------------------------|-----------------------------------------------------------|------------------|------------|------------|-------------|------------------------------------------------|
|                                 |                                                           | Original         | Final      |            |             |                                                |
| REVENUES                        |                                                           |                  |            |            |             |                                                |
| 5700                            | Local and intermediate sources                            | \$ 237,650       | \$ 237,650 | \$ 224,077 | \$ (13,573) |                                                |
| 5800                            | State program revenues                                    | 31,155           | 31,155     | 12,550     | (18,605)    |                                                |
| 5900                            | Federal program revenues                                  | 885,760          | 888,760    | 880,151    | (8,609)     |                                                |
| 5020                            | Total revenues                                            | 1,154,565        | 1,157,565  | 1,116,778  | (40,787)    |                                                |
| EXPENDITURES                    |                                                           |                  |            |            |             |                                                |
| Current:                        |                                                           |                  |            |            |             |                                                |
| 0035                            | Food services                                             | 1,154,565        | 1,235,065  | 1,178,322  | 56,743      |                                                |
| 6030                            | Total expenditures                                        | 1,154,565        | 1,235,065  | 1,178,322  | 56,743      |                                                |
| 1100                            | Excess (deficiency) of revenues over (under) expenditures | -                | (77,500)   | (61,544)   | 15,956      |                                                |
| OTHER FINANCING SOURCES (USES): |                                                           |                  |            |            |             |                                                |
| 7915                            | Transfers in                                              | -                | 77,500     | 70,608     | (6,892)     |                                                |
| 7080                            | Total other financing sources (uses)                      | -                | 77,500     | 70,608     | (6,892)     |                                                |
| 1200                            | Net change in fund balance                                | -                | -          | 9,064      | 9,064       |                                                |
| 0100                            | Fund balance - beginning                                  | 10,551           | 10,551     | 10,551     | -           |                                                |
| 3000                            | FUND BALANCE - ENDING                                     | \$ 10,551        | \$ 10,551  | \$ 19,615  | \$ 9,064    |                                                |

**Coldspring-Oakhurst Consolidated Independent School District****Exhibit J-3**

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance – Budget and Actual  
Debt Service Fund  
For the Fiscal Year Ended August 31, 2018

| <b>Data<br/>Control<br/>Codes</b> |                                                              | <b>Budgeted Amounts</b> |              | <b>Actual</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|-----------------------------------|--------------------------------------------------------------|-------------------------|--------------|---------------|-------------------------------------------------------------------|
|                                   |                                                              | <b>Original</b>         | <b>Final</b> |               |                                                                   |
|                                   | <b>REVENUES</b>                                              |                         |              |               |                                                                   |
| 5700                              | Local and intermediate sources                               | \$ -                    | \$ 3,600     | \$ 3,893      | \$ 293                                                            |
| 5020                              | Total revenues                                               | -                       | 3,600        | 3,893         | 293                                                               |
|                                   | <b>EXPENDITURES</b>                                          |                         |              |               |                                                                   |
|                                   | Debt service:                                                |                         |              |               |                                                                   |
| 0072                              | Interest on long-term debt                                   | -                       | 425,069      | 425,069       | -                                                                 |
| 0073                              | Issuance costs and fees                                      | -                       | -            | 20,721        | (20,721)                                                          |
| 6030                              | Total expenditures                                           | -                       | 425,069      | 445,790       | (20,721)                                                          |
| 1100                              | Excess (deficiency) of revenues<br>over (under) expenditures | -                       | (421,469)    | (441,897)     | (20,428)                                                          |
|                                   | <b>OTHER FINANCING SOURCES (USES):</b>                       |                         |              |               |                                                                   |
| 7911                              | Issuance of refunding bonds                                  | -                       | 415,700      | 1,290,000     | 874,300                                                           |
| 7915                              | Transfers in                                                 | -                       | 5,769        | 415,700       | 409,931                                                           |
| 8911                              | Transfers out                                                | -                       | -            | -             | -                                                                 |
| 8940                              | Payment to refunding bond escrow agent                       | -                       | -            | (1,269,279)   | (1,269,279)                                                       |
| 7080                              | Total other financing sources (uses)                         | -                       | 421,469      | 436,421       | 14,952                                                            |
| 1200                              | Net change in fund balance                                   | -                       | -            | (5,476)       | (5,476)                                                           |
| 0100                              | Fund balance - beginning                                     | -                       | -            | -             | -                                                                 |
| 3000                              | <b>FUND BALANCE - ENDING</b>                                 | \$ -                    | \$ -         | \$ (5,476)    | \$ (5,476)                                                        |

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## **Overall Compliance, Internal Control Section and Federal Awards**

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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**

The Board of Trustees of  
Coldspring-Oakhurst Consolidated Independent School District  
Coldspring, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldspring-Oakhurst Consolidated Independent School District (the District) as of and for the fiscal 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 January 22, 2019.

***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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a material weakness.

***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.

The Board of Trustees of  
Coldspring-Oakhurst Consolidated Independent School District

***The District's Response to Findings***

The District's response to the finding identified in our audit was described in the accompanying schedule of findings and questioned cost. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
January 22, 2019

**Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control over Compliance  
in Accordance with the Uniform Guidance**

The Board of Trustees of  
Coldspring-Oakhurst Consolidated Independent School District  
Coldspring, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Coldspring-Oakhurst Consolidated 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 fiscal 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination 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 fiscal year ended August 31, 2018.

## Report on Internal Control over Compliance

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

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

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
January 22, 2019

# **Coldspring-Oakhurst Consolidated Independent School District**

## **Schedule of Findings and Questioned Costs**

For the Fiscal Year Ended August 31, 2018

### **Section 1. Summary of Auditor's Results**

#### **Financial Statements**

- |                                                                                                     |               |
|-----------------------------------------------------------------------------------------------------|---------------|
| <b>1.</b> Type of auditor's report issued                                                           | Unmodified    |
| <b>2.</b> Internal control over financial reporting:                                                |               |
| <b>a.</b> Material weakness(es) identified?                                                         | Yes           |
| <b>b.</b> Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| <b>3.</b> Noncompliance material to financial statements noted?                                     | No            |

#### **Federal Awards**

- |                                                                                                              |                                                |
|--------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| <b>4.</b> Internal control over major programs:                                                              |                                                |
| <b>a.</b> Material weakness(es) identified?                                                                  | No                                             |
| <b>b.</b> Significant deficiency(ies) identified that are not considered to be material weaknesses?          | None reported                                  |
| <b>5.</b> Type of auditor's report issued on compliance with major programs                                  | Unmodified                                     |
| <b>6.</b> Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No                                             |
| <b>7.</b> Identification of major programs                                                                   | Child Nutrition Cluster –<br>10,553 and 10,555 |
| <b>8.</b> Dollar Threshold used to distinguish Between Type A and Type B federal programs                    | \$750,000                                      |
| <b>9.</b> Auditee qualified as a low-risk auditee?                                                           | Yes                                            |

## **Coldspring-Oakhurst Consolidated Independent School District**

### **Schedule of Findings and Questioned Costs**

For the Fiscal Year Ended August 31, 2018

## **Section 2. Financial Statement Findings**

**2018-001**

### **Material Weakness in Internal Control over Financial Reporting: Financial Statement Misstatements**

#### Criteria

Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement of an entity's financial statements is an indication of a material weakness in internal control.

#### Condition

Material adjusting journal entries were identified during the audit of the financial statements that were not previously identified or corrected in a timely manner by the District.

#### Cause

In the preparation of its financial records for the year ended August 31, 2018, the District did not properly accrue certain grant expenditures and construction expenditures incurred during the period. Also, the District failed to record an entry for the issuance of the 2017 series refunding bonds and incorrectly recorded the entry for the 2018 series building bonds in the current year. Because these errors were not detected timely by the District, there is an indication that closing procedures, specifically the monitoring and review of financial information, were not being effectively performed.

#### Effect or Potential Effect

Material misstatements of the District's financial statements were not prevented, or detected and corrected, by the District's system of internal control. Failure to establish effective monitoring and closing procedures will allow possible irregularities to exist and continue without notice.

#### Recommendation

We recommend that the District review its internal control procedures over financial reporting to ensure controls are in place to identify and record all transactions in the correct period.

## **Section 3. Federal Award Findings and Questioned Costs**

None reported

**Coldspring-Oakhurst Consolidated Independent School District**

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended August 31, 2018

**Prior Year Findings**

None reported



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Superintendent FAX: (936)653-2197  
Business Office FAX: (936)653-3031

## **Corrective Action Plan**

### **2018-001 FINANCIAL STATEMENT FINDINGS:**

#### **MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING: FINANCIAL STATEMENT MISSTATEMENTS**

##### **Contact Person:**

**Adam Jenke**

**Assistant Superintendent of Business & Finance**

**Response:** District Business Officials will review internal controls procedures and seek additional training in business procedures and financial statement preparation to ensure that compliance with procedures is possible. District Business Officials will periodically review outstanding entries that may create issues of non-compliance with internal controls and financial statement accuracy, outside assistance may be utilized for this purpose to ensure timeliness of entry and reconciliation due to demands of other job responsibilities on district personnel. In circumstances where a question of appropriately making a financial statement entry exists, consultation with an experienced school business official with specific knowledge of the area in question or professional services provided by a governmental accounting professional shall be obtained to address the issue in the relevant financial period for appropriate entry and resolution.

**Estimated Date of Completion:** Throughout fiscal year ending August 31, 2019

**Coldspring-Oakhurst Consolidated Independent School District****Exhibit K-1****Schedule of Expenditures of Federal Awards**

For the Fiscal Year Ended August 31, 2018

| (1)<br>Federal Grantor/<br>Pass-Through Grantor/<br>Program Title     | (2)<br>Federal<br>CFDA<br>Number | (2A)<br>Pass-Through<br>Entity Identifying<br>Number | (3)<br>Total<br>Federal<br>Expenditures |
|-----------------------------------------------------------------------|----------------------------------|------------------------------------------------------|-----------------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                   |                                  |                                                      |                                         |
| Passed Through State Department of Education:                         |                                  |                                                      |                                         |
| ESEA Title I, Part A - Improving Basic Programs                       | 84.010A                          | 18610101204901                                       | \$ 313,619                              |
| ESEA Title I, Part A Priority and Focus School Grant                  | 84.010A                          | 18610123204901                                       | 72,415                                  |
| Total Program 84.010A                                                 |                                  |                                                      | 386,034                                 |
| Special Education Cluster (IDEA):                                     |                                  |                                                      |                                         |
| IDEA - Part B Formula                                                 | 84.027A                          | 186600012049016600                                   | 272,317                                 |
| IDEA - Part B Preschool                                               | 84.173A                          | 186610012049016610                                   | 7,663                                   |
| Total Special Education Cluster (IDEA)                                |                                  |                                                      | 279,980                                 |
| Career and Technical - Basic Grant                                    | 84.048A                          | 18420006204901                                       | 17,120                                  |
| ESEA Title II, Part A - Teacher and Principal Training and Recruiting | 84.367A                          | 18694501204901                                       | 75,782                                  |
| Passed Through Region XVIII Education Service Center:                 |                                  |                                                      |                                         |
| Teacher Incentive Fund TIF Grant                                      | 84.374A                          | S374A12099                                           | 244,332                                 |
| Restart Hurricane Recovery                                            | 84.938A                          | S938A180003                                          | 70,135                                  |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                             |                                  |                                                      | 1,073,383                               |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                 |                                  |                                                      |                                         |
| Child Nutrition Cluster:                                              |                                  |                                                      |                                         |
| Passed Through State Department of Agriculture - Non Cash Assistance: |                                  |                                                      |                                         |
| National School Lunch Program                                         | 10.555                           | 00962                                                | 61,638                                  |
| Passed Through State Department of Education - Cash Assistance:       |                                  |                                                      |                                         |
| School Breakfast Program                                              | 10.553                           | 71401801                                             | 264,634                                 |
| National School Lunch Program                                         | 10.555                           | 71301801                                             | 553,879                                 |
| Total Child Nutrition Cluster                                         |                                  |                                                      | 880,151                                 |
| Forest Service Schools and Roads Cluster:                             |                                  |                                                      |                                         |
| Passed Through San Jacinto County Treasurer's Office:                 |                                  |                                                      |                                         |
| Schools and Roads - Grants to Counties (Minerals)                     | 10.666                           | N/A                                                  | 79,752                                  |
| Total Forest Service Schools and Roads Cluster                        |                                  |                                                      | 79,752                                  |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                           |                                  |                                                      | 959,903                                 |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>                           |                                  |                                                      |                                         |
| Passed Through Texas Department of Public Safety:                     |                                  |                                                      |                                         |
| FEMA Hurricane Harvey Reimbursements                                  | 97.036                           | 4332-DR-TX                                           | 3,960                                   |
| Passed Through San Jacinto County, Texas:                             |                                  |                                                      |                                         |
| Public Assistance Grant, Texas Hurricane Harvey                       | 97.036                           | 4332-DR-TX                                           | 62,744                                  |
| <b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>                     |                                  |                                                      | 66,704                                  |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                           |                                  |                                                      | <b>\$ 2,099,990</b>                     |

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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## Coldspring-Oakhurst Consolidated Independent School District

### Notes to Schedule of Expenditures of Federal Awards

#### **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Coldspring-Oakhurst Consolidated Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation. The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance. Presented below is a reconciliation of federal revenues:

|                                                       |                                   |
|-------------------------------------------------------|-----------------------------------|
| Total expenditures of federal awards per Exhibit K-1  | \$ 2,099,990                      |
| Additional federal revenues reported in General fund: |                                   |
| SHARS                                                 | 229,575                           |
| Reserve officers' training corps                      | 58,313                            |
|                                                       | <hr/>                             |
| <b>Total federal revenues per Exhibit C-2</b>         | <b><u><u>\$ 2,387,878</u></u></b> |

**Coldspring-Oakhurst Consolidated Independent School District**  
Schedule of Required Responses to Selected  
School FIRST Indicators (Unaudited)  
For the Fiscal Year Ended August 31, 2018

**Exhibit L-1**

| <b>Data<br/>Control<br/>Codes</b> |                                                                                                                                                                                                       | <b>Responses</b> |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| SF2                               | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?                            | No               |
| SF4                               | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?                                                                                                | Yes              |
| SF5                               | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?                        | Yes              |
| SF6                               | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?                                          | No               |
| SF7                               | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?                | Yes              |
| SF8                               | Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes              |
| SF10                              | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?                                                                                              | \$ -             |
| SF11                              | Net pension assets (1920) at fiscal year-end.                                                                                                                                                         | \$ -             |
| SF12                              | Net pension liabilities (2540) at fiscal year-end.                                                                                                                                                    | \$ 3,179,104     |