

Coldspring-Oakhurst Consolidated Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2017

Coldspring-Oakhurst Consolidated Independent School District

Annual Financial Report For the Fiscal Year Ended August 31, 2017 Table of Contents

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Certificate of the Board

Coldspring-Oakhurst Consolidated

Independent School District

Name of School District

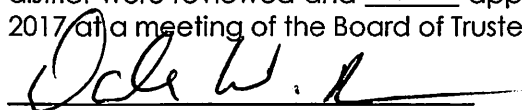
San Jacinto

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, 2017, at a meeting of the Board of Trustees of such school district on the 18th day of December, 2017.



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

The Board of Trustees of
Coldspring-Oakhurst Consolidated Independent School District
125 FM 1514
Coldspring, Texas 77331

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, 2017, 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 Coldspring-Oakhurst Consolidated Independent School District, as of August 31, 2017, 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.

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 Coldspring-Oakhurst Consolidated Independent School 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 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), 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 15, 2017 on our consideration of Coldspring-Oakhurst Consolidated Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Coldspring-Oakhurst Consolidated Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coldspring-Oakhurst Consolidated Independent School District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
December 15, 2017

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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, 2017.

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 \$17,330,711(*net position*). Of this amount, \$4,344,122 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position decreased by \$803,132 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,907,406, a decrease of \$292,772.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,656,927, or 24 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$522,390 during the current fiscal year. The key factor in this decrease was the scheduled bond payment.

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.

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 nineteen 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 and debt service fund, which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found 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 \$17,330,711 at the close of the most recent fiscal year.

Coldspring-Oakhurst Consolidated ISD's Net Position

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 7,552,304	33	\$ 8,027,367	33	\$ (475,063)	(6)
Capital assets	15,095,024	67	16,028,146	67	(933,122)	(6)
Total assets	22,647,328	100	24,055,513	100	(1,408,185)	
Total deferred outflows of resources	1,508,610	100	2,161,444	100	(652,834)	(30)
Long-term liabilities outstanding	5,773,698	88	6,678,537	90	(904,839)	(14)
Other liabilities	809,770	12	741,003	10	68,767	9
Total liabilities	6,583,468	100	7,419,540	100	(836,072)	
Total deferred inflows of resources	241,759	100	663,574	100	(421,815)	(64)
Net position:						
Net investment in capital assets	12,976,008	75	12,997,400	72	(21,392)	-
Restricted	10,581	-	543,616	3	(533,035)	(98)
Unrestricted	4,344,122	25	4,592,827	25	(248,705)	(5)
Total net position	\$ 17,330,711	100	\$ 18,133,843	100	\$ (803,132)	

Net investment in capital assets (e.g., land and improvements, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that are still outstanding, represent 75 percent of the District's net resources. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position that is restricted for grants totals \$10,581, or 0.06% percent of net position.

The remaining balance of *unrestricted net position* (\$4,344,122) may be used to meet the District's ongoing obligations to students and creditors. At the end of the current year, the District is able to report positive balances in all categories of net position.

Governmental Activities. Governmental activities decreased the District's net position by \$803,132 from current operations. The elements giving rise to this change may be determined from the table below.

Coldspring-Oakhurst Consolidated ISD's Changes in Net Position

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 385,423	2	\$ 366,550	2	\$ 18,873	5
Operating grants and contributions	2,892,466	16	3,066,471	17	(174,005)	(6)
General revenues:						
Property taxes, levied for general purposes	11,226,261	65	10,918,519	62	307,742	3
Property taxes, levied for debt service	492,937	3	575,108	3	(82,171)	(14)
Grants and contributions not restricted to specific programs	2,489,950	14	2,635,192	15	(145,242)	(6)
Investment earnings	38,002	-	19,681	-	18,321	93
Miscellaneous	62,783	-	93,232	1	(30,449)	(33)
Total revenues	<u>17,587,822</u>	<u>100</u>	<u>17,674,753</u>	<u>100</u>	<u>(86,931)</u>	
Expenses:						
Instruction	8,483,839	48	8,199,579	48	284,260	3
Instructional resources and media services	435,048	2	546,661	3	(111,613)	(20)
Curriculum and instructional staff development	349,010	2	254,084	1	94,926	37
Instructional leadership	849,114	5	873,526	5	(24,412)	(3)
School leadership	902,673	5	1,010,834	6	(108,161)	(11)
Guidance, counseling, and evaluation services	436,454	2	398,919	2	37,535	9
Social work services	-	-	-	-	-	100
Health services	178,420	1	172,949	1	5,471	3
Student transportation	1,167,669	6	1,148,915	6	18,754	2
Food services	1,187,469	6	1,080,158	6	107,311	10
Extracurricular activities	922,704	5	801,002	4	121,702	15
General administration	713,394	4	589,754	3	123,640	21
Plant maintenance and operations	1,930,851	10	1,993,022	11	(62,171)	(3)
Security and monitoring services	174,663	1	155,289	1	19,374	12
Data processing services	147,205	1	164,316	1	(17,111)	(10)
Community services	30,369	-	26,787	-	3,582	13
Interest on long-term Debt	63,888	-	54,876	-	9,012	16
Issuance costs and fees	-	-	-	-	-	-
Facilities repair and maintenance	-	-	-	-	-	100
Payment related to shared services arrangements	-	-	-	-	-	100
Other intergovernmental charges	418,184	2	401,514	2	16,670	4
Total Expenses	<u>18,390,954</u>	<u>100</u>	<u>17,872,185</u>	<u>100</u>	<u>518,769</u>	
Change in net position	<u>(803,132)</u>		<u>(197,432)</u>		<u>(605,700)</u>	
Net position - beginning	<u>18,133,843</u>		<u>18,331,275</u>		<u>(197,432)</u>	
Net position - ending	<u>\$ 17,330,711</u>		<u>\$ 18,133,843</u>		<u>\$ (803,132)</u>	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$5,382,416) represent 30 percent of total revenues and property taxes (\$11,719,198) represent 68 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 (\$8,483,839), which represents 48 percent of total expenses. Plant maintenance and operations (\$1,930,851) represents 10 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 \$4,907,406, a decrease of \$292,772.

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 \$3,656,927 while total fund balance reached \$4,862,335. 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 fund balance represents 24 percent of total general fund expenditures, while total fund balance represents 32 percent of that same amount. The fund balance of the District's general fund increased by \$130,835 during the current fiscal year. The increase was not attributable to any individually significant item.

The debt service fund closed during the year since the District's bonded debt was paid in full.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The most significant variance between the original and final budget was to increase in instruction due to assistance during and after Hurricane Harvey.

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, 2017, amounts to \$15,095,024 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 5.8 percent.

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

- \$71,450 Band Instruments
- \$93,764 New Bus

Coldspring-Oakhurst Consolidated ISD's Capital Assets
(net of depreciation)

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 586,383	4	\$ 586,383	3	\$ -	-
Buildings and improvements	13,139,454	87	13,876,599	87	(737,145)	(5)
Furniture and equipment	1,369,187	9	1,565,164	10	(195,977)	(13)
Totals	<u>\$ 15,095,024</u>	<u>100</u>	<u>\$ 16,028,146</u>	<u>100</u>	<u>\$ (933,122)</u>	

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 ISD's Long-term Liabilities Outstanding

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ -	-	\$ 522,390	8	\$ (522,390)	(100)
Notes payable	2,119,016	36	2,508,356	38	(389,340)	(16)
Workers' compensation	253	-	21,323	-	(21,070)	(99)
Compensated absences	30,363	1	23,025	-	7,338	32
Net pension liability	3,624,066	63	3,603,443	54	20,623	1
Totals	<u>\$ 5,773,698</u>	<u>100</u>	<u>\$ 6,678,537</u>	<u>100</u>	<u>\$ (904,839)</u>	

The District's bonded debt decreased by \$522,390 (100 percent) during the current fiscal year due to scheduled debt payments.

Notes payable decreased due to the scheduled payments of \$389,340.

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

Pension expense increased primarily due to 1) the actual earnings were less than projected, 2) changes in proportion and differences between District contribution and proportionate share of contributions, and 3) pension costs.

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 1,518 students, which is one percent increase from the prior year.
- District staff totals 280 employees, which includes 110 teachers and 39 teachers' aides and secretaries.
- The District maintains 4 campuses for instruction.
- The unemployment rate for the County is currently 6.0 percent, which is an decrease from a rate of 6.9 percent a year ago. This compares unfavorably to the state's average unemployment rate of 4.5 percent, which is a decrease from a rate of 5.0 percent a year ago.
- Property values of the District are projected to increase 3.3 percent.
- A maintenance and operations tax rate of \$1.04 was adopted for 2017-2018.

All of these factors were considered in preparing the District's budget for the 2018 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.

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Basic Financial Statements

Coldspring-Oakhurst Consolidated Independent School District**Exhibit A-1**

Statement of Net Position

August 31, 2017

1

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 3,158,013
1120	Current investments	1,821,503
1220	Property taxes receivable	1,958,038
1230	Allowances for uncollectible taxes	(117,000)
1240	Due from other governments	711,455
1300	Inventories	20,295
	Capital assets:	
1510	Land and improvements	586,383
1520	Buildings and improvements (net)	13,139,454
1530	Furniture and equipment (net)	1,369,187
1000	Total assets	<u>22,647,328</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows - pension	1,508,610
1700	Total deferred outflows of resources	<u>1,508,610</u>
LIABILITIES		
2110	Accounts payable	218,160
2140	Interest payable	5,910
2150	Payroll deductions and withholdings	64,064
2160	Accrued wages payable	484,083
2300	Unearned revenue	37,553
	Noncurrent liabilities:	
2501	Due within one year	427,595
2502	Due in more than one year	1,722,037
2540	Net pension liabilities	3,624,066
2000	Total liabilities	<u>6,583,468</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows - pension	241,759
2600	Total deferred inflows of resources	<u>241,759</u>
NET POSITION		
3200	Net investment in capital assets	12,976,008
3820	Restricted for grants	10,581
3900	Unrestricted	<u>4,344,122</u>
3000	TOTAL NET POSITION	<u><u>\$ 17,330,711</u></u>

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, 2017

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues		Governmental Activities
			Charges for Services	Operating Grants and Contributions	
	PRIMARY GOVERNMENT				
	Governmental activities:				
0011	Instruction	\$ 8,483,839	\$ 7,595	\$ 1,281,586	\$ (7,194,658)
0012	Instructional resources and media services	435,048	-	32,648	(402,400)
0013	Curriculum and instructional staff development	349,010	-	177,193	(171,817)
0021	Instructional leadership	849,114	-	306,611	(542,503)
0023	School leadership	902,673	-	47,653	(855,020)
0031	Guidance, counseling, and evaluation services	436,454	-	166,253	(270,201)
0033	Health services	178,420	-	7,458	(170,962)
0034	Student transportation	1,167,669	-	51,356	(1,116,313)
0035	Food services	1,187,469	312,749	711,018	(163,702)
0036	Extracurricular activities	922,704	58,580	24,783	(839,341)
0041	General administration	713,394	-	13,176	(700,218)
0051	Plant maintenance and operations	1,930,851	6,499	42,545	(1,881,807)
0052	Security and monitoring services	174,663	-	6,207	(168,456)
0053	Data processing services	147,205	-	3,405	(143,800)
0061	Community services	30,369	-	2,746	(27,623)
0072	Interest on long-term debt	63,888	-	17,828	(46,060)
0099	Other intergovernmental charges	418,184	-	-	(418,184)
TG	Total governmental activities	18,390,954	385,423	2,892,466	(15,113,065)
TP	TOTAL PRIMARY GOVERNMENT	\$ 18,390,954	\$ 385,423	\$ 2,892,466	(15,113,065)
	General revenues:				
MT	Property taxes, levied for general purposes				11,226,261
DT	Property taxes, levied for debt service				492,937
GC	Grants and contributions not restricted to specific programs				2,489,950
IE	Investment earnings				38,002
MI	Miscellaneous				62,783
TR	Total general revenues				<u>14,309,933</u>
CN	Change in net position				(803,132)
NB	Net position - beginning				<u>18,133,843</u>
NE	NET POSITION - ENDING				<u>\$ 17,330,711</u>

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

Coldspring-Oakhurst Consolidated Independent School District

Exhibit C-1

Balance Sheet - Governmental Funds

August 31, 2017

Data Control Codes		199	599	98	
		General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
1110	Cash and cash equivalents	\$ 3,031,712	\$ 22,358	\$ 103,943	\$ 3,158,013
1120	Current investments	1,765,254	-	56,249	1,821,503
1220	Property taxes receivable	1,958,038	-	-	1,958,038
1230	Allowance for uncollectible taxes	(117,000)	-	-	(117,000)
1240	Due from other governments	645,811	-	65,644	711,455
1260	Due from other funds	124,507	-	-	124,507
1300	Inventories	-	-	20,295	20,295
1000	Total assets	7,408,322	22,358	246,131	7,676,811
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,408,322	\$ 22,358	\$ 246,131	\$ 7,676,811
LIABILITIES					
2110	Accounts payable	\$ 170,736	\$ -	\$ 47,424	\$ 218,160
2150	Payroll deductions and withholdings	64,064	-	-	64,064
2160	Accrued wages payable	470,149	-	13,934	484,083
2170	Due to other funds	-	22,358	102,149	124,507
2300	Unearned revenue	-	-	37,553	37,553
2000	Total liabilities	704,949	22,358	201,060	928,367
DEFERRED INFLOWS OF RESOURCES					
2600	Unavailable revenue - property taxes	1,841,038	-	-	1,841,038
	Total deferred inflows of resources	1,841,038	-	-	1,841,038
FUND BALANCES					
3450	Restricted - grant funds	-	-	10,581	10,581
3480	Restricted - debt service	455,408	-	-	455,408
3530	Committed - instructional program enhancement	250,000	-	-	250,000
3510	Committed - construction	500,000	-	-	500,000
3545	Committed - campus activity	-	-	34,490	34,490
3600	Unassigned	3,656,927	-	-	3,656,927
3000	Total fund balances	4,862,335	-	45,071	4,907,406
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,408,322	\$ 22,358	\$ 246,131	\$ 7,676,811

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

Coldspring-Oakhurst Consolidated Independent School District**Exhibit C-1R**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2017**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** **\$ 4,907,406**

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	\$ 31,757,510	
Accumulated depreciation of governmental capital assets	<u>(16,662,486)</u>	15,095,024

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. 1,841,038

Long-term liabilities, including notes payable, workers' compensation, compensated absences, and net pension 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:

Notes payable	\$ (2,119,016)	
Accrued interest on notes payable	(5,910)	
Workers' compensation	(253)	
Compensated absences	(30,363)	
Net pension liability	<u>(3,624,066)</u>	(5,779,608)

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. 1,508,610

Deferred inflows for pension 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. (241,759)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) **\$ 17,330,711**

Coldspring-Oakhurst Consolidated Independent School District

Exhibit C-2

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the Fiscal Year Ended August 31, 2017

Data Control Codes		199	599		98
		General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
5700	Local and intermediate sources	\$ 11,556,249	\$ 601,967	\$ 347,231	\$ 12,505,447
5800	State program revenues	2,881,665	17,828	144,465	3,043,958
5900	Federal program revenues	326,254	-	1,898,808	2,225,062
5020	Total revenues	14,764,168	619,795	2,390,504	17,774,467
EXPENDITURES					
Current:					
0011	Instruction	6,886,886	-	792,865	7,679,751
0012	Instructional resources and media services	398,982	-	17,443	416,425
0013	Curriculum and instructional staff development	159,082	-	159,585	318,667
0021	Instructional leadership	560,961	-	239,789	800,750
0023	School leadership	879,096	-	1,268	880,364
0031	Guidance, counseling, and evaluation services	272,616	-	137,623	410,239
0033	Health services	176,246	-	-	176,246
0034	Student transportation	1,112,046	-	-	1,112,046
0035	Food services	4,074	-	1,071,462	1,075,536
0036	Extracurricular activities	824,531	-	32,270	856,801
0041	General administration	663,682	-	-	663,682
0051	Plant maintenance and operations	1,922,796	-	-	1,922,796
0052	Security and monitoring services	179,851	-	-	179,851
0053	Data processing services	148,317	-	-	148,317
0061	Community services	28,975	-	1,573	30,548
Debt service:					
0071	Principal on long-term debt	389,340	518,000	-	907,340
0072	Interest on long-term debt	63,076	6,620	-	69,696
Intergovernmental:					
0099	Other intergovernmental charges	418,184	-	-	418,184
6030	Total expenditures	15,088,741	524,620	2,453,878	18,067,239
1100	Excess (deficiency) of revenues over (under) expenditures	(324,573)	95,175	(63,374)	(292,772)
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	455,408	-	-	455,408
8911	Transfers out	-	(455,408)	-	(455,408)
7080	Total other financing sources (uses)	455,408	(455,408)	-	-
1200	Net change in fund balances	130,835	(360,233)	(63,374)	(292,772)
0100	Fund balances - beginning	4,731,500	360,233	108,445	5,200,178
3000	FUND BALANCES - ENDING	\$ 4,862,335	\$ -	\$ 45,071	\$ 4,907,406

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

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

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, 2017

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ (292,772)

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 <i>increased</i>	\$ 165,214	
Depreciation expense	<u>(1,050,771)</u>	(885,557)

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is a increase (decrease) to net position.		(47,565)
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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.		(252,476)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond payable principal payment	\$ 518,000	
Notes payable principal payment	<u>389,340</u>	907,340

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</i>) decreased	\$ 585	
Accrued interest on notes payable (<i>increased</i>) decreased	833	
Amortization of bond premium and discount	<u>4,390</u>	5,808

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.		21,070
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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.		(7,338)
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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)	\$ (652,834)	
Deferred inflows (increased) decreased	421,815	
Net pension liability (increased) decreased	<u>(20,623)</u>	(251,642)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ (803,132)

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, 2017

Exhibit E-1

Data Control Codes		865 Agency Fund
		Student Activity Fund
ASSETS		
1110	Cash and cash equivalents	\$ 142,845
1120	Current investments	25,334
1000	TOTAL ASSETS	\$ 168,179
LIABILITIES		
2190	Due to student groups	\$ 168,179
2000	TOTAL LIABILITIES	\$ 168,179

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 Statement

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

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.

Coldspring-Oakhurst Consolidated Independent School District

Notes to the Financial Statements

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. 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.

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.

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

1. Cash and Cash Equivalents

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

Coldspring-Oakhurst Consolidated Independent School District

Notes to the Financial Statements

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 net asset value, i.e. 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.

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:

<u>Capital Asset Classes</u>	<u>Lives</u>
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 that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Coldspring-Oakhurst Consolidated Independent School District

Notes to the Financial Statements

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	Statement of Net Position	Balance Sheet - Governmental Funds
	Governmental Activities	General Fund
Deferred outflows of resources:		
Deferred outflows from pension activities	\$ 1,182,747	\$ -
Deferred contributions after the measurement date	325,863	-
Total deferred outflows of resources	\$ 1,508,610	\$ -
Deferred inflows of resources:		
Deferred inflows from pension activities	\$ 241,759	\$ -
Unavailable property taxes	-	1,841,038
Total deferred inflows of resources	\$ 241,759	\$ 1,841,038

Deferred outflows/inflows of resources are amortized as follows:

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

6. 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.

7. 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.

Coldspring-Oakhurst Consolidated Independent School District

Notes to the Financial Statements

8. 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.

9. Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 4.C. and the Required Supplementary Information section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Coldspring-Oakhurst Consolidated Independent School District

Notes to the Financial Statements

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions 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.

3. 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.

4. 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.

5. 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 data base for policy development and funding plans.

Coldspring-Oakhurst Consolidated Independent School District

Notes to the Financial Statements

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.

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.

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; 3) 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 2256.011; 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 that has a stated maturity of 270 days or fewer from the day 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 ratings 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 which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 8) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 9) Public funds investment pools which meets 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, 2017 are as follows:

	Governmental Funds	Fiduciary Fund	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost:					
Investment pools					
LoneStar Corporate Overnight Plus	\$ 1,819,986	\$ 25,334	100%	43	AAAf
Investments measured at fair value:					
Investment pools					
TexSTAR	1,517	-	0%	33	AAAm
Total value	<u>\$ 1,821,503</u>	<u>\$ 25,334</u>	<u>100%</u>		
Portfolio weighted average maturity				<u>43</u>	

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.

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

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Notes to the Financial Statements

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 2017, 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, 2017, District's banks' balances of \$3,433,489 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.

B. Receivables

Tax revenues of the general and debt service 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	\$ 10,000
Change in uncollectibles related to debt service property taxes	7,000
Total change in uncollectibles of the current fiscal year	<u><u>\$ 17,000</u></u>

Coldspring-Oakhurst Consolidated Independent School District

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Approximately 63% 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, 2017, is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 124,507	\$ -
Debt Service Fund	-	22,358
Nonmajor Funds	-	102,149
Totals	\$ 124,507	\$ 124,507

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 without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred 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, 2017:

Fund	Transfer Out	Transfer In
General Fund	\$ -	\$ 455,408
Debt Service Fund	455,408	-
Total	\$ 455,408	\$ 455,408

Transfers between the general fund and debt service fund are to close out the debt service fund due to all debt being paid off in the fiscal year ended August 31, 2017.

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D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 586,383	\$ -	\$ -	\$ 586,383
Total capital assets, not being depreciated	586,383	-	-	586,383
Capital assets, being depreciated:				
Buildings and improvements	25,737,913	-	-	25,737,913
Furniture and equipment	5,442,881	165,214	(174,881)	5,433,214
Total capital assets, being depreciated	31,180,794	165,214	(174,881)	31,171,127
Less accumulated depreciation for:				
Buildings and improvements	(11,861,314)	(737,145)	-	(12,598,459)
Furniture and equipment	(3,877,717)	(313,626)	127,316	(4,064,027)
Total accumulated depreciation	(15,739,031)	(1,050,771)	127,316	(16,662,486)
Total capital assets, being depreciated, net	15,441,763	(885,557)	(47,565)	14,508,641
Governmental activities capital assets, net	\$ 16,028,146	\$ (885,557)	\$ (47,565)	\$ 15,095,024

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

Governmental activities:	
11 Instruction	\$ 598,461
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	135,181
35 Food services	80,261
36 Extracurricular activities	86,514
41 General administration	53,231
51 Facilities maintenance and operations	28,271
52 Security and monitoring services	8,692
Total depreciation expense-governmental activities	\$ 1,050,771

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, notes payable, workers' compensation, compensated absences, and net pension liability. 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.

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Notes to the Financial Statements

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2017, was as follows:

	Beginning Balance	Additions (Provisions)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 518,000	\$ -	\$ (518,000)	\$ -	\$ -
Deferred amounts:					
For issuance premium (CIB's)	4,390	-	(4,390)	-	-
Total bonds payable, net	522,390	-	(522,390)	-	-
Notes payable	2,508,356	-	(389,340)	2,119,016	396,979
Workers' compensation	21,323	(16,685)	(4,385)	253	253
Compensated absences	23,025	8,263	(925)	30,363	30,363
Net pension liability	3,603,443	505,795	(485,172)	3,624,066	-
Governmental activities long-term liabilities	\$ 6,678,537	\$ 497,373	\$ (1,402,212)	\$ 5,773,698	\$ 427,595

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 Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2014 REF	2.56%		2017	\$ 518,000	\$ -	\$ (518,000)	\$ -
Total bonds payable				\$ 518,000	\$ -	\$ (518,000)	\$ -

As of August 31, 2017, the District did not have any authorized but unissued bonds.

Notes Payable

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

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Construct/equip School facilities	1.890%	1,285,000	2023	\$ 925,000	-	\$ (125,000)	\$ 800,000
5 Buses	2.987%	476,945	2020	307,147	-	(102,789)	204,358
Construct/equip school facilities	2.730%	1,000,000	2025	900,508	-	(89,685)	810,823
Copiers	3.160%	387,866	2021	375,701	-	(71,866)	303,835
Total notes payable				\$ 2,508,356	\$ -	\$ (389,340)	\$ 2,119,016

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Annual debt service requirements for the notes payable at August 31, 2017 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2018	\$ 396,979	\$ 49,423	\$ 446,402
2019	404,921	39,024	443,945
2020	309,949	29,588	339,537
2021	304,981	21,853	326,834
2022	237,538	15,577	253,115
2023	245,335	10,181	255,516
2024	108,209	5,985	114,194
2025	111,104	3,032	114,136
Totals	\$ 2,119,016	\$ 174,663	\$ 2,293,679

F. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Other Nonmajor Funds	Totals
Property taxes	\$ 11,370,202	\$ 601,472	\$ -	\$ 11,971,674
Investment income	36,773	495	734	38,002
Charges for services	38,926	-	346,497	385,423
Other	110,348	-	-	110,348
Totals	\$ 11,556,249	\$ 601,967	\$ 347,231	\$ 12,505,447

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, 2017, 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 \$200 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.

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Notes to the Financial Statements

Workers' Compensation

During the fiscal year ended August 31, 2017, 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, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the fiscal year-ended August 31, 2017, 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, 2016, 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:

	Year Ended 8/31/2017	Year Ended 8/31/2016
Unpaid claims, beginning of fiscal year	\$ 21,323	\$ 55,024
Current year claims and change in estimates	(16,685)	90,264
Claim payments	(4,385)	(123,965)
Unpaid claims, end of fiscal year	\$ 253	\$ 21,323

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, 2017, 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.

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Notes to the Financial Statements

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 post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

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

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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 2015 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal year 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017.

	2017	2016	2015
Member	7.7%	7.2%	6.7%
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 2017 are as follows:

District contributions	\$ 325,863
Member contributions	687,997
NECE on-behalf contributions (state)	535,502

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

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

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

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

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

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Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected investment rate of return	8.00%
Municipal bond rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.50%
Salary increases including inflation	3.50% to 9.50% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

*If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source of the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

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

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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 Systems target asset allocation as of August 31, 2016 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%
Totals	<u>100%</u>		<u>8.7%</u>

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

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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-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS	\$ 5,608,839	\$ 3,624,066	\$ 1,940,584

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

At August 31, 2017, the District reported a liability of \$3,624,066 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	\$ 3,624,066
State's proportionate share of the net pension liability associated with the District	6,252,862
Total	<u>\$ 9,876,928</u>

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the net pension liability was .009590% which was a decrease of .000604% from its proportion measured as of August 31, 2015.

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, 2017, the District recognized pension expense of \$900,540 and revenue of \$648,898 for support provided by the State.

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At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,825	\$ 108,213
Changes of assumptions	110,455	100,454
Net difference between projected and actual earnings on pension plan investments	306,878	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	708,589	33,092
District contribution after measurement date	325,863	-
Totals	\$ 1,508,610	\$ 241,759

\$325,863 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, 2018. 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 August 31:	
2018	\$ 167,228
2019	167,228
2020	362,970
2021	152,187
2022	91,676
Thereafter	(301)
Totals	\$ 940,988

D. School District Retiree Health Plan

Plan Description

The Coldspring-Oakhurst Consolidated Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Coldspring-Oakhurst Consolidated Independent School District

Notes to the Financial Statements

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2017-2015.

Contribution Rates and Contribution Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$ 66,746	1.00%	\$ 101,102	0.55%	\$ 56,477
2016	0.65%	\$ 65,046	1.00%	\$ 93,457	0.55%	\$ 55,039
2015	0.65%	\$ 65,921	1.00%	\$ 94,559	0.55%	\$ 55,780

In addition, the State of Texas contributed \$46,308, \$38,193, and \$40,341 in 2017, 2016, and 2015, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

E. Nonmonetary Transactions

During 2017, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$48,443. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$48,443 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

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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, 2017

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
REVENUES					
5700	Local and intermediate sources	\$ 11,443,000	\$ 11,548,000	\$ 11,556,249	\$ 8,249
5800	State program revenues	2,899,893	2,925,393	2,881,665	(43,728)
5900	Federal program revenues	250,000	310,000	326,254	16,254
5020	Total revenues	14,592,893	14,783,393	14,764,168	(19,225)
EXPENDITURES					
Current:					
0011	Instruction	6,770,825	7,095,825	6,886,886	208,939
0012	Instructional resources and media services	410,476	410,476	398,982	11,494
0013	Curriculum and instructional staff development	229,782	162,282	159,082	3,200
0021	Instructional leadership	426,007	571,007	560,961	10,046
0023	School leadership	888,974	888,974	879,096	9,878
0031	Guidance, counseling, and evaluation services	262,705	272,705	272,616	89
0033	Health services	168,772	178,772	176,246	2,526
0034	Student transportation	1,038,111	1,156,111	1,112,046	44,065
0035	Food services	-	-	4,074	(4,074)
0036	Extracurricular activities	648,481	823,481	824,531	(1,050)
0041	General administration	569,678	649,678	663,682	(14,004)
0051	Plant maintenance and operations	1,956,756	2,032,256	1,922,796	109,460
0052	Security and monitoring services	161,651	185,651	179,851	5,800
0053	Data processing services	159,720	155,720	148,317	7,403
0061	Community services	27,216	30,216	28,975	1,241
Debt service:					
0071	Principal on long-term debt	443,789	389,340	389,340	-
0072	Interest on long-term debt	-	64,449	63,076	1,373
Intergovernmental:					
0099	Other intergovernmental charges	429,950	429,950	418,184	11,766
6030	Total expenditures	14,592,893	15,496,893	15,088,741	408,152
1100	Excess (deficiency) of revenues over (under) expenditures	-	(713,500)	(324,573)	388,927
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	450,000	455,408	5,408
8911	Transfers out	-	(70,000)	-	70,000
7080	Total other financing sources (uses)	-	380,000	455,408	75,408
1200	Net change in fund balance	-	(333,500)	130,835	464,335
0100	Fund balance - beginning	4,731,500	4,731,500	4,731,500	-
3000	FUND BALANCE - ENDING	\$ 4,731,500	\$ 4,398,000	\$ 4,862,335	\$ 464,335

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 Three Fiscal Years*

	2017	2016	2015
District's proportion of the net pension liability	0.009590%	0.010194%	0.006458%
District's proportionate share of the net pension liability	\$ 3,624,066	\$ 3,603,443	\$ 1,725,021
State's proportionate share of the net pension liability associated with the District	6,252,862	6,406,183	5,660,518
TOTALS	\$ 9,876,928	\$ 10,009,626	\$ 7,385,539
District's covered payroll	\$ 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	36.22%	35.53%	17.23%
Plan fiduciary net position as a percentage of the total pension liability	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 Three Fiscal Years***

	2017	2016	2015
TRS			
Contractually required contributions	\$ 325,863	\$ 304,711	\$ 301,850
Contributions in relation to the contractually required contributions	<u>(325,863)</u>	<u>(304,711)</u>	<u>(301,850)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 10,268,612	\$ 10,007,018	\$ 10,141,766
Contributions as a percentage of covered payroll	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

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, 2017, expenditures exceeded appropriations in the following functions (the legal level of budgetary control):

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	0035	\$ -	\$ 4,074	\$ (4,074)
General Fund	0036	823,481	824,531	(1,050)
General Fund	0041	649,678	663,682	(14,004)

Coldspring-Oakhurst Consolidated Independent School District

Notes to the Required Supplementary Information

Note 2. Pension

TRS - Actuarial Assumptions for Contribution Rate

Actuarial Assumptions – The information presented in the following table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation date	August 31, 2016
Actuarial cost method	Ultimate entry age normal
Amortization method	Level percentage of payroll, floating
Remaining amortization period	33 Years
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Investment rate of return	8.00%
Ad hoc post-employment benefit changes	None
Benefit changes during the year	None

Supplementary Information

Coldspring-Oakhurst Consolidated Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds

August 31, 2017

		211	214
Data Control Codes		ESEA, Title I, Part A - Improving Basic Programs	Title I - School Improvement Program
	ASSETS		
1110	Cash and cash equivalents	\$ -	\$ -
1120	Current investments	-	-
1240	Due from other governments	16,150	-
1300	Inventories	-	-
1000	TOTAL ASSETS	\$ 16,150	\$ -
	LIABILITIES		
2110	Accounts payable	\$ 2,125	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	14,025	-
2300	Unearned revenue	-	-
2000	Total liabilities	16,150	-
	FUND BALANCES		
3450	Restricted - grant funds	-	-
3545	Committed - campus activity	-	-
3000	Total fund balances	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 16,150	\$ -

224	225	240	244	255
IDEA - Part B, Formula	IDEA - Part B, Preschool	National School Breakfast and Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A, Teacher and Principal Training & Recruiting
\$ -	\$ -	\$ 20,749	\$ -	\$ -
-	-	56,249	-	-
848	-	-	3,051	55
-	-	20,295	-	-
<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 97,293</u>	<u>\$ 3,051</u>	<u>\$ 55</u>
\$ 725	\$ -	\$ 29,157	\$ -	\$ 55
-	-	13,934	-	-
123	-	42,863	3,051	-
-	-	788	-	-
<u>848</u>	<u>-</u>	<u>86,742</u>	<u>3,051</u>	<u>55</u>
-	-	10,551	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>10,551</u>	<u>-</u>	<u>-</u>
<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 97,293</u>	<u>\$ 3,051</u>	<u>\$ 55</u>

Coldspring-Oakhurst Consolidated Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds - Continued

August 31, 2017

		287	288
Data Control Codes		Teacher Incentive Fund	JROTC Program
ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -
1120	Current investments	-	-
1240	Due from other governments	40,648	-
1300	Inventories	-	-
1000	TOTAL ASSETS	\$ 40,648	\$ -
LIABILITIES			
2110	Accounts payable	\$ -	\$ -
2160	Accrued wages payable	-	-
2170	Due to other funds	40,648	-
2300	Unearned revenue	-	-
2000	Total liabilities	40,648	-
FUND BALANCES			
3450	Restricted - grant funds	-	-
3545	Committed - campus activity	-	-
3000	Total fund balances	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 40,648	\$ -

385	392	397	410	423
State Supplemental Visually Impaired	Noneducational Community - Based Support	Advanced Placement Initiatives	State Textbook Fund	Peace Officer Allocation - Law Enforcement Officer Stds and Education
\$ -	\$ -	\$ 2,184	\$ 41,233	\$ 2,763
-	-	-	-	-
-	1,380	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,380</u>	<u>\$ 2,184</u>	<u>\$ 41,233</u>	<u>\$ 2,763</u>
\$ -	\$ -	\$ -	\$ 10,465	\$ -
-	-	-	-	-
-	1,380	-	-	-
-	-	2,184	30,768	2,763
<u>-</u>	<u>1,380</u>	<u>2,184</u>	<u>41,233</u>	<u>2,763</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,380</u>	<u>\$ 2,184</u>	<u>\$ 41,233</u>	<u>\$ 2,763</u>

Coldspring-Oakhurst Consolidated Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds - Continued

August 31, 2017

		428	429
Data Control Codes		Literacy and Math Achievement Academies	State Funded Special Revenue Funds
ASSETS			
1110	Cash and cash equivalents	\$ 1,050	\$ -
1120	Current investments	-	-
1240	Due from other governments	-	3,512
1300	Inventories	-	-
1000	TOTAL ASSETS	\$ 1,050	\$ 3,512
LIABILITIES			
2110	Accounts payable	\$ -	\$ 3,423
2160	Accrued wages payable	-	-
2170	Due to other funds	-	59
2300	Unearned revenue	1,050	-
2000	Total liabilities	1,050	3,482
FUND BALANCES			
3450	Restricted - grant funds	-	30
3545	Committed - campus activity	-	-
3000	Total fund balances	-	30
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 1,050	\$ 3,512

461

Campus Activity Fund	Total Nonmajor Funds (See Exhibit C-1)
\$ 35,964	\$ 103,943
-	56,249
-	65,644
-	20,295
<u>\$ 35,964</u>	<u>\$ 246,131</u>
\$ 1,474	\$ 47,424
-	13,934
-	102,149
-	37,553
<u>1,474</u>	<u>201,060</u>
-	10,581
<u>34,490</u>	<u>34,490</u>
<u>34,490</u>	<u>45,071</u>
<u>\$ 35,964</u>	<u>\$ 246,131</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, 2017

		211	214
Data Control Codes		ESEA, Title I, Part A - Improving Basic Programs	Title I - School Improvement Program
	REVENUES		
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	392,951	121,243
5020	Total revenues	<u>392,951</u>	<u>121,243</u>
	EXPENDITURES		
	Current:		
0011	Instruction	329,675	116,869
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	63,166	2,801
0021	Instructional leadership	110	-
0023	School leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
0061	Community services	-	1,573
6030	Total expenditures	<u>392,951</u>	<u>121,243</u>
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

224	225	240	244	255
IDEA - Part B, Formula	IDEA - Part B, Preschool	National School Breakfast and Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A, Teacher and Principal Training & Recruiting
\$ -	\$ -	\$ 313,483	\$ -	\$ -
-	-	32,539	-	-
279,052	6,350	660,558	20,362	116,924
279,052	6,350	1,006,580	20,362	116,924
141,429	6,350	-	20,362	38,436
-	-	-	-	-
-	-	-	-	76,006
-	-	-	-	2,482
-	-	-	-	-
137,623	-	-	-	-
-	-	1,071,462	-	-
-	-	-	-	-
-	-	-	-	-
279,052	6,350	1,071,462	20,362	116,924
-	-	(64,882)	-	-
-	-	75,433	-	-
\$ -	\$ -	\$ 10,551	\$ -	\$ -

Coldspring-Oakhurst Consolidated Independent School DistrictCombining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue Funds - Continued

For the Fiscal Year Ended August 31, 2017

		287	288
Data Control Codes		Teacher Incentive Fund	JROTC Program
	REVENUES		
5700	<i>Local and intermediate sources</i>	\$ -	\$ -
5800	<i>State program revenues</i>	-	-
5900	<i>Federal program revenues</i>	292,497	8,871
5020	Total revenues	<u>292,497</u>	<u>8,871</u>
	EXPENDITURES		
	Current:		
0011	Instruction	41,192	8,871
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	12,840	-
0021	Instructional leadership	237,197	-
0023	School leadership	1,268	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
0061	Community services	-	-
6030	Total expenditures	<u>292,497</u>	<u>8,871</u>
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

385	392	397	410	423
State Supplemental Visually Impaired	Noneducational Community - Based Support	Advanced Placement Initiatives	State Textbook Fund	Peace Officer Allocation - Law Enforcement Officer Stds and Education
\$ -	\$ -	\$ -	\$ -	\$ -
700	5,040	549	67,980	-
-	-	-	-	-
700	5,040	549	67,980	-
700	5,040	-	50,537	-
-	-	-	17,443	-
-	-	549	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
700	5,040	549	67,980	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

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, 2017

		428	429
Data Control Codes		Literacy and Math Achievement Academies	State Funded Special Revenue Funds
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	3,850	33,807
5900	Federal program revenues	-	-
5020	Total revenues	<u>3,850</u>	<u>33,807</u>
EXPENDITURES			
Current:			
0011	Instruction	-	33,404
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	3,850	373
0021	Instructional leadership	-	-
0023	School leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
0061	Community services	-	-
6030	Total expenditures	<u>3,850</u>	<u>33,777</u>
1200	Net change in fund balances	-	30
0100	Fund balances - beginning	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 30</u>

461

Total	
Campus Activity Fund	Nonmajor Funds (See Exhibit C-2)
\$ 33,748	\$ 347,231
-	144,465
-	1,898,808
<u>33,748</u>	<u>2,390,504</u>
-	792,865
-	17,443
-	159,585
-	239,789
-	1,268
-	137,623
-	1,071,462
32,270	32,270
-	1,573
<u>32,270</u>	<u>2,453,878</u>
1,478	(63,374)
<u>33,012</u>	<u>108,445</u>
<u>\$ 34,490</u>	<u>\$ 45,071</u>

Coldspring-Oakhurst Consolidated Independent School District

Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended August 31, 2017

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2008 and Prior Years	\$	Various	\$	Various	\$	Various
2009		1.0400		0.0750		770,997,440
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 (School year under audit)		1.0400		0.0550		1,037,229,406
1000 Totals						

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

Exhibit J-1

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 190,108	\$ -	\$ 9,434	\$ 582	\$ (4,594)	\$ 175,498
56,855	-	2,976	215	(2,475)	51,189
81,412	-	7,207	450	(4,845)	68,910
92,628	-	10,421	551	(4,403)	77,253
154,339	-	33,022	1,746	(20,686)	98,885
234,185	-	75,404	3,988	4,732	159,525
306,062	-	111,715	5,908	3,486	191,925
456,100	-	203,977	10,787	20,604	261,940
655,825	-	353,748	18,708	39,211	322,580
-	11,357,662	10,278,075	543,552	14,298	550,333
\$ 2,227,514	\$ 11,357,662	\$ 11,085,979	\$ 586,487	\$ 45,328	\$ 1,958,038
		\$ -	\$ -		

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, 2017

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 272,150	\$ 302,000	\$ 313,483	\$ 11,483
5800	State program revenues	27,000	34,000	32,539	(1,461)
5900	Federal program revenues	610,000	668,000	660,558	(7,442)
5020	Total revenues	909,150	1,004,000	1,006,580	2,580
EXPENDITURES					
Current:					
0035	Food services	1,018,979	1,096,179	1,071,462	24,717
6030	Total expenditures	1,018,979	1,096,179	1,071,462	24,717
1100	Excess (deficiency) of revenues over (under) expenditures	(109,829)	(92,179)	(64,882)	27,297
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	70,000	-	(70,000)
7080	Total other financing sources (uses)	-	70,000	-	(70,000)
1200	Net change in fund balance	(109,829)	(22,179)	(64,882)	(42,703)
0100	Fund balance - beginning	75,433	75,433	75,433	-
3000	FUND BALANCE - ENDING	\$ (34,396)	\$ 53,254	\$ 10,551	\$ (42,703)

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, 2017

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 587,150	\$ 592,150	\$ 601,967	\$ 9,817
5800	State program revenues	18,106	18,106	17,828	(278)
5020	Total revenues	605,256	610,256	619,795	9,539
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	518,000	518,000	518,000	-
0072	Interest on long-term debt	6,620	6,620	6,620	-
0073	Issuance costs and fees	1,000	1,000	-	1,000
6030	Total expenditures	525,620	525,620	524,620	1,000
1100	Excess (deficiency) of revenues over (under) expenditures	79,636	84,636	95,175	10,539
OTHER FINANCING SOURCES (USES):					
8911	Transfers out	-	(450,000)	(455,408)	(5,408)
7080	Total other financing sources (uses)	-	(450,000)	(455,408)	(5,408)
1200	Net change in fund balance	79,636	(365,364)	(360,233)	5,131
0100	Fund balance - beginning	360,233	360,233	360,233	-
3000	FUND BALANCE - ENDING	\$ 439,869	\$ (5,131)	\$ -	\$ 5,131

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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
125 FM 1514
Coldspring, Texas 77331

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
December 15, 2017



**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
125 FM 1514
Coldspring, Texas 77331

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 U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended August 31, 2017. 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, 2017.

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
December 15, 2017

Coldspring-Oakhurst Consolidated Independent School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2017

Section 1. Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | |
|---|--|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 7. Identification of major programs | ESEA, Title I, Part A –
Improving Basic Programs
84.010A |
| 8. Dollar Threshold used to distinguish Between Type A and Type B federal programs | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

Section 2. Financial Statement Findings

None reported

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, 2017

Prior Year Findings

None reported

Coldspring-Oakhurst Consolidated Independent School District

Corrective Action Plan

For the Fiscal Year Ended August 31, 2017

Current Year Findings

None reported

Coldspring-Oakhurst Consolidated Independent School District

Exhibit K-1

Notes to Schedule of Expenditures of Federal Awards

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	17610101204901	\$ 378,926
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	18610101204901	14,025
<i>ESEA Title I, Part A Priority and Focus School Grant</i>	84.010A	17610112204901000	121,243
Total Program 84.010A			<u>514,194</u>
Special Education Cluster (IDEA):			
<i>IDEA - Part B Formula</i>	84.027A	176600012049016600	279,052
<i>IDEA - Part B Preschool</i>	84.173A	176610012049016610	6,350
Total Special Education Cluster (IDEA)			<u>285,402</u>
<i>Career and Technical - Basic Grant</i>	84.048A	17420006204901	20,362
<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	17694501204901	116,924
Passed Through Region XVIII Education Service Center:			
<i>Teacher Incentive Fund TIF Grant</i>	84.374A	S374A12099	292,497
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,229,379</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non Cash Assistance:			
<i>National School Lunch Program</i>	10.555	00962	62,110
Passed Through State Department of Education - Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401601	164,527
<i>National School Lunch Program</i>	10.555	71301601	433,921
Total Child Nutrition Cluster			<u>660,558</u>
Forest Service Schools and Roads Cluster:			
Passed Through San Jacinto County Treasurer's Office:			
<i>Schools and Roads - Grants to Counties (Minerals)</i>	10.666	N/A	17,550
Total Forest Service Schools and Roads Cluster			<u>17,550</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>678,108</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,907,487</u>

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	\$ 1,907,487
Additional federal revenues reported in General Fund:	
SHARS	258,509
Reserve officers' training corps	59,066
Total federal revenues per Exhibit C-2	\$ 2,225,062

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Coldspring-Oakhurst Consolidated Independent School District
Schedule of Required Responses to Selected
School FIRST Indicators (Unaudited)
For the Fiscal Year Ended August 31, 2017

Exhibit L-1

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (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.	\$ 3,624,066